



# 2022 Report on activities



**Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2022**

***TRANSLATION***

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In accordance with § 71 item 8 of the Ordinance of the Minister of Finance on current and periodical information provided by issuers of securities and the conditions for regarding information required by the law of non-member state as equivalent dated 29 March 2018 (Journal of Laws of 2018, item 757, as amended), report on activities of the Bank and the Group was prepared in the single report. The information in the report refer to the Group (including the Bank) or only to the Bank as specified in the individual chapters, tables or descriptions.

This document is not the official version of the Report on activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2022. Official Report on activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2022 was prepared in accordance with the requirements of the ESEF. This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

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## I. Basic information about the Capital Group of Bank Handlowy w Warszawie S.A.

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

Founded in 1870, Bank Handlowy w Warszawie S.A. is the oldest commercial bank in Poland today and one of the oldest continuously operating banks in Europe. After 150 years in the market, Bank Handlowy has developed a strong brand. Since 2001, the Bank has been a part of Citigroup, a global financial institution, and has since operated in Poland under the brand name of Citi Handlowy.

Today, under the brand name Citi Handlowy, Bank Handlowy w Warszawie SA offers a broad and modern range of products and services of corporate, investment and retail banking. Affiliation with Citi, the leading global financial institution, ensures that clients of Citi Handlowy have access to financial services in almost 100 countries. For more information, please visit <https://www.citibank.pl/poland/homepage/english/history.htm>

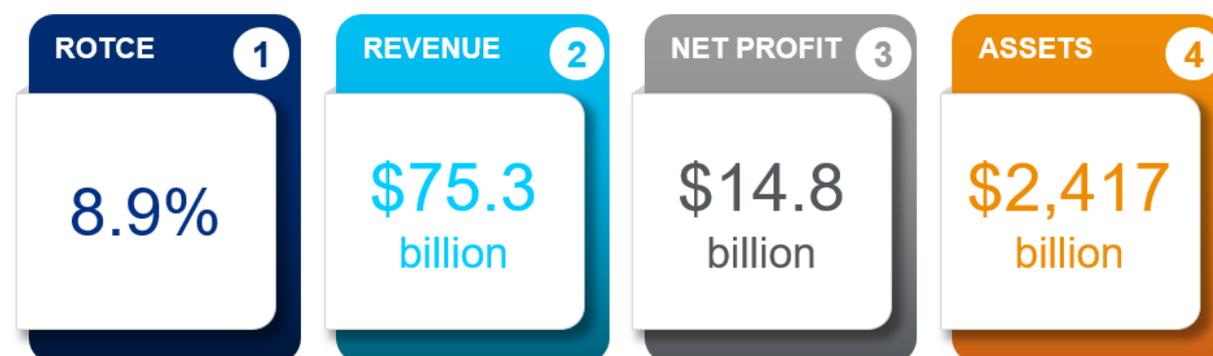
### 2. Ownership structure

The majority and strategic shareholder of the Bank is Citibank Overseas Investment Corporation (COIC) - a company within the Citi group that focuses foreign investments. COIC is the only shareholder of the Bank who holds at least 5% of shares in the capital and votes at the General Meeting of Shareholders. The remaining shares, which constitute 25% of the share capital, are in free float and are listed on the Warsaw Stock Exchange.



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

The Citi Capital Group in numbers for 2022 (Citi financial data for 2022)



### 3. Business profile of Bank Handlowy w Warszawie S.A.

Bank Handlowy w Warszawie S.A. ('Bank', 'Citi Handlowy') is strategically focused on its defined target market.

In the institutional client segment, Citi Handlowy focuses on fostering its leading position among banks which provide services to international corporations and the largest local companies. Small and medium enterprises sector (SME) especially enterprises with international needs and aspirations, are another group of significant clients. In addition, the bank focuses on the acquisition of new clients (including so-called new economics participants – software producing companies) and active strengthening relations with the existing clients from selected industries. These elements are the key for further building the market advantage of the Capital Group of Bank Handlowy w Warszawie S.A.

The Group's objective is to play the role of Strategic Partner to Polish enterprises, who actively supports the expansion of the Polish industry. This is tangibly reflected in the Bank's product offer with foreign exchange transactions and products associated with trade finance and secure trade transactions being its important and inextricable part. Furthermore, the Bank strives to maintain the status of one of the safest venue for keeping institutional clients' savings, which delivers many state-of-the-art and useful solutions in operational accounts and day-to-day cash management.

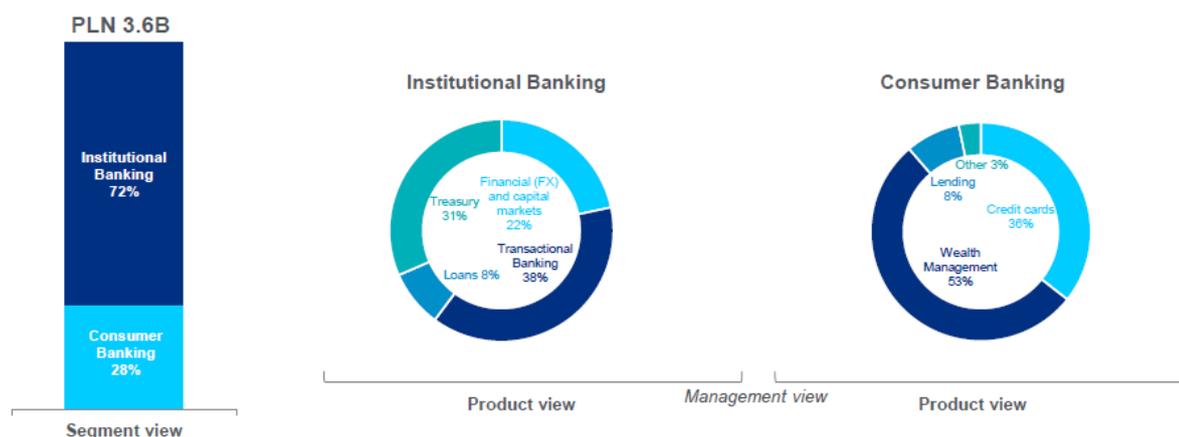
The Bank's sound capital position and its landmark network of international connections, is also appreciated by consumer banking clients. The Bank uses its competitive edge in this regard to foster its leader position in net worth clients banking. Aim-driven, the Bank is constantly developing its offer for Citigold clients and a unique offer - Citigold Private Client, which was launched at the end of 2015 for the most affluent clients. In the retail segment, the Bank focuses on investment products and special rewards for clients who decide to use the Bank's online wealth management products. The Bank's geographic breadth thanks to its international connections, makes the offer for individual clients more attractive and a

unique experience in global banking.

Moreover, Citi Handlowy is an undisputed industry leader in credit cards with access to products from Citi global product range, accepted worldwide and providing exceptional value to the client, such as, among other rewards, loyalty reward schemes.

The Brokerage Department of Bank Handlowy ("DMBH") is one of the most active actors in Poland's capital market among local members of a stock exchange and provides a wide range of brokerage services to both individual and institutional clients.

The structure of the Group's revenues in 2022 (the product view presents the management view).



#### **4. Strategy 2022-2024 - development prospects for the Bank Handlowy w Warszawie S.A.**

In April 2021, Citigroup, the main shareholder of the Bank ("Citi") decided to exit from its consumer segment in 13 countries, including Poland (in January 2022, the divestment from one more consumer market was announced). By doing that, Citi strives to focus on the very strong, priority institutional business. At the same time, Citi wants to develop its Wealth Management services focused across four centers located in Singapore, Hong Kong, UAE and London. Citi Handlowy intends to continue its operations in consumer banking without any changes until the final decision to exit consumer business, and will make every effort to maintain the satisfaction level of individual clients and top quality of the offered products and services, while striving to preserve the business value for the shareholders.

##### **Bank's competitive position**

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

- providing services to global enterprises and Polish enterprises with international aspirations;
- foreign exchange products and trade finance products;
- securitization transactions;
- cash management;
- custody and brokerage services.

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

- on the credit card market ;
- in a complex Wealth Management offer for affluent clients (Citi Private Client - CPC, Citigold segments).

The group is characterized by above-average strong capital position, high liquidity and good-quality credit portfolio, which offers a convenient environment for the Group to take actions aimed at driving increases in key areas. Moreover, its global reach and unique offer for institutional clients running international business activity give the Bank a crucial competitive edge. The strong position of the Bank also results from its unique experience in handling even the most complex transactions and top-quality technology solutions, which ensure smooth and solid provision of services to demanding businesses.

##### **Development prospects**

In December 2021, the Bank adopted a new Strategy for years 2022-2024. According to the strategy, in the institutional segment the Bank will focus on the areas where it has a considerable competitive edge, and especially on Polish companies operating on or planning to expand to foreign markets as well as international companies investing in Poland. The strategy is based on the initiatives aimed at boosting revenues from client operations, including: participation in client transactions in investment banking, acquisition of new clients in commercial banking, maintaining the leading position in the segment of global companies, and focus on delivering the best solutions to clients in the Digital segment. Supporting clients' initiatives

related to ESG (Environmental, Social, Governance) transformation is another important component of the Strategy.

Since at the moment of adopting the strategy no further decisions were taken regarding implementation of the potential sale of Consumer Banking, the Strategy assumes further functioning of the segment within the bank's structures and, therefore, focuses on efforts aimed at keeping the segment's profitability. In particular, the Bank focuses on adjusting its Wealth Management offer to client expectations and maintaining its leading position in credit cards as well as maintaining top quality of its services for clients across all channels and segments.

**Strategy for 2022-2024 – financial goals:**

	<b>Goal</b>	<b>Implementation (2022)</b>
Client revenue compound annual growth rate including:	+9%	+33% YoY
<i>institutional clients</i>	+8%	+14%
<i>Individual clients</i>	+12%	+63%
Return on equity (ROE in 2024)	>12%	24%
Maintaining cost discipline (C/I ratio)	<50%	37%
Customer assets compound annual growth rate (% in three years)	+6%	+1% YoY
Green asset portfolio	PLN 1 billion	Achieved in 38%
Continuation of dividend payment , subject to regulatory approvals (% of net profit)	min. 75%	100% (of net profit for 2021)

**4.1 Institutional banking**

The Bank intends to support its clients in transformation towards adopting their business model to new challenges of a dynamically changing reality. In this area, a great emphasis will be placed on solutions supporting green transformation regarding not only the power sector, but also the entire economy. What will be crucial in the segment of Institutional Banking are services for companies from industries undergoing intense digitization and those which experienced important shifts in the international supply chain. The Bank's focus remains on financial institutions and big public and local government institutions. The Bank will make efforts to propose a top-quality offer to each of the above groups, including, among others, transformation and consolidation financing products, trade financing products and hedges against the risk associated with running an international business, and also a comprehensive offer of liquidity services, and finally services related to handling the most complex transactions in the capital and debt market.

The integration of Dom Maklerski (Brokerage House) Banku Handlowego w Warszawie S.A. into the Bank was completed in mid-2022. A key factor in the performance of the Bank's Brokerage House is investment activity on the part of institutional investors. For this reason, the integration of banking and brokerage business will have a tangible impact on the institutional segment, allowing it to offer even more financial services to its clients, particularly by helping them manage their investment portfolio. This will have a positive impact on cost efficiency for both the Bank and customers. From the perspective of the national equity market, stable trends have been observed for a few years that include an increased share of remote stockbrokers in stock market turnovers, the consolidation of bank groups and structural changes in stock market turnovers. Following the market trends, the Bank has been implementing technology projects to continue the automation and improvement of processes that allow a cost effective servicing of Polish and international institutional clients that are interested in algorithmic trade and high volume transactions. In the face of fierce competition and observed changes in the structure of stock market turnovers, the Bank will not aspire at all costs to become the market leader in terms of turnovers. Its goal is to maintain the economic effectiveness of its operations.

The Bank intends to continue to play a key role in the capital operations market by actively participating in the execution of initial public offerings (IPOs), secondary public offerings (SPOs), accelerated equity offerings (AEOs) and calls for the sale or exchange of shares. The Group allows its clients to access foreign capital through the global distribution network of Citi and makes it possible to execute transactions within investment banking and offer a wide range of transaction structuring options on the capital market, both in terms of products and geography, which is an definitely a competitive advantage. The Group aims to further support its corporate clients and develop cooperation regarding products of investment banking and capital markets in the Commercial Bank Division.

**4.2 Consumer banking**

In line with the 2022-2024 strategy, the Bank will offer a full range of services to individual customers, following the latest trends and proactively responding to changes in customer behavior and expectations in a post-pandemic reality, as well as to changing macroeconomic conditions (an environment of high interest rates, persistently high inflation and an expected economic slowdown) having a radical impact on the financial decisions of the Bank's customers. Customer segmentation will be maintained, distinguishing between affluent customers (Citigold and Citigold Private Client), consumer banking customers and card customers, or those using only unsecured products.

The Bank will strive to strengthen its leading position in the area of banking for affluent client segment. Aim-driven, the Bank will continue to develop its offer for Citigold Private Client (CPC) and Citigold clients. The Bank is going to increase the portfolio of clients from those segments by proactive acquisition and reinforcement of relationships with existing clients. CPC and Citigold clients will be serviced in a hybrid model through modern financial service centers located in Poland's largest cities, the assistance of dedicated, professional personal Relationship Managers and independently through intuitive electronic platforms. An important component of the offer addressed to this group of clients will be the top-quality global

banking solutions offered in cooperation with other Citi group entities around the world.

In addition, the Bank will win aspiring wealthy and mass customers, using CitiKonto, i.e. a personal account offer for everyday banking, with a unique currency offer and access to Citi Kantor, which enables quick currency exchange in electronic or mobile banking.

In the area of credit cards, the Bank plans to continue implementation of the strategic partnership program and development of remote and digital channels, thus seeking to strengthen the value created for customers and to boost new customer acquisition. As a leader on the credit card market, the Bank will continue to offer products from Citi global range, accepted worldwide and providing exceptional value to the client, such as CitiSpecials Program. At the same time, the Bank plans to renew its offer of benefits and privileges available to customers as part of its flagship credit cards, e.g. Citibank World Mastercard®.

The integration of Dom Maklerski Banku Handlowego S.A. into the Bank should also create a number of new opportunities for the retail segment: unique offer of foreign markets with the CitiFX Stocks platform and model investment advice regarding foreign shares and bonds. Thanks to the integration of DMBH and the Bank, clients will benefit from simplified process solutions, allowing for easier management of their overall finances and investment activities, as well as an expanded range of advice offered by the Bank.

## **5. Major results and developments in 2022**

### **5.1 Summary financial data of the Bank and the Group in 2022**

In 2022 the Group recorded net income amounting to PLN 1,545.7 million, which is higher by PLN 828.2 million (i.e. 115.4%) comparing to the 2021 profit. The increase in net profit was driven by higher revenues, which grew by PLN 1,293.4 million (i.e. 54.9%) to the level of PLN 3,647.5 million. The driving factor impacting the increase in revenues was higher net interest income realized mainly in the area of treasury activity due to an unprecedented interest rate increase cycle, raised by the Monetary Policy Council (reference rate increased from 1.75% at the end of 2021 to 6.75% at the end of 2022). In segments view, the revenues in 2022 in Institutional Banking segment increased by PLN 879.5 million (i.e. 50.8% YoY), while the Consumer Banking segment also recorded an increase in revenues by PLN 413.9 million (i.e. by 66.6% YoY).

The preliminary stand-alone net profit of the Bank (distributable) for 2022 amounted to PLN 1,569.3 million and was higher by PLN 853.3 million than the profit for 2021.

At the same time, in 2022, the Group maintained a strong and safe capital position, achieving a total capital ratio of 17.6% as at the end of December 2022.

<i>PLN million</i>	<b>Bank</b>		<b>Capital Group</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Total assets	69,893.0	61,681.6	69,801.4	61,862.8
Equity	7,899.6	7,316.0	7,960.2	7,383.4
Amounts due from customers*	21,620.5	21,187.2	21,620.5	21,327.6
Deposits *	48,950.4	42,770.0	48,795.5	42,781.9
Net profit	1,569.3	716.0	1,545.7	717.5
Capital adequacy ratio	17.3%	19.8%	17.6%	20.1%

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

## 5.2 Key achievements in 2022

2022 was the year of implementing the growth strategy in the key areas for the Group, which is confirmed by the following achievements and events:

The Group's key business achievements in 2022 are as follows:

- **The Bank granted a total of PLN 5.7 billion in financing for clients of Institutional Banking**, of which PLN 2.8 billion for Commercial Banking Clients, PLN 1.6 billion for Corporate Clients and PLN 1.4 billion for Global Clients - as a result the **credit volumes in this segment increased by 8% YoY**
- The Bank supported clients in effective foreign currency risk management in volatile markets environment - as a consequence, the **FX volumes in the Institutional Banking segment increased by 30% YoY**;
- Also, **the Bank supported initiatives in the area of sustainable growth**, including for example: granting financing for the leader in the recycling industry, as well as granting a guarantee line for a company from the retail industry, based on the implementation of goals in the area of responsible business. As a result, only in 2022 **the Bank realized 38 % of the goal defined in the bank's strategy for 2022-2024 regarding PLN 1 billion in green assets**;
- In the Consumer Banking area, the Group continued its growth in the Wealth Management area, as evidenced by the **increase in the number of affluent clients (Citi Private Client) by 8% YoY. As a result, deposits of individual customers grew by 6% YoY** (dynamics higher than in the banking sector), which shows that the Bank has built an attractive offer for its clients;
- The Bank also focused on improving customer experience, incl. digital tools such as CitiKantor. **FX transactions volumes in the Consumer Banking segment increased by 75% YoY, and the number of FX transactions increased by 31% YoY**;

## 6. Awards and honors

In 2022, the Bank and the Kronenberg Foundation at Citi Handlowy were awarded prestigious titles and rewards:

- **Citi Handlowy tops rankings of Cash Management in Poland for the ninth time**  
For the ninth time in a row Citi Handlowy topped the Cash Management ranking of Euromoney in the **Market Leader** category. With over 21,500 votes cast, persons responsible for finance management in companies assessed solutions of transaction banking. Citi Handlowy offers its corporate clients a wide range of advanced solutions of finance management. The bank focuses on developing tools facilitating instant response and real-time digital settlements.
- **Private banking of Citi Handlowy recognized again in an international survey by Euromoney**  
*Euromoney* (prestigious UK magazine) recognized the achievements of Citi Handlowy in its annual Private Banking and Wealth Management Survey. For another year in a row, the bank was considered one of the top providers of the best financial services to Polish millionaires and their families. The private banking services offered by Citigold Private Client were ranked in Top 3 in as many as 14 of 17 categories covered by the survey, including areas such as customer service, investment advice, wealth management, global banking, wealth succession, and proposal for HNWI clients.
- **Citi Handlowy with BondSpot award for cash market leader**  
Citi Handlowy confirmed its leadership position in the challenging capital market and was once again awarded the prize for the highest turnover on the Treasury BondSpot Poland spot market (Treasury Bonds).
- **Seventh "Golden Banker" for Citi Handlowy in the "Best Credit Card" category**  
Once again, a credit card of Citi Handlowy – Citibank-BP Motokarta – has been selected as the best product on the market in its category in the Golden Banker ranking organized by Bankier.pl and Puls Biznesu. It is the only credit card submitted for the ranking with no issuance, maintenance and renewal fees. In addition, the Bank offers a possibility to convert the debt into installments without commission.
- **Diversity IN Check: Citi Handlowy among the leaders in diversity management**  
Citi Handlowy and the Citibank Europe shared services center have been listed in the group of 38 companies recognized as the most advanced in diversity management, caring about inclusion in the organization and striving to achieve social cohesion. The list was created on the basis of the Diversity IN Check survey conducted by the Responsible Business Forum, which coordinates the Diversity Charter in Poland. The purpose of the survey is to diagnose the extent to which a given organization is advanced in diversity management and the creation of an inclusive work environment.
- **Citi Handlowy makes the Forbes ranking "Poland's Best Employers 2022"**  
In the second edition of its "Poland's Best Employers 2022", Forbes has selected the winners – Poland's 300 most employee-friendly companies, by industry. Citi Handlowy is included in the category "The Best Employers. Banks and Financial Services".
- **Citi Handlowy among dream employers**  
Citi Handlowy has for the second time been ranked among the 50 dream employers in Poland by the WPROST weekly. It ranked highest among commercial banks. It was appreciated not only for its care for employees and attention to employment conditions, but also for the support of refugees from Ukraine.

<https://rankingi.wprost.pl/10702891/50-najlepszych-polskich-pracodawcow-tutaj-polakom-pracuje-sie-najlepiej.html>

- Citi Handlowy on the podium in the “Efficiency Stars” category by Dziennik Gazeta Prawna**  
 In the eighth edition of the “Gwiazdy Bankowości” (Stars of Banking) ranking, organized by Dziennik Gazeta Prawna together with the consulting firm PwC, Citi Handlowy was ranked 2nd in the Efficiency category. The indicators evaluated in this category were the following: return on equity (ROE), level of interest and commission margin and risk costs. Citi Handlowy ranked second in the category. As justified by the jury, this is a derivative of the bank’s strategy – to focus on servicing companies, operating in financial markets and providing services to affluent customers.
- Citi in Poland with the Mayor of Olsztyn’s “St James Statuette” award**  
 Citi Handlowy and Citi Solutions Center, one of the largest employers in Olsztyn, has been awarded the St James Statuette in the Economy category for 2021 by the mayor of Olsztyn. The award was given in recognition of the company’s commitment to the economic development of the city, stemming the significant rise in unemployment in the region during the pandemic, as well as for its work in the local community. The trust that Citi has placed in the City of Olsztyn was also appreciated. Award of the Mayor of Olsztyn, the “St James Statuette”, is the most important award given by the city and the Mayor. Awards are presented in the fields of culture, science, sport, economy, non-governmental activities and for special merits for Olsztyn.
- Citi Handlowy in the WIG-ESG index**  
 Citi Handlowy is part of the WIG-ESG index, which comprises companies considered socially responsible, i.e. those that follow the principles of socially responsible business, in particular in terms of environmental, social, economic and corporate governance issues. In 2019, the WIG-ESG Index replaced the previous RESPECT Index which also, throughout its existence, included Citi Handlowy.

## II. Poland’s economy in 2022

### 1. Main macroeconomic trends

#### External environment

The year 2022 was marked by a slowdown in global economic growth due to a supply shock in the commodities market and the consequences of the war in Ukraine. Global GDP growth is likely to slow down in 2022 to 2.9 percent YoY, compared to 5.8 percent YoY growth in 2021. A major challenge for the global economy in the past year was the strong inflationary pressure caused by the energy crisis, disruptions in international supply chains and the heating up of the economy at the end of 2021 as a result of the abolition of Covid-19 pandemic restrictions. In response to stubbornly high price growth, major central banks have been decisively tightening monetary policy. The Federal Reserve’s rate at the end of 2022 was 4.25-4.50%, while the ECB ended 2022 with a refinancing rate of 2.5%.

In 2023, global growth is likely to decelerate to around 2.1% of the GDP, and the scale of the slowdown should be most pronounced in the Eurozone, which, despite previous concerns, is highly likely to avoid recession. We expect interest rate hikes by the major central banks FED and ECB to be completed by second quarter of 2023, which should favor a disinflationary scenario in these economies. One of the main risk factors affecting global economic activity and the continuation of price pressure remains the risk of rising commodity prices, which may be particularly associated with the opening up of the Chinese economy after the lockdown period.

#### Gross Domestic Product („GDP”)

Contribution to GDP growth (%) – forecast of February 2, 2023



Source: Chief Statistical Office, Citi Handlowy forecasts

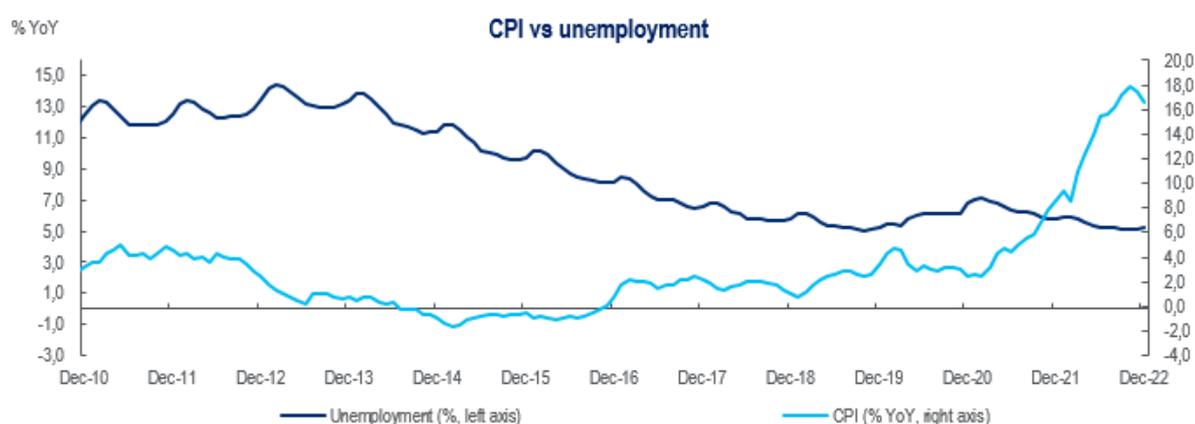
Poland's Gross Domestic Product rose 4.9% in 2022, as compared to 6.8% in 2021. Continued economic growth at a still very high level was underpinned by a 3% increase in private consumption in 2022 against 6.3% in 2021 and a 4.6% YoY increase in fixed assets expenditures against 2.1% YoY a year earlier. Despite earlier concerns and much lower forecasts made at the beginning of 2022, the GDP data surprised positively, although this was mainly to do with the startlingly strong growth at the beginning of the year. Private consumption in 2022 was supported by spending by refugees from Ukraine, as well as a very good labor market situation. The unemployment rate at the end of 2022 was 5.2% compared to 5.8% in 2021.

The strong labor market is also reflected in data on average wages in the corporate sector, which accelerated to 12.9% YoY in 2022, compared to 8.8% YoY a year earlier. Wages grew particularly strongly in mining, transport and manufacturing. Industrial output growth slowed to 10.2% YoY from 14.7% YoY in 2021, and construction output slowed to 6.2% YoY from 8.5% YoY in 2021. Despite relatively high average annual growth rates in industry and construction, the second half of the year saw a significant slowdown in growth in both of these sectors due to high energy and gas prices and weakening foreign demand. Furthermore, the construction sector is adversely affected by high interest rates, which have held back the mortgage market.

Poland's economic growth in 2023 will be influenced by the scale of the economic slowdown in Western Europe and the development of commodity market prices, particularly gas prices.

## Inflation

### CPI vs Unemployment



Source: NBP, Chief Statistical Office, Citi Handlowy

Price levels of consumer goods and services in 2022 rose on average by 14.4% as compared with 5.1% in 2021. The main contributors to the very high inflation were increases in the prices of fuel, energy carriers and food. Most of the underlying categories also grew at more than double-digit rates. The year-average net inflation went up to 9.1% from 4.1% in 2021. The acceleration in the growth of prices and services in the Polish economy in 2022 was mainly due to two factors: the increase in energy and commodity prices, which led to second-round effects and the spill-over of price rises throughout the economy, and demand pressure, driven by the upturn in the labor market, which forced some companies to raise the prices of their products. We expect inflation to peak in February 2023 and CPI could even approach the 20% limit. However, from March 2023 onwards, we expect a gradual slowdown in inflation dynamics, chiefly due to a high base effect and the stabilization of commodity prices. However, inflation will continue to stay well above the inflation target and the risk of core inflation remaining close to double-digit levels remains very high.

In response to the stubbornly rapid growth of prices and services in the economy, the Monetary Policy Council ("RPP") continued to tighten monetary policy in 2022. The RPP raised interest rates to 6.75% from 1.75% at the end of 2021.

## 2. Money and forex markets

### Exchange rates



Source: Reuters, Citi Handlowy

In 2022, the Polish zloty depreciated by about 2.1% versus the euro and by about 8.4% to the U.S. dollar (vs. the end of 2021). The impetus for the leap in the depreciation of the domestic currency was the outbreak of the war in Ukraine, as a result of which the EUR/PLN exchange rate rose to its highest level ever, temporarily exceeding the 5.00 mark. The significant depreciation of the domestic currency was also a result of the strengthening of the dollar on global markets, linked to the Fed's aggressive monetary tightening and the increase in risk aversion on international markets. The zloty's 2022 quotations were also not helped by the current account deficit, caused mainly by high commodity prices.

Monetary market rates increased in 2022 in the wake of growing RPP interest rates. The WIBOR 3M rate was 7.02% at the end of December 2022, as compared with 2.54% at the end of December 2021. NBP interest rate increases had a greater effect on the short end of the bond yield curve, which became flatter as a result. In 2022, the yield of 2-year T-bonds increased by 326 bps, to 6.72% as at the end of 2022 from 3.46% as at the end of 2021. The yield of 10-year bonds increased by 311 bps, to 6.86% as at the end of 2022 from 3.75% as at the end of 2021.

## 3. Capital market

2022 proved to be a year of dynamic drops in global stock markets. Ongoing restrictive monetary policy by major central banks in response to high inflation readings, Russia's invasion of Ukraine and concerns over the energy crisis in Europe have negatively impacted global stock market sentiment and significantly increased risk aversion. In addition, factors of a regulatory nature (e.g. the introduction of credit holidays, announcements of taxes on windfall profits) did not favor the listing of companies on the domestic stock market.

In such an environment, all the main indices on the WSE recorded two-digit drops. Last year, the broadest market index, WIG, lost 17.1% YoY. The index of the biggest companies, WIG20, decreased by 20.9% YoY (-18.3% including dividends). The highest loss was recorded by the mid-cap company index, mWIG40, which lost 21.5% YoY. sWIG80 continued dynamic drops and ended 2022 12.8% below the level recorded at the end of 2021.

By sector, only three sub-indices recorded a positive rate of return: The WIG-Chemistry gained 10.8%, the WIG-Construction improved by 8.5% and the WIG-Mining rose by 1.6% YoY. On the other hand, the greatest depreciation was recorded by the food sector (dominated by the Ukrainian companies), which lost 55% YoY. In addition, listing pressure was observed in the medical sector (-42.6 percent YoY) and in WIG-Clothing (-37.9 percent YoY), which was the growth leader among sector sub-indices a year earlier.

2022 saw a significant drop in activity in the IPO market. Over the last 12 months, the main floor on the WSE saw the IPO of 8 companies (vs. 16 debuts recorded in 2021). The value of the offerings was PLN 40 million and was significantly lower than in the previous year (almost PLN 9.2 billion). Simultaneously, the delisting of companies from the WSE also continued. In 2022, the shares of 23 entities were removed from the WSE main floor (against 20 in 2021). Consequently, at the end of December 2022, 415 companies were traded on the WSE (compared to 430 a year before), including 44 foreign ones. Total capitalization of companies listed on the main floor reached PLN 1,114 billion (-18% YoY), 52% of which was represented by domestic companies (PLN 575 billion in nominal terms).

Stock market indices, as at 31 December 2022

Index	2022 (1)	2021 (2)	Change (%) (1)/(2)	2020 (3)	Change (%) (2)/(3)
WIG	57,462.68	69,296.26	(17.1%)	57,025.84	21.5%
WIG-PL	58,864.46	70,792.15	(16.8%)	58,270.52	21.5%
WIG-div	1,088.23	1,255.85	(13.3%)	1,102.18	13.9%
WIG20	1,792.01	2,266.92	(20.9%)	1,983.98	14.3%
WIG20TR	3,465.54	4,243.99	(18.3%)	3,633.75	16.8%
WIG30	2,187.63	2,764.93	(20.9%)	2,312.73	19.6%
mWIG40	4,154.32	5,291.72	(21.5%)	3,976.50	33.1%
sWIG80	17,496.16	20,056.08	(12.8%)	16,096.36	24.6%
<b>Sector sub-indices</b>					
WIG-Banks	6,251.97	8,640.27	(27.6%)	4,765.33	81.3%
WIG- Construction	4,081.96	3,763.20	8.5%	3,662.06	2.8%
WIG-Chemicals	10,887.39	9,822.11	10.8%	7,697.82	27.6%
WIG-Energy	2,108.92	2,415.19	(12.7%)	2,040.76	18.3%
WIG-Games	16,816.67	22,304.77	(24.6%)	28,873.53	(22.8%)
WIG-Mining	4,612.64	4,539.55	1.6%	5,625.47	(19.3%)
WIG-IT	3,974.54	4,706.08	(15.5%)	3,863.01	21.8%
WIG-Medicines	2,923.20	5,096.92	(42.6%)	4,682.94	8.8%
WIG-Media	6,032.39	8,762.86	(31.2%)	6,042.75	45.0%
WIG-Automotive	6,485.02	6,728.61	(3.6%)	3,981.19	69.0%
WIG-Developers	2,624.35	2,841.12	(7.6%)	2,385.90	19.1%
WIG-Clothing	5,889.48	9,479.24	(37.9%)	5,158.73	83.8%
WIG-Oil & Gas	6,010.43	6,494.21	(7.4%)	4,954.47	31.1%
WIG-Food	2,016.48	4,484.31	(55.0%)	3,641.75	23.1%

Source: WSE, Dom Maklerski Banku Handlowego S.A.

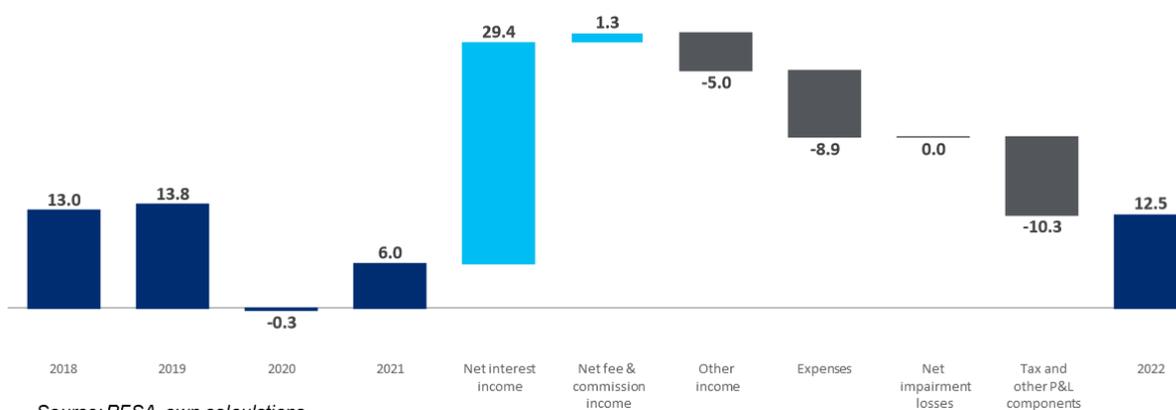
Value of trading in shares and bonds, volume of trading in derivatives on WSE, as at 31 December 2022

	2022 (1)	2021 (2)	Change (%) (1)/(2)	2020 (3)	Change (%) (2)/(3)
Shares (PLN million)*	586,221	661,969	(11.4%)	622,249	6.4%
Bonds (PLN million)	11,802	4,196	181.3%	3,249	29.1%
Futures ('000 contracts)	30,560	23,414	30.5%	22,231	5.3%
Options ('000 contracts)	628	556	13.0%	749	(25.8%)

Source: WSE, Brokerage Department of Bank Handlowy, \*data including session and block transactions.

#### 4. Banking sector

Net profit of the banking sector (PLN billion)



Source: PFSa, own calculations

## Financial results

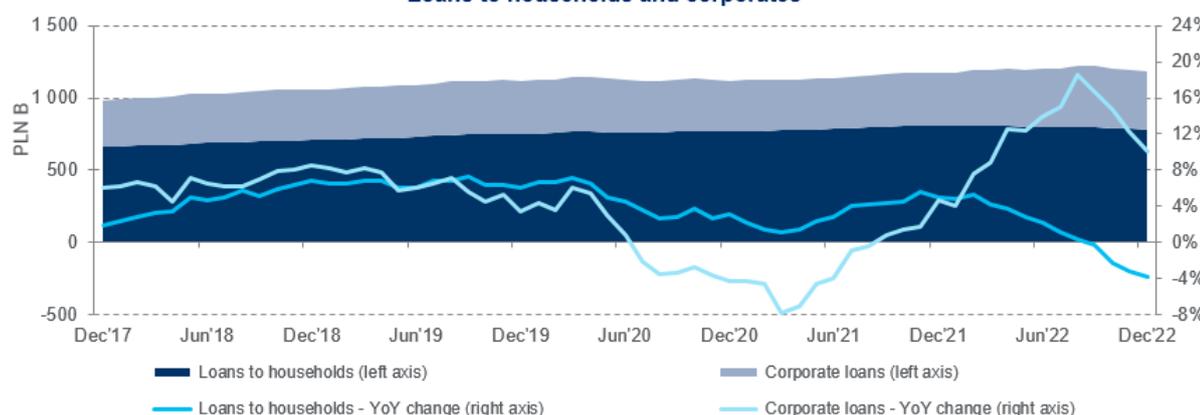
According to data published by the Polish Financial Supervision Authority (“KNF”), the banking sector generated a net profit of PLN 12.5 billion in 2022, i.e. more than twice as high as in the previous year (+109% YoY or PLN 6.5 billion). The factor that had the greatest impact on that improvement of the sector results was the tightening of monetary policy which brought the interest rates to the highest level in the last 20 years. As a result, even despite the credit holidays, the banking sector's net interest income was consistently growing, and slightly exceeded PLN 76 billion (+63% YoY or PLN 29 billion). Net commission income also improved, however to a much lower extent. It amounted to PLN 18.5 billion for the entire year 2022, i.e. rose 7.6% YoY, or PLN 1.3 billion. Total revenues were negatively impacted by other revenues (PLN -1.4 billion compared to an increase in 2021), affected by the costs of court proceedings and the weak trading result. Despite this, the sector achieved record-high revenues, higher than PLN 93 billion (+38.2% YoY or PLN 26 billion).

However, this high increase in revenues was followed by a significant increase in costs. On the one hand, the banks faced a significant increase in costs fueled primarily by wage pressure, rising energy prices and the highest inflation in over 20 years, and on the other, by high regulatory costs (BFG contributions rising by 66% YoY, to PLN 3.7 billion, plus approx. PLN 1.4 billion in contributions to the Borrowers' Support Fund) and the costs of the Commercial Bank Protection System established by 8 banks (approx. PLN 3.5 billion). In total, administrative costs nearly reached PLN 40 billion in 2022, i.e. +29.0% YoY or PLN 9.0 billion. A slight decrease in depreciation & amortization (-1.7% YoY, or PLN 77 million, to PLN 4.6 billion) was some relief. Despite such high cost increases, revenues were growing even faster, which translated into an improvement in efficiency measured by the cost to income ratio, at the level of 48% (compared to 53% in 2021).

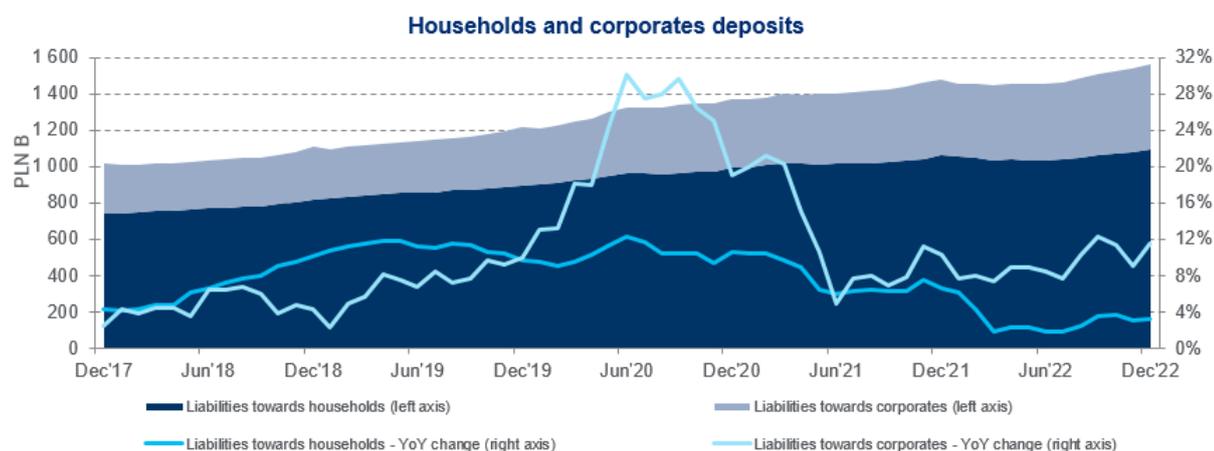
According to the data received by the KNF so far, the write-downs and provisions recorded in 2022 remained nearly flat from 2021, i.e. they reduced the banks' results by PLN 15.5 billion. This amount already includes over PLN 9 billion of costs related to court cases and settlements regarding CHF mortgage loans. However, there is a high risk that this amount will go higher due to events that took place at the beginning of 2023. In accordance with the methodology adopted by the KNF, the banking sector also incurred a loss of PLN 7.0 billion due to net modifications, which is actually related to the fact that part of the costs of credit holidays was booked in this item. The estimated amount of the bank levy paid by the banking sector amounted to PLN 5.3 billion (+18.2% YoY or PLN 819 million). The costs of income tax turned out to be even higher and reached PLN 8.4 billion in 2022 (+36.8% YoY or PLN 2.3 billion).

Data on the quality of the loan portfolio from the end of December 2022 indicate that, despite concerns, interest rate hikes had no adverse impact on the ability of customers to service their debts.. The share of stage 3 loans (more than 90 days past due) fell from the level of 5.4% at the end of 2021 to the all-time low of 5.0%. Improvement was recorded in the portfolio of household loans (-0.2 p.p. YoY, to 4.9%), in particular in unsecured loans (-0.8 p.p. YoY, to 8.6%), and above all in corporate loans (-0.9 p.p. YoY, to 6.4%). One should especially note the improvement in the timely repayment of loans of SMEs – the share of NPL decreased by as much as 1.2 p.p. YoY to a record-low level of 9.6%. However, the positive image of portfolio quality is disturbed by an increase in the share of stage 2 loans (loans past due between 30 and 90 days), both in the retail and corporate segments. In this case, however, the levels are still quite far from all-time highs.

Loans to households and corporates



Source: NBP, own calculations



In 2022, the growth rate of loans to the non-financial sector decreased significantly from the level of +4.4% YoY (PLN 55 billion) as at December 2021 to +1.5% YoY (PLN 19 billion). The main reason for the slowdown was the negative dynamics of loans to households (-3.8% YoY, PLN 31 billion at the end of 2022, while at the end of 2021 it was +4.9% YoY, PLN 38 billion). The negative trend in the retail segment was more than covered by lending in the corporate segment. The volume of loans to non-financial companies increased by 10% YoY (PLN 37 billion) in 2022, i.e. twice as fast as in 2021 (+4.7% YoY, PLN 16 billion). In terms of the by-type structure, it is clearly visible that current loans were the most popular (+12.9% YoY, PLN 22 billion), while the volume of investment loans was growing at a much slower pace (+8.4% YoY, PLN 11 billion), and loans for purchase of real estate recorded an increase by 5.4%, i.e. PLN 3 billion. It is worth noting that in each of the above-mentioned categories, the trends of loans in foreign currencies was significantly, i.e. several times, higher than in the case of loans in the domestic currency, and this disparity was significantly higher than it could result from the mere depreciation of the zloty against the main foreign currencies. In total, the volume of PLN loans increased by 4.8% YoY, PLN 13 billion, while in foreign currencies the growth rate was 23.2% YoY, PLN 24 billion. The term structure of loans confirms earlier observations. The volume of loans with a maturity of up to 1 year increased by 23.0% YoY, significantly ahead of loans with the average time to maturity (from 1 to 5 years), where the annual growth rate reached 8.7% YoY. Long-term loans (over 5 years) were the poorest performers, with an increase of +4.1% YoY. The total value of receivables of the banking sector from non-financial companies amounted to PLN 402 billion at the end of December 2022, and it should be noted that almost the entire increase was achieved in the first three quarters, while the last two months of 2022 saw a noticeable decrease in the volume of current loans.

Rising interest rates and a deteriorating macroeconomic situation had a much more visible adverse impact on the situation in the retail segment of the credit market. A decline was recorded in all loan categories. The most significant decline was recorded in investment loans (-17.1% YoY, i.e. PLN 4 billion) and current loans to sole proprietors and individual farmers (-7.0% YoY, i.e. PLN 3 billion). Also in the area of real estate loans, there was a significant decrease in volume by 3.2% YoY, i.e. PLN 17 billion. Despite a significant weakening of the zloty against the Swiss franc, it was mainly related to loans in foreign currencies (-8.2% YoY, PLN 9 billion). The slowdown in lending and early repayments also resulted in a decrease in the volume of PLN mortgage loans, but on a much smaller scale (-1.8% YoY, PLN 8 billion). The whole portfolio of residential mortgage loans to households reached nearly PLN 513 billion as of 31 December 2022, of which PLN-denominated loans amounted to PLN 410 billion (80%). Poor performance also occurred in the area of sales of consumer loans. In 2022, the volume of these loans decreased by 2.8% YoY, i.e. nearly 6 billion. As regards the term structure, there was even a slight increase in volume of loans with time to maturity up to 1 year (+1.7% YoY, PLN 741 million), but the other categories of loans in terms of maturity showed a negative trend with declines even as deep as 13% YoY (time to maturity from 10 to 20 years). In total, the household loan portfolio fell to the level of almost PLN 778 billion.

In 2022, the rate of inflow of deposits from non-financial entities significantly decreased from +11.1% YoY (PLN 173 billion) at the end of 2021 to +6.0% YoY (PLN 103 billion) at the end of December 2022. Also in this case, the volume trend for deposits and other liabilities to corporate clients (+11.6% YoY, PLN 48 billion) significantly exceeded the growth rate in the area of retail clients (+3.3% YoY, 34 PLN billion). The rising interest rates clearly translated into a sharp increase in the volume of term deposits from non-financial companies (+83.6% YoY, PLN 64 billion), partly sourced from current accounts, whose volume decreased by 4.5% YoY, PLN 15 billion. The total liabilities of the banking sector to non-financial companies reached PLN 465 billion.

In turn, in the retail segment, the volume of deposits and other liabilities to households reached the level of PLN 1,094 billion at the end of December 2022. The decisions of the Monetary Policy Council had a comparable impact on this segment and on the corporate segment. The volume of term deposits increased by 94.7% YoY, PLN 156 billion. On the other hand, the volume of current deposits decreased by 13.5% YoY, i.e. PLN 121 billion.

Significantly higher dynamic of deposits than that of loans translated into further increase in liquidity in the banking sector. The loan-to-deposit ratio of non-financial clients fell by 3.3 p.p. YoY, recording its all-time low at the level of 73%.

## 5. Factors with an impact on the financial results of the Bank's Group in 2023

### War in Ukraine

On February 24, 2022, an unprecedented event took place – the invasion of the independent state of Ukraine by Russian troops. The outbreak of war in a country neighboring Poland has a significant impact on the economic and operational environment in which the Bank operates. The Management Board of the Bank monitors the situation of the outbreak of war in Ukraine and its direct impact on the Bank's operational activity, including the quality of the credit portfolio, which was described in the note "Risk management" in the Annual Consolidated Financial Statement of the Capital Group Bank Handlowy w Warszawie S.A. for the financial year ending on December 31, 2022.

#### The operating activity of the Bank

The Management Board of the Bank monitors the outbreak of the war in Ukraine and its direct impact on operating activities of the Bank, including for lending activities and operations related to operational risk (mainly threats in cyberspace).

In case of lending, the Bank is not active in Ukraine, Russia or Belarus, and the Bank's credit exposure to companies significantly involved in these countries is less than 0.5% of the Bank's exposure to credit risk.

#### Supporting the Bank's customers and corporate social responsibility

The Bank undertook a number of initiatives to support institutional and individual clients, such as:

- Cancel the fees for individual and corporate transfers to Ukraine
- Launch of special www site with important information for clients from Ukraine
- Fast track to open a personal account in Poland for Ukrainian citizens
- Cash disbursement ability for corporate clients to support their staff (mainly refugees)
- Opening of banking accounts for 8 international NGOs within few days

In addition, the Bank Foundation Leopold Kronenberg undertook and coordinated activities in the field of aid for refugees. Approx. 800 Citi volunteers in Poland are involved in helping refugees in over 60 projects concerned, among others:

- Support the evacuation of children suffering from cancer from Ukraine to Poland
- Help in finding a safe shelter in Poland for orphaned children and children from foster families
- Organization of several dozen material collections
- Support for organizations working at the border

### Trends in the Polish and global economy

The most significant risk driver in the following quarters is still the war between Russia and Ukraine. A possible escalation of the armed conflict could contribute to a renewed weakening of the national currency and greater risk aversion. An intensification of military action could also trigger renewed increases in commodity prices, including gas and oil in particular, which could contribute to renewed inflationary pressures.

Uncertainty about the timing and scale of the inflow of funds from the National Recovery Fund (NRP) remains a local risk factor for economic activity. The lack of NRP funding could cause a significant decline in local government investment and exacerbate the downturn in the construction industry. In addition, the lack of NRP disbursements could have the effect of worsening the prospects for financing the current account deficit.

One of the potential risks is also the possibility of inflation becoming entrenched at high levels and strengthening the upward pressure on wages in the Polish economy. This could ultimately lead to a prolonged period of higher interest rates and a deeper economic downturn affecting the Bank's customers.

### Legal and regulatory risks

#### Legal risk related to the portfolio of loans indexed to foreign currencies

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

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

As at December 31, 2022, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount

of PLN 44,5 million. The Bank maintains a portfolio provision for this in the amount of PLN 11.3 million. Estimation of the provision assumed the expected level of customer complaints based on the trend observed by the Bank, which is different for active loans and for loans repaid before the balance sheet date, as well as the probability of a settlement or court solution and the Bank's loss estimate in the event of a dispute in court. This value, as well as provisions for individual disputes, are included in the Bank's consolidated statement of financial position under item: Provisions.

As at December 31, 2022, the Bank was sued in 68 cases relating to a CHF-indexed loan for a total amount of approximately PLN 24.0 million. Nine cases were legally lost and the Bank decided to file two cassation appeals (one appeal was rejected due to formal reasons). Most of the cases are in the first instance.

### Commission refunds on prepaid consumer loans

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

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

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

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

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

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

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

### Credit holidays

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

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

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

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

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

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

Group entities fully consolidated

Entity	Core business	Capital relationship	% of authorized capital held	Accounting method	Equity (PLN '000)
Bank Handlowy w Warszawie S.A.*	Banking	parent	-	-	7,899,604
Dom Maklerski Banku Handlowego S.A. (DMBH)***	Brokerage	subsidiary	100.00%	full consolidation	117,286
Handlowy - Leasing Sp. z o.o.***	Leasing	subsidiary	100.00%**	full consolidation	20,688
Handlowy Investments S.A.***	Investing activity	subsidiary	100.00%	full consolidation	4,377
Handlowy-Inwestycje Sp. z o.o.***	Investing activity	subsidiary	100.00%	full consolidation	10,472

\* Equity of Bank Handlowy w Warszawie S.A. as per the statement of the financial position of the Bank for 2022

\*\* Including indirect participations

\*\*\* Pre-audit data

#### Changes in Group's structure

In the 2022 the structure of the Bank's Capital Group has not changed compared to the end of 2021.

In the first quarter of 2020, the Bank entered into a conditional agreement with Dom Maklerski Banku Handlowego S.A. (DMBH) to sell the DMBH business to the Bank, subject to the Bank receiving a consent to the extension of the brokerage license. The agreement covered the transfer of the brokerage activities carried out by DMBH to the Bank by way of transfer to the Bank of all assets and liabilities of DMBH via sale of the enterprise, including the assets necessary to run the brokerage activities of DMBH and the other assets and liabilities making up its enterprise.

On December 7, 2021, the Bank received a decision from the Polish Financial Supervision Authority granting the Bank a brokerage license. This allowed for the completion of the establishment of a brokerage office within the Bank's structures. On April 29, 2022, the Brokerage Department of Bank Handlowy commenced operations within the Bank's organizational structure, which in its first months of operation conducted business on a very limited scale.

In connection with the license authorizing the Bank to run brokerage activities, the financial instruments and cash assets of clients and documents connected with such activities were transferred to the Brokerage Department of the Bank under the KNF's decision of 14 July 2022.

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

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

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

The acquisition of the organized part of the business from DMBH had no impact on the Group's consolidated financial statements. The settlement of the acquisition of the business in the Bank's standalone financial statements was accounted for using the book value method, whereby the difference between the consideration paid and the book value of the net assets acquired, amounting to PLN 16.83 million, was recognized in the Bank's standalone equity.

In the third quarter of 2022, as a result of the conversion of VISA Inc. series "C" shares, the Bank received 182 preferred VISA Inc. series "A" shares convertible into 18,200 series "A" ordinary shares. At the end of 2022, the Bank hold: 5,751 preferred Visa Inc. series "C" shares and 182 preferred Visa Inc. series "A" shares.

In the fourth quarter of 2022, the Bank divested from its involvement in Odlewnie Polskie S.A. and did not hold any shares in the Company at the end of 2022.

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

### 1. Financial results of the Bank and the Group in 2022

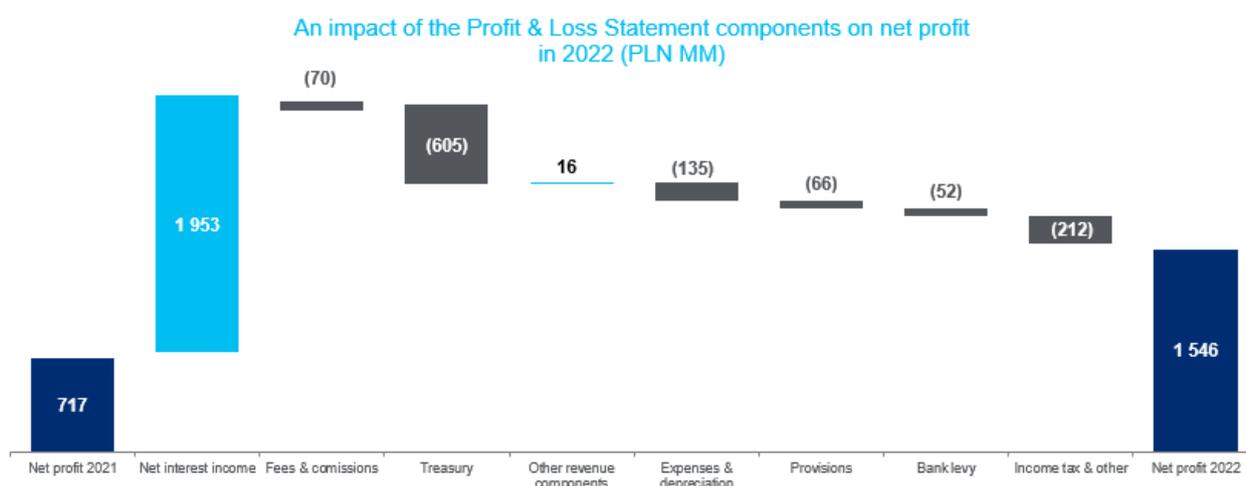
This document presents financial data for both Bank and Group. As activities of the Bank account for the vast majority of operations of the Group (equity of the Bank account for 99.2% of the equity of the Group), both results and financial situation are discussed on the basis of consolidated data, except where it is expressly indicated that the data of the Bank are discussed.

#### 1.1. Income statement

Selected income statement items

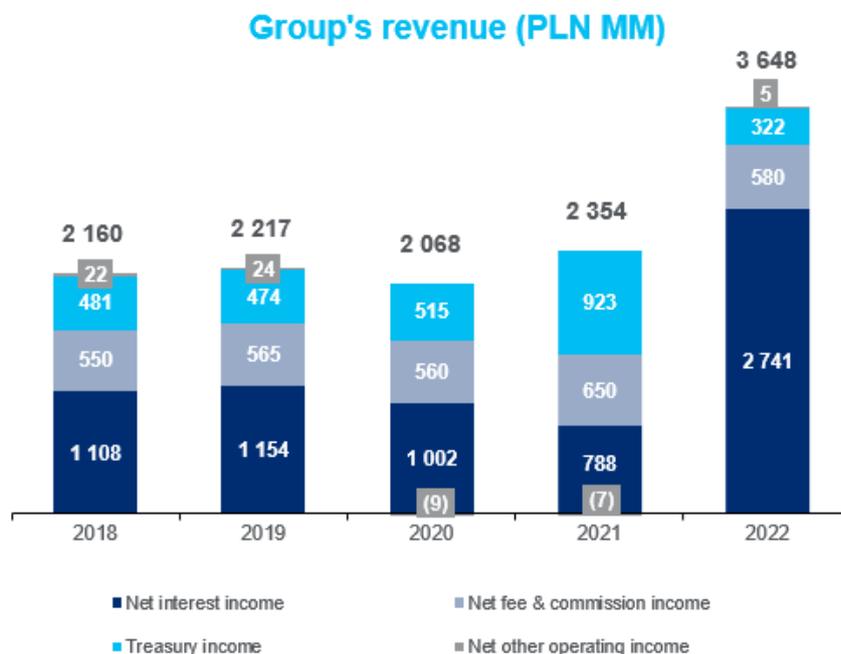
PLN '000	Bank		Capital Group			
	2022	2021	2022	2021	Change	
					PLN '000	%
Net interest income	2,736,722	788,638	2,740,874	788,061	1,952,813	247.8%
Net fee and commission income	562,296	593,727	579,715	649,868	(70,153)	(10.8%)
Dividend income	36,974	32,999	11,089	10,959	130	1.2%
Net income on trading financial instruments and revaluation	643,798	509,062	647,198	514,603	132,595	25.8%
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(323,054)	414,599	(323,054)	414,599	(737,653)	(177.9%)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	10,929	53,244	10,886	53,214	(42,328)	(79.5%)
Net gain on hedge accounting	(1,814)	(6,421)	(1,814)	(6,421)	4,607	(71.7%)
Net other operating income	(15,309)	(68,591)	(17,352)	(70,770)	53,418	(75.5%)
<b>Total income</b>	<b>3,650,542</b>	<b>2,317,257</b>	<b>3,647,542</b>	<b>2,354,113</b>	<b>1,293,429</b>	<b>54.9%</b>
Overheads and general administrative expenses and depreciation, including	(1,318,488)	(1,173,501)	(1,337,859)	(1,202,575)	(135,284)	11.2%
Overheads and general administrative expenses	(1,215,931)	(1,062,505)	(1,234,843)	(1,090,742)	(144,101)	13.2%
Depreciation/amortization of tangible and intangible fixed assets	(102,557)	(110,996)	(103,016)	(111,833)	8,817	(7.9%)
Net impairment allowances on non-financial assets	0	0	0	0	-	-
Profit/loss on sale of other assets	2,772	(708)	2,869	(658)	3,527	(536.0%)
Net impairment on financial assets and provisions for off-balance sheet commitments	(105,007)	(38,962)	(104,840)	(38,784)	(66,056)	170.3%
Tax on some financial institutions	(213,024)	(161,160)	(213,024)	(161,160)	(51,864)	32.2%
<b>Profit before tax</b>	<b>2,016,795</b>	<b>942,926</b>	<b>1,994,688</b>	<b>950,936</b>	<b>1,043,752</b>	<b>109.8%</b>
Income tax expense	(447,485)	(226,954)	(449,008)	(233,468)	(215,540)	92.3%
<b>Net profit</b>	<b>1,569,310</b>	<b>715,972</b>	<b>1,545,680</b>	<b>717,468</b>	<b>828,212</b>	<b>115.4%</b>

The impact of individual items of the income statement on net profit is shown on the graph below:



### 1.1.1 Revenue

In 2022, revenues from operating activities amounted to PLN 3,647.5 million as compared to PLN 2,354.1 million in 2021, i.e. increased by PLN 1,293.4 million, i.e. 54.9%.



The operating result generated by the Group in 2022 was influenced in particular by:

- **Net interest income** amounted to PLN 2,740.9 million in comparison to PLN 788.1 million in 2021, which means an increase by PLN 1,952.8 million (which is 247.8% YoY).

Interest income amounted to PLN 3,332.8 million in 2022 and was higher by 2,508.6 PLN million (which is 304.3%) in comparison to 2021. Amounts due from customers, which are the main source of interest income reached level of PLN 1,482.9 million in 2022 and was higher by PLN 912,0 million (i.e. 159.7% YoY). This was due to the ongoing cycle of tightening monetary policy by the Monetary Policy Council and also due to increase in credit volumes in the area of Institutional Banking.

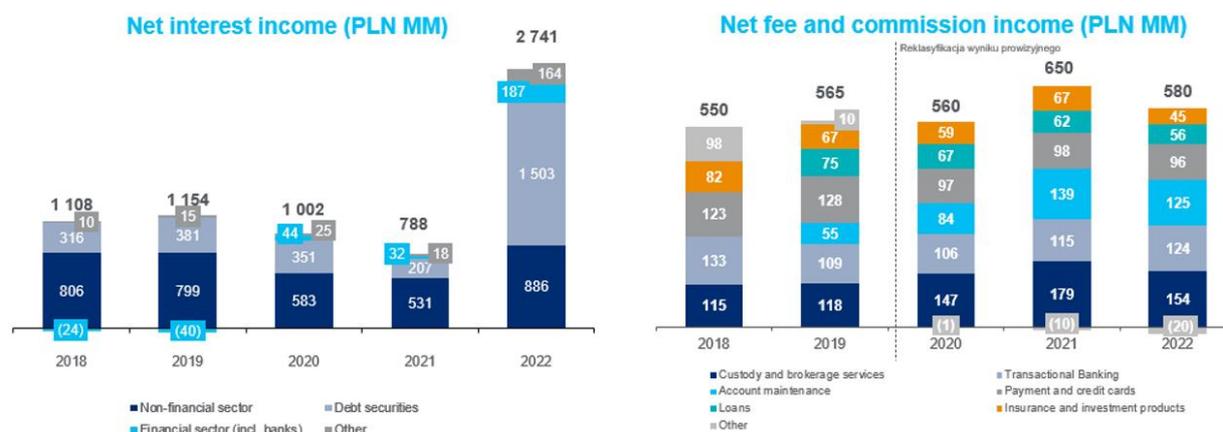
The largest nominal increase by PLN 1,193.1 million (i.e. 623.2% YoY) was recorded in interest income on investment debt securities, which was due to the increase in market interest rates and consistent repositioning of the balance structure.

Interest expenses in 2022 also increased significantly - at the end of 2022 they amounted to PLN 591.9 million and were higher by PLN 555.7 million compared to 2021. The largest nominal increase of PLN 288.0 million concerned amounts due to non-financial sector, mainly in the area of Consumer Banking. The Bank effectively increased the number of customers in strategic segments, which contributed to the growth of the volume of time deposits over 4 times YoY.

- **Net fee and commission income** in the amount of PLN 579.7 million compared to PLN 649.9 million in 2021 - a decrease by PLN 70.2 million (i.e. 10.8%). The decrease in net fee and commission income concerned both the Institutional Banking segment (a decrease by PLN 32.8 million, i.e. 7.5% YoY) and the Consumer Banking segment (decrease by PLN 37.4 million, i.e. at 17.3 YoY). In the area of Institutional Banking, the largest decrease was recorded by the brokerage activities due to the weakening of investors' sentiment on the capital market and the suspension of planned transactions. In the Consumer Banking segment, revenues from the sale of insurance and investment products recorded the largest decrease due to the prevailing bear market on capital markets in 2022 and high market interest rates. That's why the clients were more interested in the deposit offer.

On the other hand, the Bank recorded an increase in revenues in the area of transactional banking due to higher revenues from payment and credit cards (corporate cards) - an increase in the value of non-cash transactions by 83% for credit cards. Revenues from payment orders also increased (including the increase in instant payment volumes by 277% YoY).

**Other operating income (i.e. non-interest and non-commission income)** amounting to PLN 327.0 million in comparison to PLN 916.2 million in 2021 (decrease by PLN 589.2 million). The biggest impact on this change had a decrease in the result on investment debt financial assets due to the change in environment of debt market in 2022 comparing to 2021. On the other hand, it was partially offset by higher FX income, mainly due to higher volumes in Institutional Banking (by 30% YoY).

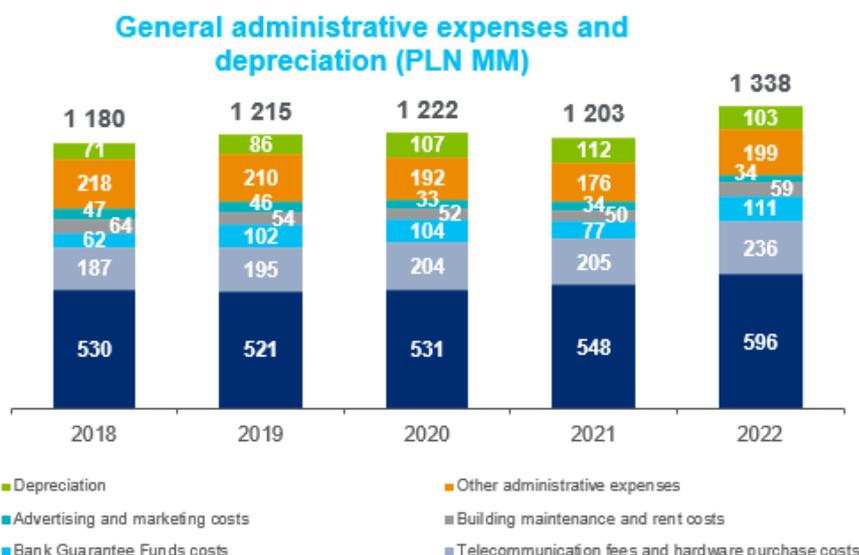


## 1.1.2 Expenses

### General expenses & depreciation

PLN '000	Bank		Capital Group		Change	
	2022	2021	2022	2021	PLN '000	%
<b>Personnel costs</b>	(582,843)	(528,620)	(595,537)	(547,865)	(47,672)	8.7%
<b>General administrative expenses, including:</b>	<b>(633,088)</b>	<b>(533,885)</b>	<b>(639,306)</b>	<b>(542,877)</b>	<b>(96,429)</b>	<b>17.8%</b>
Telecommunication fees and IT hardware	(232,096)	(199,536)	(235,635)	(205,290)	(30,345)	14.8%
Bank Guarantee Funds costs	(110,937)	(77,195)	(110,937)	(77,195)	(33,742)	43.7%
Building maintenance and rent	(59,372)	(49,729)	(59,472)	(50,085)	(9,387)	18.7%
<b>Total overheads</b>	<b>(1,215,931)</b>	<b>(1,062,505)</b>	<b>(1,234,843)</b>	<b>(1,090,742)</b>	<b>(144,101)</b>	<b>13.2%</b>
Depreciation	(102,557)	(110,996)	(103,016)	(111,833)	8,817	(7.9%)
<b>Total general expenses &amp; depreciation</b>	<b>(1,318,488)</b>	<b>(1,173,501)</b>	<b>(1,337,859)</b>	<b>(1,202,575)</b>	<b>(135,284)</b>	<b>11.2%</b>

- **General administrative and depreciation** expenses of of PLN 1,337.9 million in 2022, which means an increase in expenses by PLN 135.3 million (i.e. 11.2% YoY) as a result of higher staff expenses (remuneration costs increased by PLN 35.1 million, i.e. 8.7% YoY) due to the prevailing inflation pressure, administrative expenses, including higher Bank Guarantee Fund costs (increase by PLN 33.7 million, i.e. 44.3% year) and higher telecommunication fees and hardware purchase costs (an increase of PLN 30.3 million, i.e. 14.8%).



In 2022 average employment (excluding employees who are absent due to illness, parenthood or unpaid leaves) in the Group amounted to 2,907 FTEs, thus being by 1% lower than in 2021. The number of FTEs at the end of the period increased by 7 as compared with the same period of 2021. As of December 31, 2022 employment in the Group amounted to 2,910 FTEs, of which 1,539 in consumer banking, 600 in institutional banking and 771 in support units.

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

#### Net impairment and provisions

PLN '000	Bank		Capital Group			
	2022	2021	2022	2021	Change	
					PLN '000	%
Provision for expected credit losses on receivables, including	(89,533)	(54,549)	(89,533)	(54,549)	(34,984)	64.1%
Provision for expected credit losses on financial assets – Stage 1	(6,786)	40,689	(6,786)	40,689	(47,475)	(116.7%)
Provision for expected credit losses on financial assets – Stage 2	(19,312)	(37,444)	(19,312)	(37,444)	18,132	(48.4%)
Provision for expected credit losses on financial assets – Stage 3	(64,378)	(57,794)	(64,378)	(57,794)	(6,584)	11.4%
Provision for expected credit losses - assets granted with impairment	943	-	943	-	943	-
Provision for expected credit losses for granted off-balance sheet commitments	(10,879)	13,710	(10,879)	13,710	(24,589)	(179.4%)
Provision for expected credit losses on equity investments	(167)	(178)	-	-	-	-
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income	(4,428)	2,055	(4,428)	2,055	(6,483)	(315.5%)
<b>Provision for expected credit losses</b>	<b>(105,007)</b>	<b>(38,962)</b>	<b>(104,840)</b>	<b>(38,784)</b>	<b>(66,056)</b>	<b>170.3%</b>

**Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments** amounted to PLN 104.8 million (negative impact on P&L) versus PLN 38.8 million in 2021. The largest nominal change in the amount of net write-offs concerned the Institutional Banking segment (deterioration by PLN 83.9 million YoY), due to the deterioration of macroeconomic outlook (especially economic slowdown and the maintaining high level of inflation). The increase in net write-offs in Institutional Banking was partially offset by their decrease in the Consumer Banking segment (improvement of the provision for expected credit losses by PLN 17.9 million YoY).

### 1.1.4 Ratio analysis

#### The Group's efficiency ratios

	2022	2021
Return on equity (ROE)*	24.0%	10.1%
Return on assets (ROA)**	2.2%	1.2%
Net interest margin (NIM)***	3.9%	1.3%
Margin on interest-bearing assets	4.6%	1.5%
Earnings per share in PLN	11.83	5.49
Cost/income****	37%	51%
Loans/Deposits	43%	49%
Loans/Total assets	31%	34%
Net interest income to total revenue	75%	33%
Net fee and commission income to total revenue	16%	28%

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

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

\*\*\* Net interest income to average total assets calculated on a quarterly basis;

\*\*\*\* Overheads, general administrative expenses, depreciation and amortization to operating income.

#### The Bank's efficiency ratios

	2022	2021
Return on equity (ROE)*	25.4%	10.4%
Return on assets (ROA)**	2.2%	1.2%
Net interest margin (NIM)***	3.9%	1.3%
Earnings per ordinary share in PLN	12.01	5.71
Cost/Income****	36%	51%

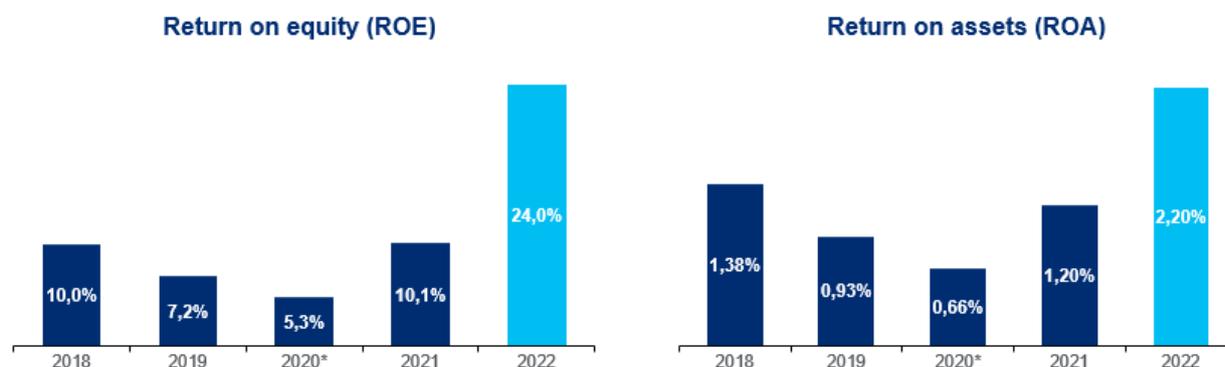
\* Net profit to average equity (including net profit for the current year) calculated on a quarterly basis

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

\*\*\* Net interest income to average total assets calculated on a quarterly basis

\*\*\*\* Overheads, general administrative expenses, depreciation and amortization to operating income

In 2022, the Group's returns on equity and assets remained at levels of respectively 24.1% and 2.2% which means a significant increase compared to the previous year due to the higher net profit. In turn, in the area of cost-effectiveness, the cost/income ratio was 37% due to higher revenues (mainly interest income). On the other hand, thanks to the persistent high interest rates, the interest margin increased from 1.3% to 3.9%.



\*Net profit for 2020 was adjusted by net impairment allowances on non-financial assets in the amount of PLN 215 million

## 2.2 Consolidated statement of financial position

As of December 31, 2022, total assets of the Group amounted to PLN 69.8 billion, up by PLN 7.9 billion (i.e. 12.8% compared to the end of 2021). Simultaneously, total liabilities amounted to PLN 61.8 billion, up by PLN 7.4 billion (or 13.5%) compared to the end of 2021.

The loan-to-deposit ratio dropped to 44% at the end of December 2022 (down by 6 percentage point compared to the end of December 2021).

### Consolidated statement of financial position

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	PLN'000	%
<b>ASSETS</b>						
Cash and balances with central bank	595,969	6,526,743	595,969	6,526,743	(5,930,774)	(90.9%)
Receivables from banks	1,043,968	967,663	1,043,968	967,677	76,291	7.9%
Financial assets held for trading	7,029,163	9,876,922	7,029,163	9,956,212	(2,927,049)	(29.4%)
Hedging derivatives	623	119,290	623	119,290	(118,667)	(99.5%)
Debt financial assets measured at fair value through other comprehensive income	37,180,808	20,590,284	37,180,808	20,590,284	16,590,524	80.6%
Equity investments valued at equity method	91,775	91,942	-	-	-	-
Equity and other instruments measured at fair value through income statement	106,144	97,026	106,144	97,316	8,828	9.1%
Receivables from customers	21,620,507	21,187,157	21,620,507	21,327,600	292,907	1.4%
Property and equipment	455,418	450,599	455,418	451,671	3,747	0.8%
Intangible assets	1,263,863	1,241,499	1,263,863	1,243,160	20,703	1.7%
Receivables due to current income tax	-	54,721	-	54,721	(54,721)	(100.0%)
Asset due to deferred income tax	287,368	263,605	287,368	264,313	23,055	8.7%
Other assets	217,360	207,987	217,571	257,621	(40,050)	(15.5%)
Fixed assets held-for-sale	-	6,163	-	6,163	(6,163)	(100.0%)
<b>Total assets</b>	<b>69,892,966</b>	<b>61,681,601</b>	<b>69,801,402</b>	<b>61,862,771</b>	<b>7,938,631</b>	<b>12.8%</b>
<b>LIABILITIES</b>						
Liabilities towards banks	4,794,671	3,383,236	4,794,671	3,383,353	1,411,318	41.7%
Financial liabilities held for trading	4,896,099	6,586,932	4,896,099	6,588,482	1,692,383	(25.7%)
Hedging derivatives	6,917	-	6,917	-	-	-

**Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2022**

**TRANSLATION**

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	PLN'000	%
Liabilities towards customers	50,667,780	43,495,543	50,512,860	43,507,474	7,005,386	16.1%
Provisions	111,885	141,714	112,507	142,024	(29,517)	(20.8%)
Current income tax liabilities	245,173	-	245,937	5,974	239,963	4 016.8%
Provision on deferred income tax	0	-	165	-	-	-
Other liabilities	1,270,837	758,136	1,272,001	852,069	419,932	49.3%
<b>Total liabilities</b>	<b>61,993,362</b>	<b>54,365,561</b>	<b>61,841,157</b>	<b>54,479,376</b>	<b>7,361,781</b>	<b>13.5%</b>
<b>EQUITY</b>						
Issued capital	522,638	522,638	522,638	522,638	0	0.0%
Supplementary capital	2,944,585	2,944,585	3,001,259	3,001,699	(440)	(0.0%)
Revaluation reserve	(573,528)	(312,018)	(573,528)	(312,018)	(261,510)	83.8%
Other reserves	2,811,344	2,802,781	2,833,345	2,814,030	19,315	0.7%
Retained earnings	2,194,565	1,358,054	2,176,531	1,357,046	819,485	60.4%
<b>Total equity</b>	<b>7,899,604</b>	<b>7,316,040</b>	<b>7,960,245</b>	<b>7,383,395</b>	<b>576,850</b>	<b>7.8%</b>
<b>Total liabilities and equity</b>	<b>69,892,966</b>	<b>61,681,601</b>	<b>69,801,402</b>	<b>61,862,771</b>	<b>7,938,631</b>	<b>12.8%</b>

## 2.2.1 Assets

The largest nominal change in the balance sheet was **investment debt financial assets** whose balance increased at the end of 2022 by PLN 16.6 billion, i.e. 80.6% compared to 2021 inter alia as a result of the continuation of the purchase of short-term cash bills. This negatively influenced the decrease in the balance of the financial assets held for trading by PLN 2.9 billion (i.e. 29.4%) and cash and balances with the Central Bank by PLN 5.9 billion (i.e. 90.9%). The share of debt investment financial assets in the Group's total assets was 53.3% at the end of December 2022 (an increase of 20 percentage points compared to the end of December 2021).

### Debt securities portfolio of the Bank

PLN '000	As at		Change	
	31.12.2022	31.12.2021	PLN '000	%
Treasury bonds, including:	17,394,133	13,497,285	3,896,848	28.9%
covered bonds in fair value hedge accounting	-	-	-	-
Bank bonds, including:	5,378,487	1,663,203	3,715,284	223.4%
covered bonds in fair value hedge accounting	485,494	848,928	(363,434)	(42.8%)
Bills issued by financial entities	2,729,265	2,214,569	514,696	23.2%
NBP bills	13,951,438	6,996,600	6,954,838	99.4%
<b>Total</b>	<b>39,453,323</b>	<b>24,371,657</b>	<b>15,081,666</b>	<b>61.9%</b>

The second largest share in the total assets of the Group at the end of December 2022 were **amounts due from customers**. Their share in total assets was 31% at the end of December 2022.

Amounts due from customers amounted to PLN 21.6 billion at the end of 2022, i.e. slightly up by PLN 292.9 million (i.e. 1.4%) comparing to the end of 2021 due to the higher credit volumes in the Institutional Banking segment.

The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities, amounted to PLN 15.5 billion, which means an increase of PLN 1.2 billion (i.e. 8.1%) compared to the end of 2021. The increase in credit volumes was observed mainly in Commercial Banking and global clients segments.

The volume of net loans granted to individual customers dropped by PLN 864.8 million (or 12.4%) to PLN 6.1 billion compared to the end of December 2021 mainly due to high market interest rates. The drop in loans concerned both unsecured receivables (a decrease by PLN 646.0 million, i.e. 14.1% YoY) mainly due to a lower cash loan balance, as well as a decline in mortgage loans (decrease by PLN 218.8 million, i.e. 9.2% YoY), which resulted, among others, from partial overpayments of mortgage loans.

**Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2022**

**TRANSLATION**

Net amounts due from clients

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	PLN '000	%
<b>Receivables from financial sector entities</b>	<b>3,810,512</b>	<b>3,299,836</b>	<b>3,810,512</b>	<b>3,440,104</b>	<b>370,408</b>	<b>10.8%</b>
<b>Receivables from non-financial sector entities, including:</b>	<b>17,809,995</b>	<b>17,887,321</b>	<b>17,809,995</b>	<b>17,887,496</b>	<b>(77,501)</b>	<b>(0.4%)</b>
Corporate clients*	11,695,148	10,907,847	11,695,148	10,907,847	787,301	7.2%
Individuals, including:	6,114,847	6,979,474	6,114,847	6,979,649	(864,802)	(12.4%)
Unsecured loans	3,940,483	4,588,561	3,940,483	4,588,736	(648,253)	(14.1%)
Mortgage loans	2,174,364	2,390,913	2,174,364	2,390,913	(216,549)	(9.1%)
<b>Total net receivables from clients</b>	<b>21,620,507</b>	<b>21,187,157</b>	<b>21,620,507</b>	<b>21,327,600</b>	<b>292,907</b>	<b>1.4%</b>

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

Loans to customers per portfolio with not recognized credit losses vs. portfolio with recognized credit losses

PLN'000	As at		PLN'000	Change %
	31 Dec 2022	31 Dec 2021		
<b>Loans without recognized impairment (Stage 1), including:</b>	<b>19,027,051</b>	<b>19,571,178</b>	<b>(544,127)</b>	<b>(2.8%)</b>
financial institutions	3,813,160	3,443,448	369,712	10.7%
non-financial sector entities	15,213,891	16,127,730	(913,839)	(5.7%)
institutional clients*	10,162,452	9,948,056	214,396	2.2%
individual customers	5,051,439	6,179,674	(1,128,235)	(18.3%)
<b>Loans without recognized impairment (Stage 2), including:</b>	<b>2,558,056</b>	<b>1,744,692</b>	<b>813,364</b>	<b>46.6%</b>
financial institutions	869	2	867	-
non-financial sector entities	2,557,187	1,744,690	812,497	46.6%
institutional clients*	1,484,776	917,951	566,825	61.7%
individual customers	1,072,411	826,739	245,672	29.7%
<b>Loans with recognized impairment (Stage 3), including:</b>	<b>874,631</b>	<b>900,413</b>	<b>(25,782)</b>	<b>(2.9%)</b>
financial institutions	-	-	-	-
non-financial sector entities	874,631	900,413	(25,782)	(2.9%)
institutional clients*	455,104	466,719	(11,615)	(2.5%)
individual customers	419,527	433,694	(14,167)	(3.3%)
<b>Purchased or originated credit-impaired loans, including:</b>	<b>16,948</b>	<b>-</b>	<b>16,948</b>	<b>-</b>
financial sector entities	-	-	-	-
non-financial sector entities	16,948	-	16,948	-
institutional clients*	7,007	-	7,007	-
individual customers	9,941	-	9,941	-
<b>Total gross loans to customers, including:</b>	<b>22,476,686</b>	<b>22,216,283</b>	<b>260,403</b>	<b>1.2%</b>
financial institutions	3,814,029	3,443,450	370,579	10.8%
non-financial sector entities	18,662,657	18,772,833	(110,176)	(0.6%)
institutional clients*	12,109,339	11,332,726	776,613	6.9%
individual customers	6,553,318	7,440,107	(886,789)	(11.9%)
<b>Impairment, including:</b>	<b>(856,179)</b>	<b>(888,683)</b>	<b>32,504</b>	<b>(3.7%)</b>
<b>Total net amounts due from customers</b>	<b>21,620,507</b>	<b>21,327,600</b>	<b>292,907</b>	<b>1.4%</b>
<b>Impairment provisions coverage ratio</b>	<b>74.8%</b>	<b>78.8%</b>		
institutional clients*	72.1%	76.1%		
individual customers	77.6%	81.7%		
<b>Non-performing loans ratio (NPL)**</b>	<b>4.0%</b>	<b>4.1%</b>		

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

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and Bank Handlowy w Warszawie S.A. in 2022**

**TRANSLATION**

**Gross loans to customers of the Group**

PLN'000	As at		Change	
	31 Dec 2022	31 Dec 2021	PLN'000	%
Loans in PLN	17,813,379	18,663,357	(849,978)	(4.6%)
Loans in foreign currency	4,663,307	3,552,926	1,110,381	31.3%
<b>Total</b>	<b>22,476,686</b>	<b>22,216,283</b>	<b>260,403</b>	<b>1.2%</b>

**2.2.2 Liabilities**

As of the end of 2022 **amounts due to customers** were the dominant source of financing of the Group's activity and they accounted for 72.4 of the Group's liabilities and equity and amounted to PLN 50.5 billion at the end of 2022, which means an increase by PLN 7.0 billion (i.e. 16.1%) as compared to the end of 2021. At the same time, funds on current accounts were a dominant position in amounts due to customers with a share of 70.6% (a decrease by 16.2 percentage point in relation to the end of 2021), as a result of the continuation of the time deposit balance growth trend among individual and institutional clients due to attractive interest rates on this deposits.

**Amounts due to customers**

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	PLN '000	%
<b>Deposits of financial sector entities</b>	<b>3,790,071</b>	<b>3,526,199</b>	<b>3,635,151</b>	<b>3,192,860</b>	<b>442,291</b>	<b>13.9%</b>
<b>Deposits of non-financial sector entities, including</b>	<b>45,160,337</b>	<b>39,243,812</b>	<b>45,160,337</b>	<b>39,589,082</b>	<b>5,571,255</b>	<b>14.1%</b>
Non-financial sector entities	24,327,592	20,336,526	24,327,592	20,377,619	3,949,973	19.4%
Non-commercial institutions	526,599	465,776	526,599	465,776	60,823	13.1%
Individuals	17,798,734	16,512,839	17,798,734	16,817,016	981,718	5.8%
Public sector entities	2,507,412	1,928,671	2,507,412	1,928,671	578,741	30.0%
<b>Other liabilities</b>	<b>1,717,372</b>	<b>725,532</b>	<b>1,717,372</b>	<b>725,532</b>	<b>991,840</b>	<b>136.7%</b>
<b>Total liabilities towards customers</b>	<b>50,667,780</b>	<b>43,495,543</b>	<b>5,0512,860</b>	<b>43,507,474</b>	<b>7,005,386</b>	<b>16.1%</b>
<b>Deposits of financial and non-financial sector entities, including:</b>						
Liabilities in PLN	31,970,168	30,245,057	31,815,248	30,256,988	1,558,260	5.2%
Liabilities in foreign currency	16,980,240	12,524,954	16,980,240	12,524,954	4,455,286	35.6%
<b>Total deposits of financial and non-financial sector entities</b>	<b>48,950,408</b>	<b>42,770,011</b>	<b>48,795,488</b>	<b>42,781,942</b>	<b>6,013,546</b>	<b>14.1%</b>

**2.2.3 Source and use of funds**

PLN '000	Bank		Capital Group	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
<b>Source of funds</b>				
Funds of banks	4,794,671	3,383,236	4,794,671	3,383,353
Funds of customers	50,667,780	43,495,543	50,512,860	43,507,474
Own funds with net income	7,899,604	7,316,040	7,960,245	7,383,395
Other funds	6,530,911	7,486,782	6,533,626	7,588,549
<b>Total source of funds</b>	<b>69,892,966</b>	<b>61,681,601</b>	<b>69,801,402</b>	<b>61,862,771</b>
<b>Use of funds</b>				
Receivables from banks	1,043,968	967,663	1,043,968	967,677
Receivables from customers	21,620,507	21,187,157	21,620,507	21,327,600
Securities, shares and other financial assets	44,408,513	30,775,464	44,316,738	30,763,102
Other uses of funds	2,819,978	8,751,317	2,820,189	8,804,392
<b>Total use of funds</b>	<b>69,892,966</b>	<b>61,681,601</b>	<b>69,801,402</b>	<b>61,862,771</b>

## 2.3 Equity and the capital adequacy ratio

As compared to 2021, shareholders' equity increased by PLN 576.8 million (i.e. 7.8%) mainly as a result of an increase in retained earnings, thanks to a higher net profit, partly compensated by an increase in negative revaluation reserve (i.e. -261.5 million PLN) due to the increase in bond yields of investment debt instruments portfolio held by the Bank.

The capital is fully sufficient to ensure financial security of the institution and client deposits and to support the future growth of the Group.

### Group's equity\*

PLN '000	As at		Change	
	31.12.2022	31.12.2021	PLN '000	%
Share capital	522,638	522,638	-	0.0%
Supplementary capital	3,001,259	3,001,699	(440)	(0.0%)
Revaluation reserve	(573,528)	(312,018)	(261,510)	83.8%
Other reserves	2,833,345	2,814,030	19,315	0.7%
Retained earnings	2,176,531	1,357,046	819,485	60.4%
<b>Total equity</b>	<b>7,960,245</b>	<b>7,383,395</b>	<b>576,850</b>	<b>7.8%</b>

\* Equity net of net profit / (loss)

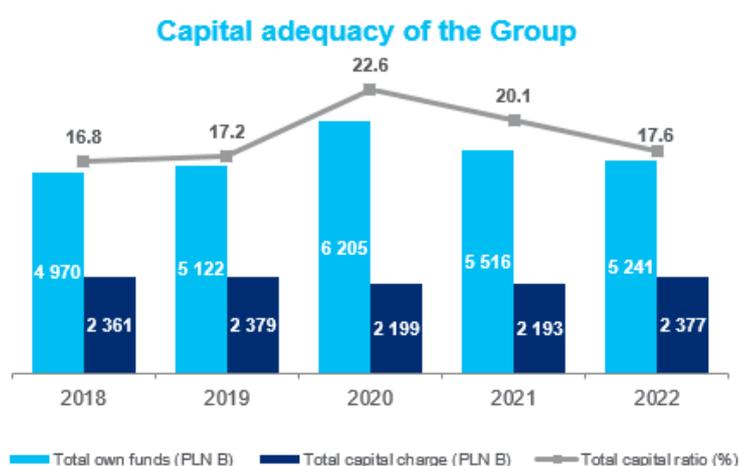
The following table shows the financial data used for calculation of the capital adequacy ratio on the basis of the consolidated financial statements of the Bank and the Group.

### Capital adequacy ratio\*

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

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

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



Both in 2022 and 2021, the Group met all the regulatory prudential standards relating to capital adequacy. In 2022, the capital adequacy level for the Group was always at a secure level, i.e. 6.86 p.p. above the supervisory limits.

The level of the required Capital ratios encompasses:

- The basic requirement resulting from CRR provisions to maintain the total capital ratio of 8% and the Tier 1 ratio of 6%
- The combined buffer requirement of additional 2.79% on consolidated basis, which consists of:
  - The capital conservation buffer – 2.50%
  - The other systemically important institution's buffer – 0.25%
  - Countercyclical capital buffer – 0.04%
  - Systemic risk buffer – 0.00% (due to the regulation of the Minister of Finance of March 18 on the solution of the systemic risk buffer in order to limit the impact of the coronavirus on the domestic banking sector).

As at 31 December 2022, the capital adequacy ratio of the Group amounted to 17.6% and this value enables the Group to develop its lending activities.

The decrease of the capital adequacy ratio in 2022 compared to 2021 was caused by the decrease of revaluation reserve. As of 2021, lower revaluation reserve was caused by increase of yield of debt investment financial assets.

## 2. Interest rates

The table below presents weighted average effective interest rates of receivables and payables by the respective business segments of the Group:

As at 31 December 2022

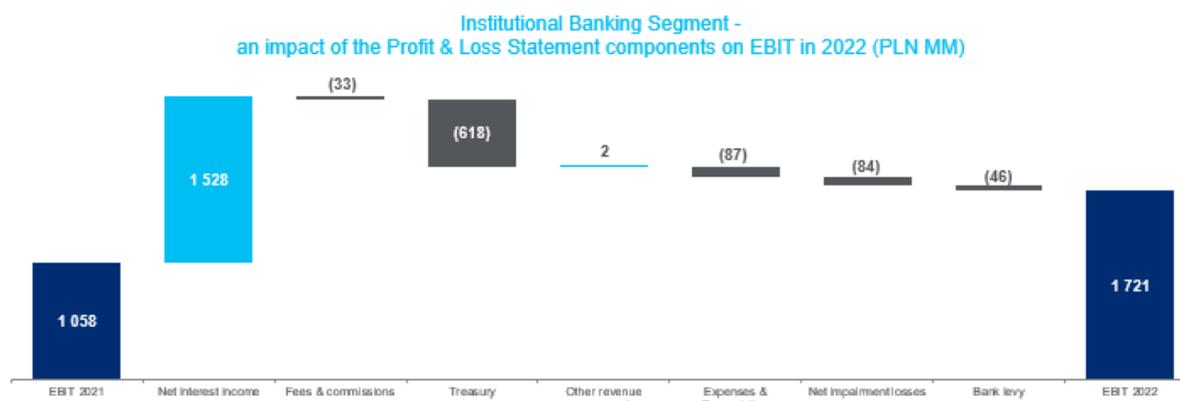
<i>in %</i>	Institutional Bank			Consumer Bank		
	PLN	EUR	USD	PLN	EUR	USD
<b>ASSETS</b>						
Receivables from banks and customers						
- fixed term	8.62	3.64	5.52	6.98	4.68	-
Debt securities	6.37	2.53	2.96	-	-	-
<b>LIABILITIES</b>						
Liabilities towards banks and customers						
- fixed term	6.71	0.61	3.26	5.90	0.59	2.14

As at 31 December 2021

<i>in %</i>	Institutional Bank			Consumer Bank		
	PLN	EUR	USD	PLN	EUR	USD
<b>ASSETS</b>						
Receivables from banks and customers						
- fixed term	3.13	1.21	1.62	6.49	4.68	-
Debt securities	1.93	0.47	1.76	-	-	-
<b>LIABILITIES</b>						
Liabilities towards banks and customers						
- fixed term	1.45	0.0	0.0	1.88	0.11	0.41

### 3. Institutional Banking Segment

#### 3.1 Summary of segment's results



In 2022, the pre-tax profit of the Institutional Banking segment increased by PLN 663.1 million, i.e. 62.7%. The following factors affected the pre-tax profit of the Institutional Banking segment in 2022 as compared to the previous year:

- Net interest income of PLN 1,917.9 million compared to PLN 389.6 million in 2021 - a increase by PLN 1,528.3 million, mainly due to higher interest income (the largest nominal increase was recorded on investment debt securities) due to the ongoing environment of high interest rates in 2022 as well as due to increase in credit volumes, especially in the Commercial Banking Segment.
- Net commission income of PLN 401.5 million compared to PLN 434.3 million in 2021, as a result of a decrease in the net commission income in the brokerage activity due to the weakening of investors' sentiment on the capital market and thus suspension of planned capital transactions. This decrease was partly offset by an increase in commission income in the area of transaction banking due to higher revenues from the payment orders (increase in business volumes, including instant payments Express Elixir);
- Loss on debt investment financial assets measured at fair value through other comprehensive income in the amount of PLN (323.1) million compared to the profit of PLN 414.6 million in 2021, i.e. a decrease by PLN 737.7 million, due to environment change on the debt market in 2022 compared to 2021. This decrease was partly offset by higher revenues from customer FX (increase in volumes by 30% YoY);
- General and administrative expenses and depreciation of PLN (652.8) million compared to PLN (565.8) million in 2021 – an increase by PLN 87.0 million YoY. (i.e. 15.4%) as a result of higher staff expenses due to the prevailing inflation pressure and higher administrative expenses (costs of Bank Guarantee Fund and telecommunication fees and IT hardware costs);
- Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments amounted to PLN 57.6 million (negative impact on P&L) versus PLN 26.3 million (positive impact on P&L) in 2021, i.e. deterioration by PLN 83.9 million YoY due to deterioration of macroeconomic outlook (especially economic slowdown and the maintaining high level of inflation);
- Increase in taxes by PLN 48.9 million as a result of higher bank levy due to an increase in the short-term NBP bills in the Bank's assets.

#### 3.2 Institutional Bank

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

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

As at the end of 2022, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) stood at slightly below 5,400, which means that the level of 2021 was maintained.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 202 new clients in 2022, including 9 Large Companies, 90 Small and Medium-Sized Companies, 55 International Clients of Commercial Banking Segment, 24 Digital and 24 Public Sector Entities. In the strategic and global client segments, the Bank established 47 new client relationships.

The table below shows the assets and liabilities by segment in the management accounting approach.

**Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
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**TRANSLATION**

**Assets**

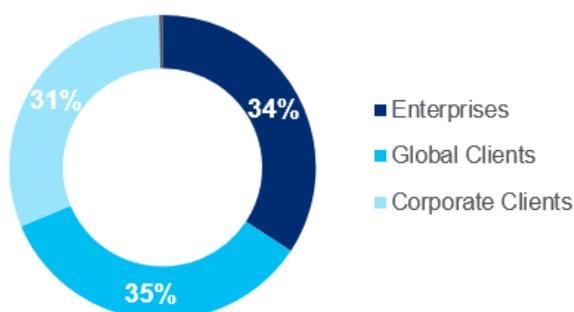
PLN million	31.12.2022	31.12.2021	Change	
			PLN million	%
Enterprises, including:	4,685	3,968	717	18%
SMEs	1,789	1,636	153	9%
Large enterprises	2,895	2,332	563	24%
Public Sector	1	55	(54)	(98%)
Global Clients	4,713	3,999	714	18%
Corporate Clients	4,240	5,187	(947)	(18%)
Other*	48	0	48	-
<b>Total Institutional Bank</b>	<b>13,687</b>	<b>13,209</b>	<b>478</b>	<b>4%</b>

**Liabilities**

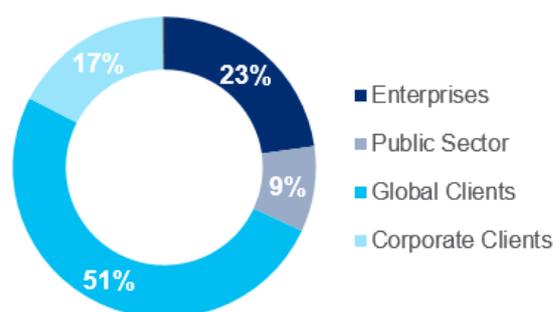
PLN million	31.12.2022	31.12.2021	Change	
			PLN million	%
Enterprises, including:	6,692	5,077	1,615	32%
SMEs	4,432	3,135	1,297	41%
Large enterprises	2,260	1,943	317	16%
Public Sector	2,703	2,083	620	30%
Global Clients	14,897	12,806	2,091	16%
Corporate Clients	5,075	4,721	354	7%
Other*	55	58	(3)	(5%)
<b>Total Institutional Bank</b>	<b>29,421</b>	<b>24,744</b>	<b>4,677</b>	<b>19%</b>

\* 'Other' include, among others, clients subject to restructuring and clients of Handlowy-Leasing Sp. z o.o., who are not clients of the Bank.

**Structure of the Institutional Bank  
assets as of 31.12.2022**



**Structure of the Institutional Bank  
liabilities as of 31.12.2022**



### Key transactions and achievements in Institutional Banking in 2022:

<b>Credit activity</b>	<p><b><u>Granting new financing or increasing or extending existing ones in the amount of PLN 5.7 B</u></b></p> <ul style="list-style-type: none"> <li>• PLN 2.8 billion for Commercial Bank clients; including a leader operating in a closed-loop economy area, being a Polish company and the world's second largest platinum producer; for a recognized European producer of top-quality coke, coal products and coke oven gas for external customers and a concern dealing with meat processing and preservation;</li> <li>• PLN 1.6 billion for Corporate Clients, including a leading oil and energy company, a company in the pharmaceutical sector and a Polish company grouping companies in the energy sector;</li> <li>• PLN 1.4 billion for Global Clients, including one of Poland's largest retail companies, an automotive client, Poland's largest and fastest-growing container terminal, a leading provider of telecommunications services in Poland and one of the world's leading providers of intralogistics supply chain solutions.</li> </ul>
<b>Transactional Banking</b>	<p><b><u>Increasing shares in banking services and transaction banking</u></b></p> <ul style="list-style-type: none"> <li>• Winning 38 mandates for comprehensive banking services or extending the Bank's cooperation with its clients;</li> <li>• Signing of supplier financing agreements, factoring, promises, letters of credit and guarantees for the total amount of PLN 626 million.</li> </ul>

### 3.3 Treasury Activity

In 2022, global interest rate revisions, changes in the energy market, increased uncertainty in supply chains and sharp movements in exchange rates were reflected in the economy and thus in the demand for financial services among the Bank's clients.

The following activities of the Bank were particularly appreciated and popular with customers:

- active support in the area of interest rate volatility risk management and foreign currency exposures,
- a return to "live" economic meetings, while expanding the range of information provided to customers via electronic channels,
- the ability to settle receivables and payables in more than 140 currencies – increased flexibility when negotiating commercial contracts,
- the Bank's global presence and stable position translating into dynamic new customer growth.

In 2022, the Bank remained among the leaders in terms of turnover in the spot market, as one of the leaders of Treasury BondSpot.

The Bank was also active in the market of debt securities, through its participation in the following transactions:

- Conducting four issues of bonds for the European Investment Bank for the total amount of PLN 3,1 billion,
- The Bank was taking up BGK bonds issued for the Anti-COVID-19 Fund.

### 3.4 Transactional banking

In 2022, in the area of TTS, Citi Handlowy introduced more solutions to help clients make decisions and settlements in real time. The new functionalities were designed to support corporate clients of the Bank in digital transformation.

At the same time, clients appreciated the Bank's solutions and expertise in entering new markets and efficient settlements with suppliers around the world. The aspect of securing new trade contracts was important, given geopolitical risks and changes in supply chains.

Citi Handlowy transaction banking (TTS) in 2022 topped, for the ninth time in a row, the **Euromoney Cash Management** ranking in the category of cash management for corporate clients, and was named the "Market Leader".

<p><b>Current account</b></p>	<p>In the bank account area, the bank focused on simplifying documentation and digitizing its handling. In 2022, almost a third of the documents flowing to the bank were signed with an electronic qualified signature.</p>
<p><b>Electronic Banking</b></p>	<p>In 2022, in the area of e-banking, the Bank continued to develop its platforms to facilitate customers' quick access to information and real-time responsiveness, including ordering instant transactions:</p> <ul style="list-style-type: none"> <li>• <b>API functionality</b> – further commercialization of CitiConnect API, implemented in 2020. The solution allows clients to order transfers directly in the ERP system of the supplier, without the need to use bank interfaces. The CitiConnect API infrastructure handled more than <b>7 million API messages</b> initiated by clients from Poland in 2022, i.e. <b>1 million more</b> than in 2021. The CitiConnect API works particularly well in conjunction with instant payments, allowing customers to automate their processes and settle in real time.</li> <li>• <b>CitiDirect BE® Chat</b> – an additional avenue of communication with HelpDesk via online chat has been launched. Convenient contact with an experienced technical support representative and the ability to share a screen allow user requests to be resolved more quickly.</li> <li>• <b>CitiDirect® Mobile Token</b> – the Bank has started to provide customers with a new mobile login method, based on QR code reading technology, to make the process of logging into the system easier and faster.</li> <li>• <b>CitiDirect® new generation</b> – under a pilot program the Bank made a new version of the CitiDirect system available to selected clients. The platform is based on the latest technology solutions and offers its users a simpler and quicker maintenance of bank accounts thanks to a re-designed graphic interface. In 2023, the Bank is planning further commercialization of this version of the system among its clients.</li> </ul> <p>In 2022, the <b>Bank processed approximately 33.8 million transactions via electronic channels</b>, which represents an increase by 2% against 2021.</p>
<p><b>Payment processing</b></p>	<p>Payment volumes continued to increase also throughout 2022. In the area of domestic transactions, the Bank recorded an unusually high increase of <b>as much as 277% in Express Elixir</b> instant payment volumes compared to 2021. The increasing use of Express Elixir by customers confirms the Bank's strategic objective to focus its support on the need for real-time automation of processes and settlements. An important element in supporting such settlements was <b>the significant extension in 2022 of the window of availability for incoming and outgoing instant transfers</b>: the Bank's corporate customers can make instant payments for almost 24 hours, 7 days a week (excluding system unavailability hours).</p> <p>In 2022, the Bank further strengthened its suite of payment solutions prepared for customers in the <i>Digital Natives</i> segment, as reflected in the <b>33 percent increase in domestic payment volumes of "new economy" customers</b> compared to 2021. This segment in particular is characterized precisely by the demand for instantaneous settlement (Express Elixir volumes increase by 367% compared to 2021).</p> <p>In the area of payments, servicing global banking customers who use the Bank as a provider allowing access to domestic payment services in Poland is also an important aspect. The increase in payment volumes is therefore also evident in the area of correspondent banking: <b>volumes of domestic loro customer transfers increased by 39%</b> compared to the previous year.</p> <p>Continuing its strategy of providing flexible and intelligent transaction banking solutions, the Bank promoted <b>Citi Payment Insights</b>, which, among others, makes it possible to track the status of payments or generate confirmations on request from the beneficiary, and <b>Citi Payment Outlier Detection</b>, which, thanks to advanced analytics and algorithms, makes it possible to monitor and control the company's payments in real time, as well as identify transactions that differ significantly from previous trends.</p> <p>In 2022 the Bank maintained <b>a high share in the Direct Debit market at 36.3%</b> (at the end of December 2022).</p>
<p><b>Corporate cards</b></p>	<p>In corporate cards, in 2022 <b>the value of cashless transactions went up 83% for credit cards and 31% for debit cards</b> versus 2021. Transaction volumes also increased, with the Bank recording <b>51% more transactions for credit cards and as much as 80% more transactions for debit cards</b>. Factors such as the return of customers to business halted by the COVID-19 pandemic, the Bank's consistent promotion of B2B transactions, and inflation contributed to the increase in transaction-related indicators.</p> <p>In the context of product functionalities, in 2022 the Bank focused on promoting tools connected with self-service, i.e. enabling self-management of corporate card programs. In particular, there are two system modules: card application and card management, promoted primarily to credit card</p>

	customers. As a result, corporate credit card processing has been fully digitized.
<b>Liquidity management</b>	<p>One of the most important elements in the implementation of the bank's strategy is the focus on acquiring and servicing operational accounts, i.e. bank accounts where a key part of the flows goes.</p> <p>Surplus cash that is not used to finance day-to-day operations can be placed in time deposits, for which the Bank already offers favorable interest rates for contractual periods of 1 month and over.</p>
<b>Trade Finance and Service</b>	<p>The Bank maintains its position as a leading financial institution in the area of supplies and procurement financing.</p> <p>In 2022, the value of transactions granted under trade finance products was <b>10% higher</b> compared to the previous year. The macroeconomic situation and disrupted supply chains are making customers more willing to use trade finance products such as reverse factoring and supplier financing.</p> <p>One of Citi's supplier financing programs, building on its global reach, received two prestigious awards in 2022. A client of the Bank, working with the Bank in this area, won the Best Supply Chain Solution category at the 2022 Adam Smith Awards and the Best use of Supply Chain Finance category at the 2022 Working Capital Awards.</p> <p>In 2022, the value of guarantees issued by the Bank <b>increased by 62%</b> compared to 2021. The macroeconomic environment is influencing the increased need for security in transactions between parties, while at the same time responding to the growing development needs of businesses.</p>

### 3.5 Custody and depositary services

The Bank runs its custody operations under Polish law and in accordance with international standards of custody services offered to investors and intermediaries active in international securities markets. The Bank can meet the requirements of the largest and most demanding institutional clients.

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

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

The Bank also provides services as operator of accounts kept in the name of a client at the KDPW S.A. (Polish central depository and clearing institution), under which the Bank passes client's orders to KDPW and vice versa, as well as settlement confirmations and statements to accounts opened at KDPW to the client of the Bank. This service is dedicated to foreign financial institutions, in particular depository and settlement ones (financial entities classified as *ICSD – International Central Securities Depository*) and covers the management of securities accounts and collective accounts of such entities.

The Bank maintained its leading position in the market of securities transaction settlements carried out for remote members of the Warsaw Stock Exchange. In addition, the Bank was still the active participant of settlements of transactions concluded by foreign institutional clients on the Treasury BondSpot Poland debt securities electronic platform, managed by BondSpot S.A.

As at 31 December 2022, the Bank maintained more than 16 thousand securities accounts (including collective accounts) which means an increase by 7% compared to 2021 and results from acquiring a new business as part of custody activity.

Simultaneously, the Bank acted as depositary of two open-end pension funds: Aviva OFE Aviva Santander, Nationale - Nederlanden OFE, two voluntary pension funds: Nationale - Nederlanden DFE, Generali DFE, and the Employee Pension Fund Orange Polska.

The Bank was also the depositary of investment funds managed by the following Investment Fund Companies: Santander TFI S.A., PKO TFI S.A., Esaliens TFI S.A., Allianz Polska TFI S.A. Templeton Asset Management (Poland) and Skarbiec TFI S.A.

The Bank continued servicing investment funds and pension funds operating under the Employee Capital Plans program: PKO Emerytura SFIO, Santander PPK SFIO, Allianz SFIO PPK, Esaliens PPK SFIO, Nationale - Nederlanden DFE Nasze Jutro.

At the same time, the Bank continued its activities to help refine legal regulations applicable to the securities market. A representative of the Bank was the Chairman of the Steering Committee of the Council of Depository Banks at the Polish Bank Association ("Council") for the fifth consecutive term of office. In the reporting period, the Council was involved in providing opinions on draft regulations affecting activities of domestic custodian banks and depositary activity. With the use of its own resources, experience and competences, employees of the Bank, in cooperation with the Polish Financial Supervision Authority, KDPW, KDPW\_CCP and the Warsaw Stock Exchange, participated in consultations about the implementation of new solutions in the Polish capital market, and in projects carried out by market working parties.

### 3.6 Brokerage Activity

The Group runs brokerage activities in the capital market via Brokerage Department of Bank Handlowy w Warszawie ("DMBH"), (until July 31, 2022 operating as the company Dom Maklerski Banku Handlowego S.A., where the Bank holds a 100% share).

As at the end of 2022, DMBH was the market maker for 67 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 16% of the shares listed in its main equity market.

In 2022, DMBH was the intermediary in in-session transactions accounting for 4.1% of equity turnover in the secondary market. The value of the in-session transactions concluded via DMBH in the equity market on the WSE was PLN 23.2 billion and declined by 12,5% as compared to last year, with decrease in turnovers on the WSE by 9.1%. Compared to the previous year, the structure of session trading has changed - a decrease in the share of turnover on client's account in total turnover, with a decrease in the share of own account turnover in total turnover and with an increase in the share of turnover on market maker account, as well as an re-increase in the activity of foreign brokers carrying out algorithmic and high volume trading operations.

In 2022, DMBH was on a 8. position in the session trading on the WSE Main Market, and 3. as a local Exchange Member.

The number of investment accounts maintained by DMBH was 12.1 thousand as at the end of 2022 and decreased by 15% compared to 2021. The change follows the transfer of the brokerage business from Dom Maklerski Banku Handlowego S.A. to the Bank as of August 1, 2022 and the need to terminate the brokerage service agreements of customers who did not agree to the transfer to the Bank of the rights and obligations under the agreement concluded with the Brokerage House.

The 2022 saw a considerable weakening of activity among shareholders and issuers due to the materialized geopolitical risks (the war in Ukraine) and uncertain macroeconomic situation in Poland. In 2022 DMBH carried out the following transactions:

- Ten Square Games S.A. – DMBH acted as the Global Coordinator in the accelerated sale of Ten Square Games shares worth PLN 138 million (January 2022),
- Atlas Estates Limited – DMBH acted as an Intermediary in the RFP for Atlas Estates Limited shares (June 2022).

Furthermore, DMBH worked on preparing transactions of initial and secondary public offerings.

#### Summary financial data as at 31 December 2022\*

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial result for 2022
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	119,220	117,286	3,333

\*preliminary data

#### Summary financial data as at 31 December 2021

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial result for 2021
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	742,894	124,413	26,858

### 3.7 Leasing

The leasing products are still offered by the Bank's Group as part of the so-called "open architecture", which is a partnership cooperation with entities not being part of the Bank's Group.

#### Summary financial data as at 31 December 2022\*

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial profit/loss for 2022
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,378	20,688	292

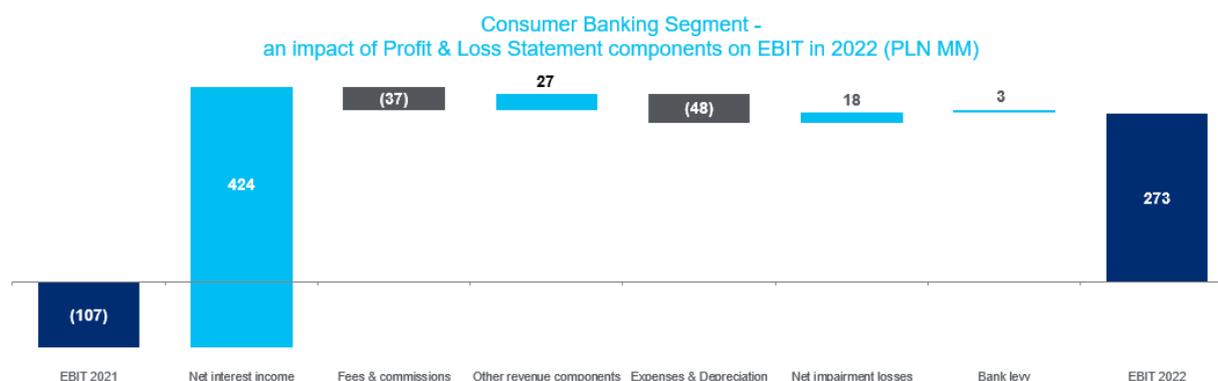
\*pre-audit data

Summary financial data as at 31 December 2021

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial profit/loss for 2021
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,129	20,397	(441)

## 4. Consumer Banking Segment

### 4.1 Summary of the segment's results



The following factors affected the pre-tax profit of the Consumer Bank segment in 2022:

- higher **interest income** mainly due to the significant raise of the reference rate by the Monetary Policy Council affected by the negative impact of credit holidays which is described in detail in Chapter II point 5. At the same time, the increase in interest rates and the tightening of credit policy reduced the creditworthiness of customers, which translated into a decrease in the balance of credit products (-12.2% YoY);
- an increase in **interest expenses** as a result of a interest rates raise for the polish zloty and other currencies which translated into an increase in the balance of deposits (+5.2% YoY);
- lower **net fee and commission income**, due to decrease in revenues from investment products, which results from economic uncertainty and the growing recession risk, and due to reduction in commission on credit products (as a result of growing interest on loans);
- an increase in **operating expenses**, mainly due to increase in staff expenses, transaction expenses and costs of renovation of the bank's headquarters;
- **decrease in net write-offs** due to the sale of a loan portfolio with recognized impairment in the second quarter of 2022.

### 4.2 Selected business data

	2022	2021	Change	
			PLN '000	%
Number of individual customers	571.1	584.0	(12.9)	(2.2%)
Number of current accounts	492.2	458.6	33.6	7.3%
Number of savings accounts	116.8	117.5	(0.7)	(0.6%)
Number of credit cards	479.2	513.1	(33.9)	(6.6%)
Number of debit cards	252.4	236.3	16.1	6.8%

### 4.3 Key business achievements

<p><b>Bank accounts</b></p>	<p><b>Current accounts</b></p> <p>The total balance on the accounts <b>amounted to PLN 9.8 billion</b> as at the end of 2022, i.e. <b>decreased by 17%</b> as compared to 2021. The decrease in the balance is a consequence of the transfer of funds accumulated on current accounts to the accounts of the time deposits.</p> <p>The number of personal accounts was <b>492,000</b> as at the end of 2022, i.e. <b>increased by 7%</b> as compared to 2021. Of that number, 269,000 were PLN accounts and 223,000 accounts in foreign currencies.</p> <p><b>Savings accounts</b></p> <p>The number of savings accounts was <b>117,000</b> as at the end of 2022, with a simultaneous their total balance of <b>PLN 2.1 billion</b>, as compared to 117,000 savings accounts with over PLN 3.3 billion in the same period in 2021. The decrease in the balance is due, as in the case of current accounts, to the transfer of funds to term deposit accounts, the balance of which, compared to the previous year, increased nearly <b>sixfold</b> from PLN XX million at the end of 2021 to nearly XX at the end of December 2022.</p> <p><b>Changes in the offer</b></p> <p>In response to the increase in market rates, the Bank <b>increased interest rates on the PLN Savings Accounts several times in 2022</b>. At present, on the Konto SuperOszczędnościowe (SuperSavings Account), deposits up to PLN 20,000 bear interest of 6%, for deposits above that amount the interest is 3%. On the Konto Oszczędnościowe (Savings Account), the interest rate is 3%, regardless of the amount of the balance. The Bank implemented similar changes in the interest rates on PLN Term Deposits, for example, holders of a Citigold Private Client account are offered an interest rate of 5% p.a. on a 6-month deposit. In addition, <b>the Bank has increased interest rates on Deposits</b> held in US Dollars and British Pounds and introduced deposits held in Euros.</p> <p>In September 2022, the Bank simplified its offering for accounts by cancelling monthly fees for maintenance of Foreign Currency Subaccounts (a package of 10 currencies) and by removing the requirement to meet at least one of the three additional conditions of waiver of the monthly maintenance fees for Citigold and Citigold Private Client Personal Accounts. At the end of 2022, due to Croatia's entry into the Eurozone, the Bank withdrew the Croatian Kuna Currency Subaccount from its offering.</p> <p><b>Awards and honors</b></p> <p>In last year's edition of the renowned Euromoney magazine survey, <b>Citi Handlowy's private banking offer was once again named one of the best-of-its-kind services in Poland</b>. The bank won the podium in 14 out of 17 surveyed categories. The results of the survey were published on 9 February 2022.</p> <p>High marks were given to the wealth management, investment advice for different client groups, technological advancement and the Bank's ESG/sustainable investing initiatives, among others</p>
<p><b>Credit Cards</b></p>	<p>As at the end of 2022, the number of credit cards was <b>479,000</b>. The total debt on credit cards amounted to <b>PLN 2.2 billion</b> as at the end of 2022 and decreased by 14% from the end of 2021. The Bank's share on the credit card market, measured by the value of loans granted on credit cards, was 18.5% according to the data at the end of December 2022.</p> <p>In 2022, despite the difficult situation on the credit card market, the acquisition of credit cards amounted to approximately 22,500 cards. It was possible thanks to the Bank's intensive activities in the area of acquisitions by making the offer of credit cards more attractive. This translated into honoring the Bank in 2022, for the seventh time in a row, with the <b>Golden Banker award for the best credit card</b>. This time, the <b>Złoty Bankier received again the Citibank BP Motokarta Card</b>.</p> <p>In 2022, the quality of card acquisition and a high share of cards acquired on the basis of the client's documented income data were maintained, which translated into a higher activation level and a higher transactional activity of the newly acquired clients.</p> <p>The Bank consistently diversifies its acquisition channels while continuously optimizing its sales processes.</p>
<p><b>Cash loans and installment products on credit card accounts</b></p>	<p>The sale of unsecured loans (cash loans and loans on credit card) amounted to <b>PLN 572 million</b> in 2022, i.e. declined by 24% compared to 2021.</p> <p>The balance of these loans amounted to <b>PLN 1.8 billion</b> as at the end of 2022, i.e. decreased by 21% as compared to the end of 2021.</p> <p>The declines reported above are a consequence of the decrease in the creditworthiness of clients</p>

	and more loan repayments made by customers as a result of interest rate increases.
<b>Mortgage products</b>	As at the end of 2022, the mortgage loan portfolio amounted to <b>PLN 2.2 billion</b> , i.e. it <b>decreased by 9%</b> from the end of 2021. In 2022, sales of mortgage products amounted to <b>PLN 385 million</b> , i.e. decreased by 20% compared to the sales results recorded in 2021.
<b>Investment and insurance products</b>	<p>As at the end of 2022, the <b>funds under management as part of investment products</b> (including investment insurance products, without dual currency investments) acquired by retail clients via the Bank were 18% lower as compared to the same period in 2021. This decline was mainly due to the decline in the valuation of shares listed on the WSE, which have the largest share in the asset portfolio and also due to term purchase of structured bonds. In other key areas of the offer, such as foreign stock and bond markets, the asset portfolio at the end of 2022 increased by 10%, and for investment funds declined by 24% compared to the end of 2021.</p> <p>In 2022, the <b>volume of foreign exchange transactions (FX)</b> in the Consumer Banking segment <b>increased by 75%</b> compared to 2021, while the <b>number of foreign exchange transactions increased by 31%</b> compared to 2021.</p> <p>In the structured product segment, the Bank completed <b>5 subscriptions for PLN denominated structured bonds</b> in 2022.</p> <p>As regards open-ended investment funds, in 2022 the Bank enhanced the offer by adding 13 new units of investment funds in a variety of currencies, including units of "hedge" type mitigating the currency risk and distribution units paying dividends.</p> <p>The Bank still offered insurance in a multi-channel distribution model - both at branches and in remote channels. In the case of Citigold branches, the products were offered under the model where clients are served by insurance specialists who provide their clients with expert support in the area of financial planning using insurance products.</p>

## **5. Development of distribution channels**

### **5.1 Branch network**

#### **Citigold and Citigold Private Client outlets**

As at the end of 2022, there were 18 branches dedicated to customer service. 9 Hub Gold branches, 8 Smart branches and 1 corporate branch operate within the branch network.

The structure of the branch network in 2022 remained the same. The current number of outlets dedicated to direct customer service is optimal from the perspective of the Bank's strategy and their location, together with the network of ATMs operating outside the Bank's branches, remains consistent with the needs of the current customer portfolio and provides the expected access to services.

In 2022, the Bank focused on ensuring the highest standards of comfort and security for direct customer service in branches. In the first months of last year, due to the Covid-19 pandemic, procedures to counter the spread of infections were maintained, using measures and solutions developed and tested in previous years. In the second quarter of 2022, due to the formal revocation of the state of pandemic, the recommendations to branch network staff on health care have been modified, while leaving dedicated solutions and protection measures for ongoing use by customers and staff. This state of affairs was maintained in the second half of the year, which made it possible to ensure prevention in the sanitary-epidemiological sphere and the safety of work and service in the Bank's branches.

Since the start of hostilities in Ukraine, the Bank's branch staff have been particularly involved in helping refugees and people in need of support in organizing personal finance matters. Branches were supplied with materials in Ukrainian and Russian to support the process of opening a personal account. Additionally, a support solution has been implemented, providing consultants with language support during the sales and customer service processes.

In 2022, the Bank embarked on a project to replace ATMs located both within and outside the branch network locations. As part of the planned tasks, the Bank purchased 34 state-of-the-art ATMs from NCR and upgraded five of its existing ATMs, thereby unifying the technology standard across the ATM network and creating a consistent platform for future service and functionality development. The implementation of the project has improved the quality of service in this customer contact channel and ensured that the equipment complies with the Bank's requirements and the recommendations of payment organizations and market regulators. The measures taken have also reduced service and cash handling costs, not least by optimizing the network.

Alongside the replacement of ATMs, the Bank carried out a partial refurbishment of the service areas in branches, improving the aesthetics and ergonomics of the interiors in both Smart and Hub Gold branches.

**Number of branches (at the end of period)**

	December 31, 2022	December 31, 2021	Change
<b>Number of branches:</b>	<b>18</b>	<b>18</b>	<b>-</b>
- HUB Gold	9	9	-
- Smart Branches	8	8	-
- Corporation Branches	1	1	-

## 5.2 Internet and telephone banking

### Online banking

The online platform for retail and macro clients is built in a responsive technology, i.e. it can adapt itself to the device used by a client. Modern design was inspired by clients expectations and extended functionality makes other channels of communication unnecessary. One of the improvements is for credit card holders, which can manage their card limit, define transaction limits, convert transactions into installments or buy insurance products by themselves. The clients can construct and update their investment profile coherent with the MiFID II regulation.

Also, an online platform offers a transaction module for investment funds and provided a new Citi Kantor currency exchange module in which currency can be exchanged in a simple way and at attractive rates within a group of major currencies: the zloty to US dollar, euro, British pound and Swiss franc. Additionally, Citi Kantor enables users to receive text or email messages when the desired FX rate is available (Market Alerts) or to sell currencies at a pre-defined exchange rate (Order Watch). Citi Kantor also makes it possible to execute advanced orders such as Stop, Limit, If Done, OCO (Order-Cancels-Order). The client can use these solutions conveniently both in the online version – within the Citibank Online electronic banking, and mobile version – within the Citi Mobile app.

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was 363,200 as at the end of 2022. The share of active Citibank Online users in the entire client portfolio of the Bank was 65.7% as at the end of 2022, i.e. up by 0.2 p.p. as compared to the end of 2021.

At the same time, as at the end of 2022, digital users accounted for 84.4% of all transactionally active clients, which means that the level of 2021 was maintained.

### Mobile Banking

Responsive technology gives the client access to all functionalities in Citibank Online on any device they may use. In addition, clients have access to the mobile application which features such functions as free Push notifications, which keep the client updated of changes on the account or card, and login activation with the use of a fingerprint or face image, which makes access to the application even easier. The clients have had access to, among other functionalities, simplified and intuitive navigation, a modernized layout and a mobile authorization service - Citi Mobile Token. The application also offers a currency exchange module, Citi Kantor, and a multi-currency service, Citibank Global Wallet, which permits automatic currency account alignment with the transaction currency without manually reassigning the card.

An application also includes the BLIK payment method, which allows payments in online and stationary stores, service outlets and withdrawals at ATMs, as well as instant BLIK transfers between customers of various banks.

As at the end of the 2022, the number of active users of mobile banking, i.e. those who used mobile banking at least once in every 90-day period via the application or Citibank online in responsive technology, amounted to 287,600, i.e. increased by 1.8% as compared to the end of 2021.

As at the end of 2022 the share of active users of mobile banking in the retail client portfolio of Citi Handlowy was 52%, i.e. increased by 2.0 p.p. as compared to the same period in 2021.

### Social media

In 2022, Citi Handlowy continued its activities in social media. The platforms on which the Bank has a presence represent an important channel of communication with customers. In 2022, Citi Handlowy conducted active communication in this form regarding products, special offers prepared for the Bank's clients, educated them on the use of its digital solutions and conducted a two-month campaign on online security.

Social media also served as one of the new client acquisition channels.

In 2022, the posts published by the Bank on social media reached 7.1 million unique users, i.e. increase in the range by 24.6% compared to the previous year. 383 materials were posted (twice as much as in 2021), and received nearly 50.5 million views (paid activities). Users left 1,789 comments under Bank's publications.

## 6. Changes in IT technologies

In 2022, a strategic goal of the Bank in the area of IT technology was to continue increasing the competitiveness of the Bank by providing top quality products and services with the extensive use of innovative solutions, digitization and automation and concurrently with cost optimization. In accordance with prevailing market trends, the technology of the Bank is based, to a large extent, on centralized services and outsourcing. The services centralization processes enable the Bank to generate savings, improve quality, standardize processes and ensure a high level of control and information security. The Technology Division of the Bank focused its activities on the development and implementation of solutions which support promotion of electronic distribution channels based on the most advanced technologies, including online and mobile solutions.

IT processes of the Bank are executed in accordance with international standards, which was confirmed, in the first half of 2022, by the positive outcome of recertification/supervision audits of compliance with ISO 20000 v. 2018 (Information technology – service management), ISO22301 (continuity of business) and ISO 27001 (information security management).

The most crucial modifications and improvements implemented in 2022 included:

- **in institutional banking:**
  - implementation of solutions supporting outgoing and incoming payments processing within an extended time window – the solution is meant to enable corporate payments handling in a wider availability window close to 24/7. As a result of the implementation, the Bank expects to increase the volume of payments processed,
  - integration of the Bank's and the Brokerage House's systems – the implementation of the solutions is intended to enable the Brokerage House's customers to be serviced from within the Bank's structures and to optimize costs by achieving synergies;
  - implementation of solutions to support SWIFT payments in the new ISO 20022 format – implementation of the solution will enable SWIFT payments to be supported in the new global ISO format. As a result of the implementation, the Bank expects to maintain its international transaction flows at current levels.
- **in consumer banking:**
  - extending the functionality of the Citibank Online platform to include the ability to view the status, number of points and benefits accumulated in the "Mastercard Priceless Moments" program;
  - refreshing Citi Handlowy's own ATM fleet with modern devices that meet the latest standards in customer service, speed and security;
  - implementation of a number of changes to improvement of the online and mobile banking platform (addition of a new functionality and products) in order to increase the client satisfaction level, revenues and security,
  - implementation of tools supporting automation and digitization of sales processes (straight through processing) in the area of consumer banking products - for credit card, cash loans and accounts,
- **in the scope of adaptation of systems of the Bank to ensure their compliance with regulatory requirements:**
  - implementation of additional changes to CRM systems and the main payment systems to increase compliance in the area of sanctions supervision,
- **in the area of information and communication technology infrastructure of the Bank and information security:**
  - continued implementation of improvements to increase the security of use of the CitiBank Online platform, including the implementation of additional authentication mechanisms at the server level to secure the systems against possible attacks and manipulation of data of defined customers of the client;
  - introduction of improvements in mobile banking for retail clients to minimize the exposure of applications to the risk of fraudulent transactions and to control versions of certificates, requirements related to a secure runtime environment as well as pinning a device and application to a specific user;
  - extension of existing and addition of new solutions in the data leakage prevention (Data Leakage prevention systems), which have significantly mitigated the risks connected with data leaks;
  - modernization of the network infrastructure architecture on the basis of SDN (software defined network) technology in the Bank's four large sites and modifications to the ICT infrastructure in the Bank's branches,
  - completion of the first phase of the Microsoft365 office suite deployment, which migrated the local software on users' end devices to M365 (the non-cloud version);

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

Pending and not completed initiatives and modifications of systems which will affect the operations of the Bank in the near

future are presented below:

- **in institutional banking:**
  - implementation of solutions for robotization and automation of operating processes of the Bank;
  - expansion of the ICT environment for financial reporting – by automating current processes, this implementation will ensure greater cost efficiency and reliability of financial and supervisory reporting processes;
  - ongoing identification and elimination of safety gaps in used systems;
- **in consumer banking:**
  - implementation of a new solution eliminating active links in SMS messages for online card payments. In the new solution, credentials will be entered by customers when called up on the merchant/store page;
  - implementation of solutions for robotization and automation of operating processes of the Bank;
  - continued automation and digitization of sales processes (straight through processing);
  - continued improvement of the online and mobile banking platform (addition of a new functionalities and products);
  - ongoing identification and elimination of safety gaps in used systems;
- **in the area of information and communication technology infrastructure of the Bank and information security:**
  - implementation of additional new-generation security solutions in banking systems;
  - continued modernization of the architecture of network infrastructure of the Bank's main locations using SDN technology (software defined network);
  - implementation of a new backup data processing center in Poland (under the co-location model) as a location alternative to the local infrastructure in Warsaw;
  - implementation of the Microsoft365 office bundle to improve the efficiency of the Bank's employees (in the next phase, users are planned to be migrated to M365 in the version with the computing cloud, without the option to process banking data);
  - migration of the IT infrastructure management system, ServiceNow 3.0, to the cloud;
  - preparation works before using AWS cloud and GCP services for data processing (in the first stage for data classified as internal);
  - implementation of the mechanisms additionally raising the accessibility and redundancy of mobile phone recordings.

The Bank developed, implemented and has maintained a business continuity management system (BCMS), which is oriented to achieving results reflecting the core principles and values of the Bank in line with the Bank's strategy. The Bank designed business continuity plans and contingency plans for critical processes, which ensure continuity of processes during an emergency. The plans ensure an efficient and well-balanced continuity of critical services and products of the Bank in the required time. The plans are subject to periodic reviews and tests, and the test results are used to improve the plans and the entire BCMS. The Bank maintains the BCMS in line with the international ISO22301 standard – in the first quarter of 2022 the Bank passed the periodic audit for ISO22301 supervision.

## 7. Equity investments

The investments of the Bank are divided between the portfolio of strategic companies and the portfolio of companies held for sale. In 2022, the Bank continued the investment policy it had decided to adopt earlier. Its objectives for the strategic companies portfolio were: to maximize profits in the long run, to increase market shares, to develop cooperation with the Bank and to expand the product range of the Bank; and for the portfolio of companies held for sale: to optimize the financial result of capital transactions and to minimize the risk in the areas arising from those transactions.

### 7.1 Strategic portfolio

Strategic portfolio includes entities which conduct their activities in the financial sector and through which the Bank enlarges its product offer, raises prestige and fosters its competitive position on the Polish financial services market.

Strategic portfolio also includes infrastructural companies which operate for the financial sector. The Bank holds non-controlling interest in such companies but they are of strategic importance for the Bank given their operations and collaboration with the Bank.

For its strategic investments in the so-called infrastructural companies, the Bank is going to retain its share and to participate proactively in decision making to determine strategic directions of their development to the extent of the options the Bank may pursue with the voting rights it holds. As its overriding goal when exercising corporate oversight over those companies, the Bank has chosen to support their growth insofar as the continuation of their current operations utilized by financial market participants, including the Bank, is not put in jeopardy. Simultaneously, in order to ensure that the Bank's proposal is innovative and comprehensive and that it meets diverse product needs and expectations of clients, the Bank may consider an expansion of its strategic companies portfolio by those which will complement its own proposal and make it more attractive, while ensuring that all offered services are safe. To this end, the Bank may opt for an acquisition, create a new company or use a special purpose investment vehicle it already has in its portfolio.

## 7.2 Divestment portfolio

Companies held for sale are entities in which the Bank's involvement is not of strategic nature. They include both companies held by the Bank directly and indirectly as well as special purpose investment vehicles. Some of the companies held for sale are restructuring commitments taken over by the Bank as a result of debt-to-equity conversion.

Strategic assumptions of the Bank regarding companies held for sale provide for gradual reduction of the Group's exposure in these companies. It is assumed that the individual entities shall be sold at the most favorable moment, determined on the basis of market conditions. The held-for-sale portfolio covers investments without a pre-determined rate of return. The Bank does not plan any new investments that would be held for sale in the future. The portfolio of companies which are held for sale may be enlarged by adding new companies taken over in the course of debt-to-equity conversions or as a result of takeover/enforcement of a pledge established on shares during the lending process or other processes aimed at securing or enforcing receivables of the Bank, and by investments which the Bank may take over in the course of its operations. Investment resulting from restructuring activities will be sold in accordance with the restructuring plan created individually for each company.

### Special purpose investment vehicles companies

As at 31 December 2022, the Group included two investment special purpose vehicles. Their activities were financed with reverse capital contributions of the shareholder and with their profits. As the Bank continues its strategy which assumes that its activities carried out via special purpose vehicles should be trimmed down, it is expected that its special purpose vehicles will be gradually sold or liquidated.

According to information available as the date of preparation of the (preliminary and unaudited) financial statements, the key financials of those companies as at 31 December 2022 were as follows:

Entity	Headquarter	Authorized capital/votes in GM held by the Bank	Balance sheet	Equity	Net financial profit/loss for 2022
		%	PLN '000	PLN '000	PLN '000
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	10,566	10,472	12
Handlowy Investments S.A.*	Luxemburg	100.00	4,432	4,377	(222)

\* Financial data of Handlowy Investments S.A. originate from the financial statements prepared as at 28 February 2021 (pre-audit data), which is the entity's balance sheet date.

## V. Significant risks related to the activities of the Capital Group of Bank Handlowy w Warszawie S.A.

### 1. Significant risks and threats related to the Group's operating environment

#### 1.1 Regulatory and legal risks

In 2022 the financial and organizational situation of the Group was affected, among other things, by:

Legal acts / regulations	Effective date and summary of new requirements
ESMA guidelines on the MiFID II compliance function.	<ul style="list-style-type: none"> <li>Date: 2021/2022 (implementation).</li> <li>The guidelines replace the ESMA guidelines issued in 2012 and include updates that improve transparency and increase consistency in the implementation of and supervision over new requirements for the compliance function under MiFID II. Although the objectives of the compliance function and the key rules creating the basis of regulatory requirements have not changed, the obligations have been additionally reinforced, enhanced and clarified under MiFID II. The guidelines will make the existing standards more useful by providing additional explanations of issues such as new obligations in connection with</li> </ul>

	<p>product management requirements under MiFID II, and in particular by describing in detail the reporting obligations of the compliance function. The guidelines are addressed to investment firms and credit institutions that provide services and carry out investment activities, investment firms and credit institutions that sell or advise clients on structured deposits, companies that manage UCITS and third party managers of alternative investment funds (AIF) when providing services and carrying out investment activities in accordance with the UCITS and AIF Directive.</p>
<p>Recommendation Z on internal governance at banks EBA and ESMA's guidelines on suitability assessment for management body members and key function holders EBA guidelines on internal governance</p>	<ul style="list-style-type: none"> <li>• Date: 31 December 2021 (implementation).</li> <li>• Recommendation Z provides a set of good practices in the area of internal governance. In particular, the document refers to such issues as general principles of internal governance at a bank, organizational structure, roles and responsibilities, the composition and functioning of the supervisory board, the management board, and senior management, a bank's code of conduct (ethics) and conflict of interests, rules of remuneration at a bank, risk management and internal controls, information systems and communication, the introduction of new products at a bank, a dividend policy, an outsourcing policy, business continuity and the transparency and integrity of management system at a bank. Recommendation Z is being prepared taking into account guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA). The implementation of the indicated regulatory requirements took place at the end of 2021, and the implementation of the new obligations will be implemented from 2022.</li> </ul>
<p>Recommendation R on principles of credit risk management and recognition of expected credit losses (project)</p>	<ul style="list-style-type: none"> <li>• Date: 1 January 2022</li> <li>• Recommendation is addressed to banks and is a set of principles and guidelines regarding credit risk management and recognition of expected credit losses. The amendment to Recommendation R is the result of the entry into force on January 1, 2018 of the new International Financial Reporting Standard - IFRS 9 Financial Instruments. The purpose of Recommendation R is to show banks a set of good practices in credit risk management, classification of credit exposures and estimation of expected credit losses in accordance with the accounting policy adopted and binding in the bank.</li> </ul>
<p>Announcement of the UKNF (Office of the Polish Financial Supervision Authority) of 28 February 2022 on supporting solidarity of the financial sector Announcement of the UKNF of 4 March 2022 on the product offer for refugees from the areas of military operations in Ukraine</p>	<ul style="list-style-type: none"> <li>• Date: February/March 2022</li> <li>• The UKNF has said it appreciates and supports the ethical and responsible approach as well as the solidarity of many institutions of the Polish financial sector in the face of the ongoing humanitarian crisis caused by the aggression of the Russian Federation against Ukraine,</li> <li>• The Polish watchdog expects supervised entities to display exceptional business ethics during this difficult time for everyone and to actively counteract any practices consisting in abusing and exploiting the tragedy of the Ukrainian nation to achieve non-standard benefits.</li> <li>• The UKNF said it expected banks to implement offers addressed to the group of refugees from Ukraine as soon as possible, in order to grant them access to the basic payment services and facilitate the distribution of the financial support among them. The Office also emphasized the need to help them easily satisfy their everyday life needs that require standard payment transactions.</li> </ul>
<p>Announcement of the UKNF of 2 March 2022 on the disclosure obligations of issuers in connection with the political and economic situation in Ukraine</p>	<ul style="list-style-type: none"> <li>• Date: March 2022</li> <li>• The UKNF has recommended that issuers take, as soon as possible, at least the following actions: <ul style="list-style-type: none"> <li>- monitor whether the reports made publicly available by the issuer via the Electronic Data Transfer System (hereinafter referred to as the "ESPI") are provided solely by authorized persons. In addition, the UKNF recommends that the issuers verify the number of their active accounts in the ESPI,</li> <li>- analyze and monitor the impact of the political and economic situation in Ukraine on the operations of the issuer or its group of companies, or on their financials in the following</li> </ul> </li> </ul>

	<p>periods and, in the event that inside information referred to in Article 7 of MAR is identified, to submit a relevant report without delay,</p> <ul style="list-style-type: none"> <li>• present information on the actual and potential impact of the said situation on the operations of the issuer or its group of companies in the periodic report for 2021 as well as in quarterly and interim periodic reports for 2022.</li> </ul>
<p>Announcement of the European Banking Authority (EBA) on ensuring compliance with sanctions against Russia following the invasion of Ukraine</p>	<ul style="list-style-type: none"> <li>• Date: 11 March 2022</li> <li>• The EBA has called on financial institutions to ensure compliance with sanctions against Russia following the invasion of Ukraine and emphasized that it will continue to closely monitor and assess the situation.</li> <li>• The EBA underscored that financial institutions are required to assess the adequacy and effectiveness of internal controls and governance to ensure compliance with restrictive measures adopted in response to the above-mentioned crisis. They should also adapt or enhance systems and processes as appropriate.</li> <li>• Moreover, the EBA called on them to facilitate access to basic payment accounts for refugees.</li> <li>• The EBA's announcement was also locally supported by the UKNF through its published stances and communiqués.</li> </ul>
<p>The EBA Guidelines specifying the criteria to assess the exceptional cases when institutions exceed the large exposure limits of Article 395(1) of Regulation (EU) No 575/2013 and the time and measures to return to compliance pursuant to Article 396(3) of Regulation (EU) No 575/2013</p>	<ul style="list-style-type: none"> <li>• Date: 01 January 2022</li> <li>• The guidelines set out the criteria that competent authorities should use when assessing the exceptional cases referred to in Article 396(1) of Regulation (EU) No 575/2013, and where the competent authority allows an institution to exceed the limits provided for in Article 395(1) of Regulation (EU) No 575/2013. The guidelines also contain the criteria that competent authorities should apply to determine the appropriate timeframe for an institution to return to compliance with the large exposure limits set out in Article 395(1) of Regulation (EU) No 575/2013 and the measures to be taken to ensure a prompt return to compliance with those limits.</li> <li>• The guidelines also specify additional information to be provided to the competent authority when reporting a breach of the large exposure limit under Article 396(1) of Regulation (EU) No 575/2013.</li> </ul>
<p>The UKNF position on the activities to reduce the credit risk level</p>	<ul style="list-style-type: none"> <li>• Date: 07 March 2022</li> <li>• In the published position, the UKNF emphasizes that the level of change in the interest rate used to assess creditworthiness that is set out in Recommendation S should be treated as the minimum change (5 pp). However, a bank should redefine this level in the wake of changes in market situation. Any other approach adopted by banks should be deemed a non-compliance with that Recommendation. In addition, the UKNF points out that the regulator's intention is to ensure that banks make maximum effort to effectively increase the attractiveness of and to promote offerings covering loans with a temporarily fixed interest rate and to ultimately introduce in their product offerings loans with an interest rate that is fixed in the entire lending cycle.</li> </ul>
<p>The KNF communique on the withdrawal of the Supervisory Incentive Package</p>	<ul style="list-style-type: none"> <li>• Date: 15 September 2022</li> <li>• The UKNF announced that from 15 September 2022 the Package of Supervisory Incentives for the Security and Development of #PIN will cease to apply. The #PIN Package was developed by the UKNF in connection with the COVID-19 pandemic and the restrictions implemented at that time. Thereafter, some of the activities proposed in the Package were suspended or ended over two years depending on the situation of particular financial sectors and the epidemiological situation. The UKNF believes there is no need to continue the solutions adopted in that Package, except those #PIN elements that have been transferred to applicable laws and regulations.</li> </ul>
<p>Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June</p>	<ul style="list-style-type: none"> <li>• Date: 01 January 2018</li> </ul>

<p>2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.</p>	<ul style="list-style-type: none"> <li>• This regulation implements, among other things, a common framework which is to ensure accuracy and integrity of indices used in the EU as benchmarks in financial instruments and financial contracts, as well as the protection of consumers and investors.</li> <li>• The regulation also applies to entities which provide benchmarks or input data for a benchmark and to supervised entities which use benchmarks in financial contracts and financial instruments.</li> </ul>
<p>Regulation of the Council of Ministers of 25 March 2022 on the implementation of certain restrictions, obligations and prohibitions in connection with the state of epidemic threat</p>	<ul style="list-style-type: none"> <li>• Those regulations have introduced various restrictions and prohibitions related to the SARS-CoV-2 epidemic.</li> </ul>
<p>Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms and amending Regulations (EU) 1093/2010, (EU) 575/2013, (EU) 600/2014 and (EU) 806/2014 (IFR) and the Draft Act amending the Act on Trading in Financial Instruments and Certain Other Acts implementing the IFD Directive (Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU</p>	<ul style="list-style-type: none"> <li>• Date: 26 June 2021.</li> <li>• The purpose of the IFD Directive and the IFR Regulation is to create a uniform, integrated regulatory framework for investment firms. Due to their diverse business profiles, investment firms are subject to numerous exemptions from legal requirements in individual EU countries. This results in regulatory complexity for many companies, especially those operating across multiple EU countries.</li> <li>• Therefore, the above-mentioned EU rules aim to create a system of prudential supervision for non-systemically important investment firms depending on their size and their interconnectedness with other financial and economic actors.</li> <li>• Under the new prudential regime for investment firms in the IFD/IFR package, investment firms are divided into three categories based on their size and their interconnectedness with other financial and economic actors. The first category includes systemically important investment firms, the largest and most interconnected, which are still subject to the existing prudential framework under the CRR and the CRD (need to be authorized as a credit institution). The second category includes entities that do not generate systemic risk, but are most likely to generate risk to clients, markets or proper functioning of investment firms. These should, therefore, be subject to specific prudential requirements tailored to their specific risks. The third category are small and non-interconnected investment firms with the least stringent requirements. At the same time, mechanisms for monitoring companies are provided using the criteria based on which the category (classification) depends.</li> <li>• Polish legislation implementing the IFD/IFR package includes, above all:             <ol style="list-style-type: none"> <li>1) The Act of 01 October 2021 amending the act on trading in financial instruments and certain other acts</li> <li>2) Regulation of the Minister of Finance of 08 December 2021 on estimation of internal capital and liquid assets, risk management system, supervisory review and evaluation, as well as remuneration policy at a brokerage house and a small brokerage house.</li> </ol> </li> </ul>
<p>Act of 25 February amending the Banking Law Act and certain other acts</p>	<ul style="list-style-type: none"> <li>• Date: 2021 and partially in 2023.</li> <li>• The regulation is meant, among other things, to implement Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V) and to apply Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) 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, as well as Regulation (EU) No. 648/2012;</li> </ul>
<p>The ruling of the Court of Justice of the European Union of 11 September 2019 on the interpretation of Article 16.1 of the</p>	<ul style="list-style-type: none"> <li>• Announcement date: 11 September 2019</li> </ul>

<p>Directive of the European Parliament and of the Council 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, concerning the settlement of cost of borrowing in the case of an earlier repayment.</p>	<ul style="list-style-type: none"> <li>• The position of the UOKiK (Office of Competition and Consumer Protection) clearly shows how the conclusions from the judgment should be taken into account in activities of lenders.</li> <li>• The expected response is a proportionate, i.e. in accordance with the so-called straight-line method, return of part of the commission on early repaid consumer loans.</li> <li>• As revealed in an official communiqué published on the UOKiK's website, the majority of banks have promised to use practice in line with the UOKiK's expectations.</li> </ul>
<p>Judgment of the Court of Justice of the European Union of 3 October 2019 on the interpretation of Article 1(2), Article 4, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (OJ 1993 L 95, p. 29) concerning clauses in foreign currency indexed mortgage contracts</p>	<ul style="list-style-type: none"> <li>• Announcement date: 03 October 2019</li> <li>• According to the CJEU ruling, if Polish courts find that indexation clauses in foreign currency indexed mortgage loan agreements are abusive:             <ol style="list-style-type: none"> <li>1) courts may assume that the contract cannot continue to operate without such clauses because this would change the nature of the contract,</li> <li>2) as a rule, the consequences of contract invalidation for the consumer must be assessed as at the moment the dispute arose (not as at the time the contract was made),</li> <li>3) courts cannot freely supplement their terms based on equity principles (e.g. by introducing settlements based on NBP exchange rates into contracts),</li> <li>4) courts cannot uphold the indexation even if the contract has to be invalidated and such invalidation is disadvantageous to the client if the client does not agree to maintain the indexation.</li> </ol> </li> <li>• As a result of this judgment, a case law unfavorable for banks may develop, affirming the ability to invalidate mortgage loan contracts indexed to a foreign currency.</li> </ul>
<p>Council Regulation (EU) 2022/328 of 25 February 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine</p>	<ul style="list-style-type: none"> <li>• The Regulation imposes sanctions on Russia following its invasion of Ukraine and affects the conclusion by the Bank of financial transactions with – or provision by the Bank of services to – Russian citizens, natural persons residing in Russia, legal persons, entities and bodies seated in Russia, or persons/entities affiliated with such persons, bodies or entities (depending on a given sanction).</li> </ul>
<p>The Act of 13 April 2022 on specific solutions to prevent support for aggression against Ukraine and to protect national security</p>	<ul style="list-style-type: none"> <li>• Date: effective date: 16 April 2022</li> <li>• The Act introduces many regulations to protect the national interests of Poland (sanctions, compulsory management, disclosure of information subject to banking secrecy),</li> <li>• The Act also introduces a legal framework for imposing internal restrictions having a nature of sanctions (Ministry of Internal Affairs and Administration sanction list).</li> </ul>
<p>Act of 09 February 2022 amending the Code of Commercial Companies and certain other acts</p>	<ul style="list-style-type: none"> <li>• Date: 13 October 2022</li> <li>• Changes to the operation of bodies of a joint-stock company</li> </ul>
<p>Banking package CRD V/CRR II, which includes:  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, as well as Regulation (EU) 648/2012,  Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as</p>	<ul style="list-style-type: none"> <li>• Date: most of the new regulations will come into force in mid-2021, some in 2022,</li> <li>• The amendment to the existing solutions is intended to implement the reforms agreed at the international level after the financial crisis of 2007–2008. It aims to strengthen the banking sector and eliminate the remaining problems in the field of financial stability.</li> </ul> <p>The package includes the following measures in particular:</p> <ul style="list-style-type: none"> <li>• a binding leverage ratio for all institutions and a leverage ratio buffer for all global systemically important institutions</li> <li>• a net stable funding ratio</li> <li>• new market risk reporting rules, including reducing reporting and disclosure requirements and simplifying market risk and liquidity requirements for small, less complex banks to ensure that all banks in the EU have a proportionate framework</li> <li>• a requirement for non-EU institutions with significant activity in the EU to have an EU intermediate parent undertaking</li> </ul>

**Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2022**

**TRANSLATION**

<p>regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.</p>	<ul style="list-style-type: none"> <li>• a new Total Loss Absorption Capacity (TLAC) requirement for Global Systemically Important Institutions</li> <li>• a more refined minimum requirement for own funds and eligible liabilities (MREL) and compliance rules for Global Systemically Important Institutions and other large banks</li> <li>• new moratorium powers for resolution authorities.</li> </ul>
<p>Act of 7 July 2022 on crowdfunding and on assistance for borrowers</p>	<ul style="list-style-type: none"> <li>• Date: 29 July 2022</li> <li>• The Act introduces the so-called credit holidays – deferral of up to 8 mortgage installments, available to borrowers who took out a mortgage loan in the Polish currency (excluding loans indexed to or denominated in a currency other than the Polish currency),</li> <li>• The deferral of mortgage installments can only be applied to one agreement concluded to satisfy the consumer’s own housing needs – upon a relevant declaration under the pain of criminal liability.</li> <li>• It applies to agreements concluded before 01 July 2022 if the loan term set out in the agreements expires after 6 months from that date.</li> <li>• The deferral period is excluded from the loan term. The loan term and the deadlines provided for in the agreement are postponed by the deferral period.</li> <li>• The legal basis for benchmark reform and WIBOR phase-out.</li> </ul>
<p>The Act of 5 August 2022 Amending the Mortgage Loan Act and on Oversight over Mortgage Loan Intermediaries and Agents, and Amending the Personal Income Tax Act, the Corporate Income Tax Act and certain other laws</p>	<ul style="list-style-type: none"> <li>• Effective date: 17 September 2022</li> <li>• The introduction of an obligation to refund the costs of a mortgage loan incurred while waiting for registration of the mortgage.</li> </ul>
<p>Regulation of the Minister of Finance of 23 December 2021 amending the regulation on the charges to cover the costs of the capital market supervision</p>	<ul style="list-style-type: none"> <li>• Date: 01 January 2022 (effective date)</li> <li>• Change of the amount and calculation method of the charges to cover the costs of the supervision of the capital market by supervised entities.</li> </ul>
<p>Regulation of the Council of Ministers of 30 December 2021 on contributions to cover the banking supervision costs</p>	<ul style="list-style-type: none"> <li>• Date: 01 January 2022 (effective date),</li> <li>• The Regulation sets out the date of payment, amount and calculation method for contributions related to banking supervision and how those payments will be used to cover the banking supervision costs and the participation in costs, which are referred to in Article 17(1) of the Act of 29 July 2005 on supervision over the capital market.</li> </ul>

In 2023, the financial and organizational situation of the Group will be affected, among other things, by:

<b>Legal acts / regulations</b>	<b>Effective date and summary of new requirements</b>
<p>Amendment to Recommendation G concerning interest rate risk management at banks (draft)</p>	<ul style="list-style-type: none"> <li>• Date: 2023</li> <li>• The planned amendment to Recommendation G is to adjust its requirements to changing regulations applicable to market risk and interest rate risk throughout the world, and in particular guidelines issued by the European Banking Authority (EBA). After the new EBA guidelines come into force and the CRD IV/CRR package is revised, the regulatory environment for interest rate risk will be defined. It will mainly consist of the CRR with accompanying technical standards, the above EBA guidelines and the Regulations of the Minister of Development and Finance of 6 March 2017 on the risk management system and the internal control system, the remuneration policy and the detailed method of estimation of internal capital at banks.</li> </ul>
<p>Amendment to Recommendation U on good bancassurance practices (draft)</p>	<ul style="list-style-type: none"> <li>• Date: 2023/2024</li> <li>• The KNF published a draft amendment to Recommendation U on good bancassurance practices that will replace the current Recommendation U of 2014. The draft has been provided for public consultations.</li> </ul>

<p>Amendment to Recommendation J on the rules of collection and processing by banks of real property market data (draft)</p>	<ul style="list-style-type: none"> <li>• Date: 2023/2024</li> <li>• This Recommendation is to replace the current Recommendation J of 2012. The update is to align its wording to laws and regulations that are currently in force. The draft has been provided for public consultations.</li> </ul>
<p>ESMA guidelines on MiFID II product governance requirements (consultations)</p>	<ul style="list-style-type: none"> <li>• Date: 2023/2024</li> <li>• The ESMA is proposing an update to the product governance guidelines from 2017 as a result of the recent regulatory and supervisory changes related to product governance.</li> <li>• The main proposals in the draft guidelines: <ul style="list-style-type: none"> <li>– Determine all the purposes connected with sustainable growth, to which a product is aligned</li> <li>– Identify the target market by product cluster instead of by individual product (“cluster-based approach”)</li> <li>– Define a consistent distribution strategy where a distributor deems that a more complex product may be distributed via non-advertised sales</li> <li>– Carry out periodic product reviews, including the application of the proportionality principle.</li> </ul> </li> </ul>
<p>EBA guidelines on the compliance management policies and procedures and the role and responsibilities of the AML / CFT Compliance Officer (AMLRO) in accordance with Article 8 and chapter VI of Directive (EU) 2015/849</p> <p>UKNF position on the AMLRO in the light of the EBA guidelines</p>	<ul style="list-style-type: none"> <li>• Date: 01 December 2022</li> <li>• The guidelines set out the role, tasks and responsibilities of an AML/CFT compliance officer, the management body and the senior manager responsible for ensuring AML/CFT compliance, and also internal strategies, controls and procedures referred to in Articles 8, 45 and 46 of Directive (EU) 2015/849.</li> <li>• The Guidelines, at the EU level, refer to the entire structure of managing anti-money laundering and countering the financing of terrorism (AML/CFT) in a comprehensive way.</li> <li>• In connection with the guidelines, the UKNF also issued its position of 1 December 2022, which includes good practices relating to performance of the obligations arising from the AML Act connected with the role and responsibilities of: AML/CFT compliance officer – AMLRO, the management body or a senior manager responsible for AML/CFT compliance, and the supervisory body. The UKNF expects that supervised entities will conduct an analysis of the extent of compliance with the requirements set out in the position document and implement them into their internal regulations without undue delay.</li> </ul>
<p>ESMA Guidelines on certain aspects of the MiFID II appropriateness and execution-only requirements</p>	<ul style="list-style-type: none"> <li>• Date: 12 October 2022</li> <li>• The purpose of these guidelines is to clarify the application of certain aspects of the MiFID II appropriateness and execution-only requirements in order to ensure the common, uniform, and consistent application of, respectively, MiFID II requirements and supplementing regulations,</li> <li>• Pursuant to the guidelines, for example, firms should, in good time before the provision of non-advised services, inform their clients, by using clear and simple language, about the appropriateness assessment and its purpose which is to enable the firm to act in the client’s best interest.</li> </ul>
<p>EBA Guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU</p>	<ul style="list-style-type: none"> <li>• Date: 31 December 2022</li> <li>• The Guidelines specify what information should be provided to the competent authorities to benchmark remuneration trends and practices, among others, in accordance with the requirements of Regulation (EU) 575/2013 (CRR) in the scope of disclosure of remuneration policy (‘remuneration data’).</li> <li>• The Guidelines also specify the information to be provided for benchmarking the gender pay gap (‘gender pay gap data’).</li> <li>• These Guidelines also specify the common reporting format to be used for the purposes of the benchmarking of approved higher ratios between the fixed and variable components of remuneration (‘higher ratios data’), referred to in Directive 2013/36/EU.</li> <li>• Moreover, they specify how competent authorities will collect from institutions the above-mentioned information for benchmarking and</li> </ul>

	<p>how they will then submit the benchmarking data to the European Banking Authority (EBA).</p>
<p>EBA Guidelines on the data collection exercises regarding high earners under the CRD and IFD</p>	<ul style="list-style-type: none"> <li>• Date: 31 December 2022</li> <li>• These Guidelines refer to, in particular, Article 73 of Directive 2013/36/EU (CRD) and clarify the specifics of data collection on the number of natural persons per institution remunerated EUR 1 million or more per financial year ('high earners').</li> <li>• The Guidelines apply to information on high earners to be collected by competent authorities to be forwarded to the European Banking Authority (EBA).</li> <li>• Pursuant to the Guidelines, high-earners data for the financial year ending in 2022 should be submitted by firms to competent authorities by 31 August 2023.</li> </ul>
<p>ESMA guidelines on certain aspects of the MiFID II suitability requirements</p>	<ul style="list-style-type: none"> <li>• Date: Six months after publication of the official translation (the guidelines are in the translation process).</li> <li>• The guidelines are to clarify the application of certain aspects of the MiFID II suitability requirements to ensure the common, uniform and consistent application of Article 25(2) of MiFID II and Articles 54 and 55 of the MiFID II delegated regulation.</li> </ul> <p>The guidelines cover the following issues:</p> <ul style="list-style-type: none"> <li>– Information for clients on the suitability assessment and its scope</li> <li>– Know Your Customer and Know Your Product</li> <li>– Scope of information to be collected from clients (proportionality)</li> <li>– Reliability of client information</li> <li>– Updating client information</li> <li>– Client information for clients or groups</li> <li>– Arrangements necessary to understand investment products and ensure the suitability of investments</li> <li>– Cost and complexity of equivalent products</li> <li>– Costs and benefits of switching investments</li> <li>– Qualifications of firm Staff</li> <li>– Record-keeping</li> </ul>
<p>Amendment to Recommendation A on the management by banks of the risks associated with operations on derivative instruments (KNF's Resolution No. 402/2022)</p>	<ul style="list-style-type: none"> <li>• Date: 31 December 2023</li> <li>• Recommendation A is a set of good practices relating to roles and responsibilities of the management board and supervisory board, risk identification and assessment, monitoring, internal control system and risk control &amp; reporting in the area covered by the Recommendation. The Recommendation covers derivative transactions between banks with all categories of clients, provided that it should be noted that the definition of the client has changed as compared to the version that is currently in force. In addition, it covers all types of derivative instruments, including those admitted to organized trade within the meaning of the Act of 29 July 2005 on trade in financial instruments and derivative instruments outside such trade.</li> <li>• Recommendation A applies to the following areas:             <ol style="list-style-type: none"> <li>a) Management Board and Supervisory Board</li> <li>b) Risk identification and assessment (including risk measurement / estimation), monitoring, control and reporting</li> <li>c) internal control system.</li> </ol> </li> <li>• Recommendation A should be implemented taking into account the principle of proportionality, defined as the alignment of implemented solutions with the individual characteristics and profile of a bank's operations and the scale of the risk taken by the bank.</li> </ul>
<p>EBA guidelines on the use of remote customer onboarding solutions in accordance with Article 13(1) of Directive (EU) 2015/849</p>	<ul style="list-style-type: none"> <li>• Date: Six months after publication of the official translation (the guidelines are in the translation process).</li> <li>• The EBA guidelines set out how an institution should proceed when accepting or reviewing solutions used to fulfil the obligations arising from items (a), (b) and (c) of Article 13(1) of Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing in the case of remote customer onboarding (customer due diligence measures).</li> <li>• The guidelines also set out the steps to be taken when using third party services to meet the customer due diligence requirements</li> </ul>

	<p>(Chapter II Section 4 of Directive (EU) 2015/849), principles of control, procedures which credit and financial institutions should implement to identify and mitigate the AML / CFT risks if customer due diligence measures are used remotely.</p>
<p>ESMA guidelines on the EMIR reporting requirements</p>	<ul style="list-style-type: none"> <li>• Date: 29 April 2024</li> <li>• The guidelines are to harmonize and standardize EMIR REFIT reporting requirements.</li> <li>• The guidelines include explanations of the following aspects: <ul style="list-style-type: none"> <li>- transition to the new reporting rules,</li> <li>- reportable derivatives,</li> <li>- exemption of intra-group derivatives from reporting,</li> <li>- responsibility for reporting,</li> <li>- data quality assurance,</li> <li>- access to data.</li> </ul> </li> </ul>
<p>Recommendations of the National Working Group for Benchmark Reform (NGR) on new agreements for PLN products (draft – consultations)</p>	<ul style="list-style-type: none"> <li>• Date: 2023/2024 consultations</li> <li>• These recommendations are to present to financial market entities the best practices relating to the use of the WIRON interest rate benchmark (Warsaw Interest Rate Overnight) or rates from the WIRON composite index family for determination of variable interest rates when concluding new agreements with customers for benchmark-based PLN products. The recommendations include recommended interest calculation guidelines. The guidelines specified in the recommendations are not mandatory and may be applied voluntarily taking into account the specific characteristics of a financial market participant and of customers with whom agreements are made.</li> </ul>
<p>Banking package CRD V/CRR II, which includes:</p> <p>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, as well as Regulation (EU) 648/2012,</p> <p>Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.</p>	<ul style="list-style-type: none"> <li>• Date: most of the new regulations will come into force in mid-2021, some in 2022,</li> <li>• The amendment to the existing solutions is intended to implement the reforms agreed at the international level after the financial crisis of 2007–2008. It aims to strengthen the banking sector and eliminate the remaining problems in the field of financial stability.</li> </ul> <p>The package includes the following measures in particular:</p> <ul style="list-style-type: none"> <li>• a binding leverage ratio for all institutions and a leverage ratio buffer for all global systemically important institutions</li> <li>• a net stable funding ratio</li> <li>• new market risk reporting rules, including reducing reporting and disclosure requirements and simplifying market risk and liquidity requirements for small, less complex banks to ensure that all banks in the EU have a proportionate framework</li> <li>• a requirement for non-EU institutions with significant activity in the EU to have an EU intermediate parent undertaking</li> <li>• a new Total Loss Absorption Capacity (TLAC) requirement for Global Systemically Important Institutions</li> <li>• a more refined minimum requirement for own funds and eligible liabilities (MREL) and compliance rules for Global Systemically Important Institutions and other large banks</li> <li>• new moratorium powers for resolution authorities.</li> </ul>
<p>The ruling of the Court of Justice of the European Union of 11 September 2019 on the interpretation of Article 16.1 of the Directive of the European Parliament and of the Council 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, concerning the settlement of cost of borrowing in the case of an earlier repayment.</p>	<ul style="list-style-type: none"> <li>• Announcement date: 11 September 2019</li> <li>• The position of the UOKiK (Office of Competition and Consumer Protection) clearly shows how the conclusions from the judgment should be taken into account in activities of lenders.</li> <li>• The expected response is a proportionate, i.e. in accordance with the so-called straight-line method, return of part of the commission on early repaid consumer loans.</li> <li>• As revealed in an official communiqué published on the UOKiK's website, the majority of banks have promised to use practice in line with the UOKiK's expectations.</li> </ul>
<p>Judgment of the Court of Justice of the</p>	<ul style="list-style-type: none"> <li>• Announcement date: 03 October 2019</li> </ul>

<p>European Union of 3 October 2019 on the interpretation of Article 1(2), Article 4, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (OJ 1993 L 95, p. 29) concerning clauses in foreign currency indexed mortgage contracts</p>	<ul style="list-style-type: none"> <li>• According to the CJEU ruling, if Polish courts find that indexation clauses in foreign currency indexed mortgage loan agreements are abusive:             <ol style="list-style-type: none"> <li>5) courts may assume that the contract cannot continue to operate without such clauses because this would change the nature of the contract,</li> <li>6) as a rule, the consequences of contract invalidation for the consumer must be assessed as at the moment the dispute arose (not as at the time the contract was made),</li> <li>7) courts cannot freely supplement their terms based on equity principles (e.g. by introducing settlements based on NBP exchange rates into contracts),</li> <li>8) courts cannot uphold the indexation even if the contract has to be invalidated and such invalidation is disadvantageous to the client if the client does not agree to maintain the indexation.</li> </ol> </li> <li>• As a result of this judgment, a case law unfavorable for banks may develop, affirming the ability to invalidate mortgage loan contracts indexed to a foreign currency.</li> </ul>
<p>Act on the Financial Information System</p>	<ul style="list-style-type: none"> <li>• The effective date of the Act is 10 February 2023 and the banks will have 2 months or 3 months after the effective date, whichever ends sooner, and investment firms and custodian banks 7 months or 9 months after the effective date, whichever ends sooner, to start providing reports,</li> <li>• The Act requires banks to provide the Financial Information System with information about account opening, account data changes and account closing. This will apply to all types of accounts (payment accounts, non-payment bank accounts, securities accounts, omnibus accounts and cash accounts used to service them) as well as safe deposit boxes. The scope of the information provided includes, data of the account holder, beneficial owner and agent. The bank is required to provide that information via STIR within 3 days from the date of account opening, data change or account closing.</li> <li>• Adoption of the act is necessary in order to ensure alignment with EU requirements, including regulations on counteracting money laundering and financing of terrorism. The purpose of the act is to provide authorized bodies (the Police, the Central Anticorruption Bureau, the Internal Security Agency, the Military Counterintelligence Service, the Foreign Intelligence Agency, the Military Intelligence Service, the Military Police, the Border Guard, the General Inspector of Financial Information, the National Tax Administration) with the ability to quickly access information about the identity of account holders and safe deposit boxes. The system will be used, inter alia, for counteracting money laundering and terrorism financing, as well as to prevent and combat serious crimes such as drug trafficking, human trafficking, homicide, financial fraud and abuses, corruption, etc.</li> </ul>
<p>EU Cybersecurity Package</p> <ol style="list-style-type: none"> <li>1. Directive on the resilience of critical entities ("DRCE"),</li> <li>2. Directive on measures for high common level of cybersecurity across the Union ("NIS 2"),</li> <li>3. draft Regulation on operational resilience to digital threats ("DORA" – Digital Operational Resilience Act).</li> </ol>	<ul style="list-style-type: none"> <li>• DRCE extends the scope of existing EU legislation on critical infrastructure from two to ten sectors: energy, transport, banking, financial market infrastructure, health, drinking water, waste water, digital infrastructure, public administration and space technologies. The directive also introduces new solutions to strengthen the resilience of critical entities.</li> <li>• (revision of the NIS Directive or the NIS2 Directive), which extends the scope of the first NIS Directive, tightens security and reporting requirements for enterprises, introduces stricter supervision measures for national authorities and stricter enforcement requirements, and improves information exchange and cooperation between national authorities of member states.</li> <li>• DORA – The regulation will apply to entities such as: investment funds, payment and credit institutions, ASI managers, insurance companies, audit companies, ICT service providers (Information and communication technologies), crypto-asset service providers, securities depositories. The DORA Regulation aims at harmonizing the provisions regarding the digital resilience of the financial sector in the EU and at boosting the digital and operational resilience of the financial sector organizations.</li> </ul>

<p>The Act of 6 October 2022 on amendments to Anti-Usury Acts</p>	<ul style="list-style-type: none"> <li>• The Act has been published in the Journal of Laws. Effective date: 18 May 2023, except for the amendments that came into force on 18 December 2022 (including the change to the maximum non-interest costs of consumer credit calculated using the formula set out in Article 36a(1) of the Consumer Credit Act; reduction in the limit of non-interest costs of credit in the entire credit cycle from 100% of the loan amount at present to 45% of that amount – Article 36a(3) of the Consumer Credit Act),</li> <li>• A formula has been introduced that determines the maximum amount of non-interest costs, i.e. 25 percent, incurred by an individual taking a cash loan,</li> <li>• The upper limit of non-interest credit costs has been reduced. The previous rates, i.e. 25 percent (costs that are not related to the loan term) and 30 percent (costs related to the loan term), have been replaced with 10 percent and 10 percent, respectively,</li> <li>• In order to reinforce consumer protection, the lending institutions have been subordinated to the KNF's supervision.</li> </ul>
<p>Draft act amending certain acts intended to ensure the development of the financial market and the protection of investors in that market</p>	<ul style="list-style-type: none"> <li>• The draft act is currently pending discussions and public consultations. The plan is to apply a 30-day <i>vacatio legis</i>.</li> </ul> <p>The draft act provides for changes in over ten acts governing business activity of financial market entities, with the aim to facilitate the functioning of supervised entities by simplifying the procedures for obtaining licenses and reporting obligations, as well as to reinforce the protection of individual investors. The draft act provides for, in particular:</p> <ul style="list-style-type: none"> <li>• expanding and strengthening the supervisory competence of the KNF and granting the KNF additional authorizations to impose fines on supervised entities;</li> <li>• introduction of regulations related to bank outsourcing and sub-outsourcing in order to simplify the applicable procedures and adapt them to the Guidelines of the European Banking Authority on Outsourcing Arrangements (Case file no. EBA/GL/2019/02);</li> <li>• determining specific rules for bank outsourcing in the case of mortgage banks;</li> <li>• elimination of excessive or faulty regulations (so-called gold plating) in the scope of the obligations imposed on financial market entities;</li> <li>• expansion of the catalogue of situations permitting the disclosure of professional and banking secrets without violation thereof</li> <li>• amendment to the provisions on dormant accounts – reduced scope of account information provided to municipalities, longer period within which banks should provide such information.</li> </ul>
<p>Act of 7 July 2022 on crowdfunding and on assistance for borrowers</p>	<ul style="list-style-type: none"> <li>• Date: 29 July 2022</li> <li>• The Act introduces the so-called credit holidays – deferral of up to 8 mortgage installments, available to borrowers who took out a mortgage loan in the Polish currency (excluding loans indexed to or denominated in a currency other than the Polish currency),</li> <li>• The deferral of mortgage installments can only be applied to one agreement concluded to satisfy the consumer's own housing needs – upon a relevant declaration under the pain of criminal liability.</li> <li>• It applies to agreements concluded before 01 July 2022 if the loan term set out in the agreements expires after 6 months from that date.</li> <li>• The deferral period is excluded from the loan term. The loan term and the deadlines provided for in the agreement are postponed by the deferral period.</li> <li>• The legal basis for benchmark reform and WIBOR phase-out.</li> </ul>
<p>The Act of 23 July 2021 amending the act on investment funds and alternative investment fund management and certain other acts</p>	<ul style="list-style-type: none"> <li>• Publication date: 30 August 2021</li> <li>• The changes include, among others, introduction of uniform provisions on marketing communications addressed to investors for UCITS and AFI, lifting the obligation of a foreign fund to establish its representative or a payment agent, introduction of an obligation of a foreign fund to notify the KNF of a change to the methods of selling participation titles issued by the foreign fund in the Republic of Poland or a change to the categories of participation titles sold in the Republic</li> </ul>

	<p>of Poland at least one month before the introduction of the change; specification of the conditions on which a foreign fund may cease selling its issued participation titles in the Republic of Poland.</p>
<p>Financial Conduct Authority's announcement of 5 March 2021 on future cessation and loss of representativeness of the LIBOR benchmarks.</p>	<ul style="list-style-type: none"> <li>• On March 5, 2021, FCA announced that the following LIBOR settings would be ceased permanently:             <ol style="list-style-type: none"> <li>1) CHF LIBOR (all settings) – as at the end of 2021;</li> <li>2) EUR LIBOR (all settings) – as at the end of 2021;</li> <li>3) GBP LIBOR, JPY LIBOR (selected settings1) – as at the end of 2021;</li> <li>4) USD LIBOR (selected settings2) – as of 30 June 2023</li> </ol> </li> </ul> <p>As regards the selected key3 settings of GBP LIBOR, JPY LIBOR and US LIBOR, FCA announced that it was considering taking supervisory measures to order the administrator (IBA4) to publish the so-called "synthetic" benchmark to allow the financial market to gradually close the portfolio of agreements and products using these benchmarks.</p> <p>FCA announced that the above decision resulted from the intention of a number of panel banks to leave the group of entities providing input data necessary to publish LIBOR benchmarks, and the resulting loss of representativeness of the benchmark.</p> <p>UKNF has emphasized that FCA's statement is a basis for the supervised entities which apply LIBOR benchmarks to take actions specified in their contingency plans referred to in Article 28(2) of BMR.</p> <p>The supervision authority expects supervised entities that apply LIBOR benchmarks to take immediate actions to inform their clients who have agreements, financial instruments and participation units of investment funds based on the above benchmarks of the planned cessation of these benchmarks and the resulting consequences.</p>
<p>Regulation (EU) No. 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088</p>	<ul style="list-style-type: none"> <li>• Date: 01 January 2022 (effective date)</li> <li>• The Regulation establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purpose of determining the extent to which an investment is environmentally sustainable.</li> <li>• It also introduces an obligation to report the so-called green asset ratio as part of non-financial reporting, which indicates how much of the bank's activity is related to activity qualified as environmentally sustainable.</li> </ul>
<p>Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives</p>	<ul style="list-style-type: none"> <li>• Date: 01 January 2022 (effective date)</li> <li>• The Regulation establishes technical screening criteria for determining the conditions under which a specific economic activity qualifies as "environmentally sustainable" as regards two environmental objectives: (1) climate change mitigation and (2) climate change adaptation, and also does no significant harm to any of the other environmental objectives – for the purposes of determining whether funding or an investment in a business activity is "environmentally sustainable" in accordance with Regulation (EU) No. 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.</li> </ul>
<p>Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organizational requirements and operating conditions for investment firms</p>	<ul style="list-style-type: none"> <li>• Date: 02 August 2022 (implementation)</li> <li>• Implementation of requirements applicable to investment firms as regards the integration of sustainability factors, risks and preferences into certain organizational requirements and operating conditions.</li> <li>• This applies to the activity of DMBH and the Bank in the scope of the activity conducted under Article 70(2) of the Act of 29 July 2005 on Trade in Financial Instruments.</li> </ul>
<p>Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of</p>	<ul style="list-style-type: none"> <li>• Date: 02 August 2022 (implementation)</li> </ul>

<p>sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products</p>	<ul style="list-style-type: none"> <li>• Implementation of obligations applicable to the manufacturers of insurance products as regards integration of sustainability factors, risks and preferences into the business conducted</li> <li>• This applies to the activity of the Bank in the scope of distribution of insurance-based investment products.</li> </ul>
<p>Commission Delegated Directive (EU) 2021/1269 of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations</p>	<ul style="list-style-type: none"> <li>• Date: 22 November 2022 (implementation)</li> <li>• Implementation of obligations applicable to investment firms as regards the integration of sustainability factors into the product governance</li> <li>• This applies to the activity of DMBH and the Bank in the scope of the activity conducted under Article 70(2) of the Act of 29 July 2005 on Trade in Financial Instruments.</li> </ul>
<p>A bill on the protection of persons signaling violations of law</p>	<p>Date: 1 half of 2023. The bill regulates:</p> <ul style="list-style-type: none"> <li>• The terms of protection of employees and other individuals who report or publicly disclose information on violations of law,</li> <li>• The protective measures for individuals who report or publicly disclose information on violations of law,</li> <li>• The rules of establishment of the internal procedure for reporting violations of law and taking follow-up activities,</li> <li>• Reporting violations of law to a public authority,</li> <li>• The rules of public disclosures of violations of law,</li> <li>• Tasks of authorities competent for reported law violation cases.</li> </ul>
<p>Commission Delegated Regulation (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty</p>	<ul style="list-style-type: none"> <li>• Upcoming dates: (i) effective date of the last (sixth) phase of implementation of obligations to post initial margin ("IM") (i.e. 1 September 2022) and (ii) expiration of certain deviations in posting initial margin ("IM") and variation margin ("VM") in the case of certain intragroup transactions (i.e. 30 June 2022) – on OTC derivatives not cleared by a central counterparty ("CCP"), in accordance with Regulation (EU) 2016/2251 of 4 October 2016</li> </ul>
<p>Draft Act amending the Labor Code and certain other acts</p>	<ul style="list-style-type: none"> <li>• Date: 1 half of 2023</li> <li>• Repeal of the currently applicable provisions of the Labor Code on telework and their replacement with the drafted provisions on remote work,</li> <li>• possibility of testing employee sobriety</li> </ul>
<p>Draft Act amending the Labor Code and certain other acts</p>	<ul style="list-style-type: none"> <li>• Date: 1 half of 2023</li> <li>• The draft act introduces, among others, new employee rights (parenting rights) and other rights such as leave due to force majeure,</li> <li>• The draft act implements two directives into the Polish law, i.e.             <ol style="list-style-type: none"> <li>1) Directive (EU) 2019/1152 of the European Parliament and of the Council of 20 June 2019 on transparent and predictable working conditions in the European Union</li> <li>2) Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents and carers and repealing Council Directive 2010/18/EU</li> </ol> </li> </ul>
<p>Commission Delegated Regulation (EU) 2022/2360 of 3 August 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2018/389 as regards the 90-day exemption for account access.</p>	<ul style="list-style-type: none"> <li>• Introduction of the mandatory exemption from the SCA use if a user wants to get access to information on a payment account (check the balance or transactions for last 90 days) via a provider that provides information on the account (AISP),</li> <li>• Implementation of the requirement to use SCA when a user gets access to account information via an AISP for the first time or after at least 180 days from the last SCA.</li> </ul>
<p>The Electronic Service of Documents Act of 18 November 2020</p>	<ul style="list-style-type: none"> <li>• Effective date: 5 October 2021, provided that for some entities, including banks, the obligation to use the National Electronic Service</li> </ul>

	<p>System depends on the date specified by the Digitization Minister, which cannot be later than 1 January 2024,</p> <ul style="list-style-type: none"> <li>The Act provides for an obligation to have an address for electronic service of documents entered in the database of electronic addresses, which will have to be used for correspondence with public and private entities as well as consumers.</li> </ul>
<p>The draft act on debt collection activities and the debt collector profession</p>	<ul style="list-style-type: none"> <li>Effective date: 2023, provided that the Act lays down a 1-year transition period,</li> <li>The draft implements regulations concerning the functioning of debt collection companies and activities of debt collectors. It introduces, among other things, a requirement to keep debt recovery records and the list of conducted collections. The draft will affect the activities of debt enforcement companies as it regulates the rules they must adhere to in the course of their activities,</li> <li>The Act may affect the prices of disposed receivables and the collection activities of the Bank.</li> </ul>
<p>Commission Implementing Regulation (EU) 2022/1210 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to the format of insider lists and their updates.</p>	<ul style="list-style-type: none"> <li>Effective date: 3 August 2022.</li> <li>This Regulation clarifies the provisions of the MAR regulation (i.e. Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation)), and</li> <li>It replaces in this regard current Regulation 2016/347 (i.e. Commission Implementing Regulation (EU) 2016/347 of 10 March 2016 laying down implementing technical standards with regard to the precise format of insider lists and for updating insider lists in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council (Text with EEA relevance).</li> <li>The most important change is related to the content of formats of insider lists.</li> </ul>
<p>Proposed Regulations on Artificial Intelligence (AI Act)</p>	<ul style="list-style-type: none"> <li>This proposed regulation is to ensure that AI systems introduced in the EU market and used in the EU are safe and in compliance with the law in the area of fundamental rights and EU values. One of the assumptions is that comprehensive requirements will be implemented for so-called high-risk Artificial Intelligence systems, which include creditworthiness assessment systems for individuals, but also other systems that may be used in the banking system.</li> </ul>
<p>The Act of 01 October 2021 amending the act on trading in financial instruments and certain other acts</p>	<ul style="list-style-type: none"> <li>In 2023 the Bank's activities will be affected by the requirement to establish an intermediary EU parent entity of the Bank, arising from the above Act.</li> </ul>
<p>Technical standards approved by the European Parliament on 7 October 2022 concerning the implementation of changes in the EMIR regulatory system set out in EMIR Refit.</p>	<ul style="list-style-type: none"> <li>These standards are to significantly affect the obligations of derivative market participants arising from EMIR, and in particular their reporting requirements. The standards will become effective from the end of April 2024, but adaptation works should start in 2023 due to the scale of the project.</li> </ul>
<p>Road Map for the process to replace WIBOR and WIBID benchmarks</p>	<ul style="list-style-type: none"> <li>The Road Map approved by the Steering Committee of the National Working Group for Benchmark Reform (NGR) established by the UKNF presents the key assumptions and work schedule for the benchmark reform pending in Poland. According to the Road Map, it is assumed that, with the effective cooperation of all parties involved, the reform of the indices will be implemented in its entirety by the end of 2024. The assumptions of the Road Map developed as part of the NGR's work indicate a readiness to stop developing and publishing the WIBOR and WIBID reference indices from the beginning of 2025. The NGR Steering Committee has chosen the WIRON rate as the recommended replacement for WIBOR and WIBID rates.</li> </ul>
<p>Amendments to the Corporate Income Tax Act implemented by the Act of 7 October 2022 on amendments to the Corporate</p>	<p>Changes in taxation at source of Polish T-bond interest and discount (effective date: 1 January 2023)</p> <ul style="list-style-type: none"> <li>Under previous regulations, interest and discount were tax exempt for non-residents in the case of bonds issued and admitted to trade in a regulated market or a multilateral trading facility with time to maturity</li> </ul>

Income Tax and certain other Acts (so called "Polish Deal 3.0", "Act").

of 1 year or longer, however only for bonds issued on or after 1 January 2019.

- The Act repeals, effective 1 January 2023, the condition of issuance of bonds in a series after 2018.
- Under the Act, tax exemption will also apply to distributions made, put at disposal or disbursed after 31 December 2022 from Polish T-bonds issued in a series before 1 January 2019.

Changes to transfer pricing regulations with respect to tax haven transactions

- The Act repeals the obligation to apply the arm's length price principles and documentation requirements for intermediary tax haven transactions – i.e. transactions where the beneficial owner of a receivable is a resident in a tax haven.
- The amendment is to come into force upon the promulgation of the Act with a retroactive effect from 1 January 2021.

## 2. Significant risks and threats related to the Group and its activity

### 2.1 Risk management principles

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

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

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

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

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

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

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

The Group carries out the management of all significant risk families arising from the execution of its business strategy. As part of the process initiated in 2022 to identify key risk families, the Management Board of the Bank concluded that the following risk families were significant for the purposes of risk management and the internal capital estimation and maintenance process:

- Credit risk;
- Counterparty credit risk;
- Market risk for the trading book;
- Interest rate risk for the banking book;
- Liquidity risk;
- Operational risk;
- Compliance risk;
- Technology and information security risk (including continuity of business risk and cybersecurity risk);
- Outsourcing risk;

- Fraud risk;
- HR risk (human capital);
- Risk of operational/processing errors

### Credit risk and counterparty risk

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

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

## Market risk

<p>Definition</p>	<ul style="list-style-type: none"> <li>• Market risk is the risk that the financial result and equity of the Bank may be adversely affected by a change in: <ul style="list-style-type: none"> <li>– market interest rates;</li> <li>– currency rates;</li> <li>– stock prices;</li> <li>– commodity prices; and</li> <li>– any parameters of volatility of such rates and prices.</li> </ul> </li> </ul>
<p>Risk management strategy</p>	<ul style="list-style-type: none"> <li>• Market risk management is to ensure that the amount of risk accepted in the Group is consistent with the level acceptable for the shareholders and banking supervision authorities and to ensure that all market risk exposures are adequately reflected in calculated risk measures notified to relevant managers and governing bodies.</li> <li>• Adopted market risk measures and limits should prevent excessive concentrations of exposures to a single risk factor or a group of related risk factors and should enable determination of the maximum level of the risk accepted in the trading book or the banking book.</li> <li>• Market risk management at the Bank is based on: <ul style="list-style-type: none"> <li>– applicable Polish laws and regulations, in particular the Banking Act,</li> <li>– applicable EU regulations, in particular the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR),</li> <li>– requirements of Polish and EU regulatory institutions and especially resolutions of the Polish Financial Supervision Authority (KNF),</li> <li>– principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank, taking into account best practices applied in the market.</li> </ul> </li> <li>• Market risk management covers all portfolios that generate incomes which are exposed to an adverse impact of market factors, such as interest rates, currency rates, stock prices, commodity prices and parameters of volatility of those factors. In market risk management, two portfolio types are distinguished: trading portfolios and banking portfolios.</li> <li>• Trading portfolios include transactions in financial instruments (on- and off-balance sheet ones) the purpose of which is to earn income connected with a change of market parameters in a short period. Trading portfolios cover on-balance sheet items, such as debt securities, categorized as held for trading, i.e. purchased for trading purposes and meeting specified liquidity criteria, and any positions in derivative instruments, provided that in this case portfolios are divided into those acquired for purely trading purposes and those created as hedging against the risk of positions included in a banking portfolio (so-called economic hedge). Valuation of trading portfolios is carried out either directly on the basis of market prices or by using valuation models that make use of price parameters quoted in the market. Activities on trading portfolios are carried out by the Interbank Transaction Division in the Financial Markets and Corporate Banking Sector for those portfolios which cover interest rate risk and currency risk. Trading portfolios also include options, including currency option transactions, interest rate options and option structures, which reflect the economic nature and risk arising from products offered to clients of the Bank. The operations of the Bank in that area are carried out so that they ensure the simultaneous (each time and immediate) conclusion of a counter transaction having the same parameters, as a result of which the option transaction portfolio generates no open market risk exposure. The only factor connected with the conclusion of option transactions which is taken into account in measurement of market risk, and specifically currency risk, is the amount of the premium paid/received in the foreign currency.</li> </ul>
<p>Risk measurement</p>	<ul style="list-style-type: none"> <li>• The following risk measurement methods are applied to trading portfolios: factor sensitivity (DV01) method, value at risk (VaR) method and stress tests.</li> <li>• Sensitivity factors measure the change in the value of the position in a given underlying instrument in the case of a specified change of the market risk factor (for example a change of the interest rate in a given point on the interest rate curve by 1 basis point or a change of the currency rate or stock price by 1%).</li> </ul>

	<ul style="list-style-type: none"> <li>– For interest rates, the sensitivity measure is DV01;</li> <li>– For currency risk the sensitivity factor is equal in value to the position in a given currency;</li> <li>– For positions in equity securities, the sensitivity factor is equal in value to the net position in a given instrument (stocks, index, participation unit).</li> <li>• The integrated measure of market risk for trading portfolios, which combines the impact of the positions in particular risk factors and takes into account the correlation effect between volatilities of individual factors, is value at risk (VaR). VaR is used to estimate the potential decline in value of a position or portfolio in normal market conditions, for a fixed confidence level and in a specified period. For positions opened in a trading portfolio of the Bank, VaR is calculated using the 99% confidence level and one-day holding period.</li> <li>• Both DV01 and VaR for a trading portfolio are calculated as net amounts without any economic hedging of the portfolio of securities available for sale, i.e. excluding any derivative instruments which are to secure the fair value of the portfolio. The risk exposure of such transaction is controlled by using appropriate risk measurement methods and mitigated with risk limits adopted for banking portfolios.</li> <li>• On a daily basis, the analysis of stress test scenarios is carried out, while assuming risk factor changes higher than those adopted for VaR measurement and ignoring any observed historical correlations between those factors.</li> <li>• The Bank has market risk exposures of trading portfolios in more than twenty currencies, both for currency positions and exposures to interest rate risk, but only exposures to a few currencies are significant. For a large group of currencies, exposures arise from the imperfect match of the transactions concluded upon the client's order and the counter transactions with other counterparties from wholesale markets. Significant exposures to market risk are opened for PLN, developed market currencies (mainly USD and EUR and less frequently GBP, CHF or JPY) and even currencies from Central European countries.</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>• The Market Risk Department by the dedicated IT system provides the relevant executives and managers, on a regular basis, with reports on portfolio sensitivity, value at risk (VaR), securities positions, stress test results for market risk, allocation of capital requirements relating to market risk and utilization of Trading MAT and Trading Stop Loss limits (warning thresholds).</li> <li>• In addition, market risk analyses are presented systematically to the following committees: the Asset and Liability Committee, the Risk and Capital Management Committee and the Risk and Capital Committee of the Supervisory Board.</li> </ul>

### Interest rate risk for the banking book

Definition	<ul style="list-style-type: none"> <li>• Interest rate risk for the banking book is the risk of an adverse impact of interest rate changes on the interest income and capital of the Group.</li> <li>• Interest rate risk may occur if assets and liabilities (including capital and derivative instruments that meet the requirements of hedge accounting) have different maturity dates or if their interest rates change on different dates or their interest rates are connected with different interest rate curves (basis risk), or if they include options.</li> </ul>
Risk management strategy	<ul style="list-style-type: none"> <li>• Interest rate risk management is to minimize the risk connected with the possibility of occurrence of adverse changes in market interest rates and with a negative impact of those changes on the net interest rate and, subsequently, financial result of the Group.</li> <li>• Market risk management at the Bank is based on: the requirements of Polish and European regulatory institutions, and especially resolutions of the Polish Financial Supervision Authority (KNF) and the EBA; and the principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank, taking into account best practices applied in the market.</li> <li>• Interest rate risk management is carried out both at strategic and operational level. Division into particular risk management levels depends on the nature and type of decisions made by particular decision-making fora at the Bank which affect the profile and level of interest rate risk.             <ul style="list-style-type: none"> <li>– The strategic risk management perspective is covered by the decision-making powers of the Asset and Liability Committee (ALCO) of the Bank, which carries out interest rate management by setting risk limits for banking portfolios and by conducting monthly reviews of exposures and results of management of those portfolios.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>– The operational management of interest rate risk is carried out by the Asset and Liability Management Department, which is authorized to open risk positions within the framework of adopted limits.</li> </ul>
<p>Risk measurement</p>	<ul style="list-style-type: none"> <li>• The following risk measurement methods apply to banking portfolios: interest rate gap analysis, method based on costs of closure of open interest positions (Value-at-Close) / total return on portfolio (Total Return), method based on interest income exposed to risk (Interest Rate Exposure, IRE) and stress tests.</li> <li>• The interest rate gap analysis uses the schedule of maturity or revaluation of on-balance sheet positions and derivatives recognized using hedge accounting or categorized as economic hedge in order to determine differences between positions whose maturity date or interest rate update date is in the subject time interval.</li> <li>• As a general rule applied in the interest rate gap analysis, transactions are allocated to particular bands of revaluation of positions in banking portfolios on the basis of contractual or assumed dates of change of transaction interest rates.</li> <li>• The Value-at-Close method determines the economic or “fair” value of positions, corresponding to market valuation of a trading portfolio. Total return on a portfolio is the sum of changes of value-at-close, accrued interest and gains/losses on sale of assets or cancellation of liabilities.</li> <li>• The Interest Rate Exposure (IRE) method, based on the revaluation gap method, is used for measurement of the potential impact of a pre-determined parallel shift of interest rate yields on pre-tax interest income on the banking book which may be earned in a specified time interval. This is a prospective measure. In addition, it is assumed that in standard conditions interest rate moves are identical for each currency and equal to 100 basis points up. The IRE measure is calculated separately for the position in each currency over a 10-year time horizon, provided, however, that 1-year and 5-year IRE measures are mainly used for the purposes of day-to-day monitoring and limitation of interest rate risk positions for banking portfolios. Additionally, the Bank measures the interest rate risk using the income method (cash flow net interest revenue NIR/IRE). This measure, like the IRE calculated using the gap method, determines the potential pre-tax impact on net interest income for banking book items due to specific changes in interest rates over a specific reporting period – generally 12 months. NIR is the difference between accrued interest income earned on assets (e.g. loans to customers) and the cost of interest paid on liabilities (e.g. customer deposits). NIR/IRE is the delta between the Baseline NIR and NIR in the interest rate shock scenario (e.g. + 100 bp, + 200 bp, -100 bp, -200 bp)</li> <li>• Stress tests measure a potential impact of significant changes in the level or shape of interest rate yields on the positions opened in a banking portfolio.</li> <li>• The Bank carries out stress tests for pre-defined scenarios of movements of interest rates, which are combinations of moves of market factors, both defined as significant changes (large move) and crisis changes (stress move), which occur both in Poland and abroad. The extent of assumed shifts of market factors are reviewed at least annually and adjusted as appropriate to changes in the market conditions in which the Bank operates.</li> <li>• Bank calculates also the change to capital value as the result of fluctuations of interest rates for the individual currencies, under scenarios consistent with requirements of the EBA.</li> <li>• The Asset and Liability Management Department in the Interbank Transaction Division carries out activities relating to securities available for sale. Three key objectives have been adopted for activities relating to the portfolio of securities available for sale: <ul style="list-style-type: none"> <li>– carrying out financial liquidity management,</li> <li>– hedging against the risk taken over by the Interbank Transaction Division from other organizational units of the Bank</li> <li>– opening own interest rate risk positions in portfolios of the Bank by the Interbank Transaction Division.</li> </ul> </li> <li>• In order to avoid excessive fluctuations of capital funds of the Bank, caused by revaluation of assets held for sale, maximum limits are set for the DV01 (Dollar Value of 1 basis point) position, which determines the potential change in the value of risk position for a given interest rate curve on a specified nodal point (to which all cash flows in a given period are brought) caused by a shift of the market interest rate by 1 basis point up for such portfolios. Limits also cover open derivative instrument positions (for example interest rate swaps) established to hedge the fair value of a portfolio.</li> </ul>
<p>Monitoring</p>	<ul style="list-style-type: none"> <li>• The Market Risk Department and a dedicated reporting unit in the Risk Management Sector provide the relevant executives and managers with reports on portfolio</li> </ul>

	<p>sensitivity, securities positions, stress test results for interest rate risk of the banking book.</p> <ul style="list-style-type: none"> <li>• In addition, market risk analyses are presented systematically to the following committees: the Asset and Liability Committee and the Risk and Capital Committee of the Supervisory Board.</li> </ul>
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## Liquidity risk

<p>Definition</p>	<ul style="list-style-type: none"> <li>• Liquidity risk is the risk of inability to perform financial liabilities to a client, lender or investor by their due dates as a result of mismatch between financial flows.</li> </ul>
<p>Risk management strategy</p>	<ul style="list-style-type: none"> <li>• The overriding goal of liquidity risk management is to ensure that the Bank and other companies from the Group have access to liquid funds sufficient to meet their financial liabilities when due (also in the event of probable extreme crisis situations).</li> <li>• Liquidity risk management is based on:             <ul style="list-style-type: none"> <li>– applicable Polish laws and regulations, in particular the Banking Act;</li> <li>– applicable provisions of EU law, in particular Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR),</li> <li>– requirements of Polish regulatory institutions and especially resolutions of the Polish Financial Supervision Authority (KNF);</li> <li>– principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank;</li> <li>– taking into account best practices applied in the market.</li> </ul> </li> <li>• The Group analyses and manages liquidity risk in different time horizons and, to this end, distinguishes between current, short term, medium term and long term liquidity and applies adequate risk measurement and limitation methods. The adopted measures and limits are to limit excessive concentrations with respect to the assumed structure of the balance sheet or sources of funding.</li> <li>• The management of long-term liquidity is a task of Assets &amp; Liabilities Committee (ALCO) and is covered by the strategy of the Bank. It is carried out on the basis of monitoring of structural relations of the balance sheet and on the basis of regulatory long-term liquidity measures, and covers the liquidity gap analysis and the possibilities of obtaining sufficient financing sources in the future, as well as the analysis of funding costs in the context of the impact on the profitability of business operations.</li> <li>• The management of medium-term liquidity, within the 1-year time horizon, is a task of Assets &amp; Liabilities Committee and is carried out on the basis of annual financing plans, which determine the levels of internal limits, plans prepared by business units of the Bank concerning changes in assets and liabilities, elaborated within the framework of financial plans for the next budget year.</li> <li>• The management of short-term liquidity, within the 3-month time horizon, is a task of the Financial Markets Sector and Corporate Banking Sector, and is carried out on the basis of both regulatory measures of short-term liquidity and internal limits. The Bank also analyses the liquidity level in emergency situations, assuming, as a must, that there will be no negative gap in all time brackets in a 12-month time horizon.</li> <li>• Current liquidity management is a task of the Financial Markets and Corporate Banking Sector and is carried out on the basis of nostro accounts of the Bank, including in particular the mandatory reserve account with the National Bank of Poland, using available products offered by the money market and the central bank.</li> </ul>
<p>Risk measurement</p>	<ul style="list-style-type: none"> <li>• Liquidity risk measurement is carried out by using external supervisory measures (M3-M4, LCR/NSFR and additional liquidity monitoring indicators – ALMM) and additional measures and tools developed internally:             <ul style="list-style-type: none"> <li>– gap analysis – MAR/S2</li> <li>– crisis/stress scenarios,</li> <li>– structural liquidity ratios,</li> <li>– market warning signals,</li> <li>– significant sources of financing,</li> <li>– emergency financing plan,</li> <li>– intra-day liquidity management process,</li> <li>– short-term liquidity gap – M1,</li> <li>– short-term liquidity ratio – M2,</li> <li>– illiquid assets with own funds coverage ratio - M3,</li> </ul> </li> </ul>

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

**Operational risk**

<p>Definition</p>	<ul style="list-style-type: none"> <li>• Operational risk should be understood as a possibility of loss as a result of application of inappropriate or defective internal processes, human factors or technological systems, or as a result of external events.</li> <li>• Operational risk covers technology risk, outsourcing risk, fraud risk, money laundering risk, information security risk, external event (business continuity) risk, tax and accounting risk, product risk, legal risk, model risk, HR risk, conduct risk and reputational risk, connected with operational risk events, business and market practices, as well as operational risk embedded in other risks (for example credit, counterparty, liquidity or compliance risk);</li> <li>• Operational risk excludes strategic risk and the risk of potential losses resulting from decisions connected with taking credit, market, liquidity or insurance risks.</li> <li>• For the purposes of the ICAAP process, the risk of lack of compliance is also included in the operational risk (i.e. the risk of negative effects of non-compliance with legal provisions, supervisory regulations, internal normative acts of the bank and the practices and standards available on the market).</li> </ul>
<p>Risk management strategy</p>	<ul style="list-style-type: none"> <li>• In terms of operational risk, the strategic goal of operational risk management is to ensure a permanent and effective approach to identification, measurement/assessment, limitation, control, monitoring and reporting of risk, as well as effective reduction of the level of exposure to operational risk, and as a consequence limiting the number and scale of events of an operational risk (policy of low level of tolerance to operational losses).</li> <li>• 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 resulting from the risk resulting from human errors.</li> <li>• When organizing the operational risk management process the Group takes into account the business strategy, risk profile of the Group, macroeconomic environment, available capital and liquidity resources and regulatory requirements, which make up the framework of preparation of the system used to control and manage operational risk at the Group.</li> <li>• The Group's operational risk management system is built to ensure proper risk management at every stage, i.e. identification, assessment/measurement, mitigation, monitoring and reporting</li> <li>• Management of non-compliance risk takes place as part of the Internal Control System. Management of non-compliance risk includes the following elements: identification, assessment, control, monitoring of the size and profile of compliance risk, reporting.</li> </ul>
<p>Risk measurement</p>	<ul style="list-style-type: none"> <li>• In the risk assessment process, the Group uses combinations of various risk measurement or estimation methods.             <ul style="list-style-type: none"> <li>- Risk assessment is to determine the probability of occurrence and the amount of future losses attributable to operational risk. To this end both quantitative and qualitative indicators are used (such as risk appetite, capital requirements, target risk profile, KRIs, data about losses and operational risk events, control issues and corrective actions, self-assessment process (incl. risk map), key</li> </ul> </li> </ul>

	<p>projects, risk concentration areas and rising-risk areas, scenario analysis, stress tests, changes in processes and products, operational risk escalation, information from internal and external reviews and audits and information reported to Commissions and Committees).</p> <ul style="list-style-type: none"> <li>- Such assessment also includes an analysis of both internal and external threats. A correct assessment of operational risk enables the Group to properly determine and manage the risk profile.</li> </ul>
<p>Monitoring</p>	<ul style="list-style-type: none"> <li>• As part of consolidated supervision, operational risk data relating to the Bank and subsidiaries are presented to Commissions and Committees that support the Management Board and Supervisory Board of the Bank in the operational risk management process.</li> <li>• The processes of risk identification, self-assessment, measurement, monitoring and reporting, in essential respects, are standardized and generally accepted in all organizational units of the Group. Risk mitigation processes are defined for each organizational unit and may be different for individual units.</li> <li>• The ongoing monitoring of operational risk is the responsibility of the Operational Risk Committee, the Control and Compliance System, the Risk and Capital Management Committee, the New Products Committee, the Regulatory Reporting Committee, the Bonus Committee and the various Commissions supporting the Committees.</li> <li>• Quality of the operational risk management process (including the self-assessment process) in particular units of the Group is checked and assessed by the Internal Audit function.</li> <li>• The Supervisory Board oversees the operational risk management system and assesses its adequacy and effectiveness. The Supervisory Board is supported by its committees: Audit Committee, Risk and Capital Committee and Remuneration Committee.</li> <li>• On the basis of synthetic reports which present the scale and types of operational risk to which the Group is exposed, risk concentration areas, operational risk management methods, probability of occurrence of operational risk events, assessment of potential adverse impact of the operational risk management methods, results of operational risk profile monitoring and operational risk appetite, submitted by the Management Board at least semiannually, the Supervisory Board, supported by the Audit Committee and the Risk and Capital Committee, assesses the implementation of the assumptions of the strategy by the Management Board (including with respect to the operational risk management principles) and may order a review of the strategy if it deems it necessary.</li> </ul>

## VI. The Bank's community initiatives

The full-scope information on the implementation by the Bank of the corporate social responsibility principles, including all statutory non-financial disclosures, is presented in the Non-Financial Statements of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. Group of Companies for the financial year ended 31 December 2022. The statements were prepared on the basis of the requirements set out in the Accounting Act of 29 September 1994 (i.e. J.L. of 2021 item 217, 2105, 2106 as amended), which imposes the reporting obligation.

### 1.1 Corporate Social Responsibility (CSR)

The Bank is socially responsible for and sensitive to the needs of both its business and social partners. All Bank's actions are undertaken following the needs of its customers, but also the community in which Bank operates.

Bank's activities with regard to Corporate Social Responsibility (CSR) cover work place and market environment and local community as well as environmental protection. The strategic objective is to become a company setting Corporate Social Responsibility (CSR) standards, both outside and inside the organization. The Bank carries on investments supporting local communities implemented for public good in such fields as financial education, promotion of entrepreneurship, local development and protection of cultural heritage. The Bank's mission in this scope has been implemented through the Kronenberg Foundation at Citi Handlowy established in 1996. Public recognition for the social commitment of the Bank is confirmed by various independent rankings. The Bank made the list **Diversity IN Check**. It is a list of employers that have the most advanced diversity management and inclusion policies in Poland. It includes organizations that demonstrate the greatest maturity in this regard in the survey carried out by Deloitte, an independent auditor. Diversity IN Check is an initiative coordinated by the Responsible Business Forum. The Bank is also one of the first signatories of the **Diversity Charter**, and in 2022 - through the Citi Handlowy Foundation - it was also the main partner of jubilee activities related to the Charter. It is an international initiative promoting diversity and equal treatment in the workplace. The Charter is a written declaration of an employer who thus undertakes to prohibit discrimination in the workplace and to work towards developing and promoting diversity as well as expresses the readiness of their organization to engage all the employees and business partners in these efforts. The Bank was also included in the **Ranking of Responsible Companies 2022**. It took the 11th place in the Banking,

Financial and Insurance Sector category. Responsible Company Ranking 2022 is a ranking of the largest companies operating in the Polish market assessed for their corporate social responsibility management (CSR).

## 1.2 Client relationships – market practice

The establishment of client relations based on trust and a shared vision of growth is the Bank's mission and the biggest ambition. A strategic goal is to attain such level of client satisfaction, which will naturally translate into unwavering loyalty to the Bank. Therefore a range of activities is taken, on the basis of surveys and feedback from clients, which are to enhance and elevate the quality of our customer service standards and product offer on an ongoing basis. Following changing clients' expectations, one of such activities is the adaptation of brick- and-mortar customer services to new technologies. At present, over 98% of bank transactions (transfers and standing orders) are concluded individually via Citibank Online. The network of modern Smart Banking Ecosystem allows the client to conclude individually financial transactions, pay in/withdraw cash from fx ATMs, obtain a credit card and on an interactive screen learn about special rebates for holders of Citi Handlowy cards.

### Client satisfaction surveys

The Bank conducts regular customer satisfaction surveys among both institutional and retail clients. NPS (Net Promoter Score) is the key measure of quality. NPS measures clients' propensity to recommend the Bank and thus their satisfaction regarding provided services. Surveys cover the Bank's key client segments as well as the most important channels of communication (i.e. Citibank Online, Citiphone, branches). Scores and comments are analyzed by a team which analyzes clients' experience and results of such analyses and proposed enhancements are discussed at a monthly meeting with the Bank's management. In 2022, the results in the segment of affluent clients increased: from 43% to 53%, the rating of service provided by a dedicated group of carers, as well as by helpline advisors (from 68% to 74%). These increases can be attributed to the unwavering commitment of employees to maintaining close relationships with customers, the stability of teams and an attractive deposit offer. In addition, the new payment method (Blik) introduced in response to customer expectations and the improvement of mobile authorization translated into an improvement in the result of the CitiMobile banking application from 40% in 2021 to 49% in 2022.

The Bank's sound position in providing customized solutions for clients was confirmed by many awards and recognitions won in 2021. One of them is the "Golden Banker" for the Citibank-BP Motokarta card, which the Bank won for the seventh time in a row in the 13th edition of the ranking prepared by Bankier.pl and Puls Biznesu in the "best credit card" product category. Other prizes were awarded, e.g. by the British financial magazine Euromoney, which distinguished Citi Handlowy in the annual survey of the quality of the private banking offer "Private Banking and Wealth Management Survey" and for the ninth time in a row recognized Citi Handlowy's transactional banking as the best on the Polish market in the "Market Leader" category. Citi Handlowy was also listed among employers with the most advanced diversity policy under **Diversity IN Check**, a list of employers with the most advanced diversity management, prepared by the Responsible Business Forum.

The Bank promotes the idea of high level of customer satisfaction not only through NPS tests. In 2022 Bank continued systematizing approach to searching, recording and changing the customer experience in relations with the Bank. Selected units not only analyze the clients' complaints, but also search for the information on customer experience in the NPS forms, comments posted in the social media or among the employees of the Bank who are also its clients. Every employee at the Bank is involved in building a new organizational culture predominantly for the client's interest and in delivering more and more revamped solutions. The growth of customer satisfaction level is among the Bank's key goals for 2023.

### Communication with clients

For more than nine years the Bank has consistently pursued its transparent client communication strategy, systematically aligning its offer with the clients' needs. As part of such projects as "Treating Customers Fairly" requirements were defined regarding communication, which were necessary for conducting product campaigns. Given the above, despite of dynamically changing market conditions, clients are assured that they will be informed of the Bank's products in a fair and transparent manner. At the same time, the Bank ensures that its agreements are explicit and its information concerning costs, risks and potential advantages is transparent. All employees who are responsible for a product offer are also trained in transparent communication standards and are obligated to abide by them. In addition, the policy and standards of top quality customer service, advertising and responsible marketing at the Bank are governed by internal regulations, including the Code of Ethics for Advertising and the Ethical Business Practices of Bank Handlowy w Warszawie S.A.

### Client complaints and enquiries

Information on the possible forms of submitting claims, complaints and grievance is easily accessible on the Bank's website. It is possible to submit comments by:

- Sending a message after logging in to the electronic banking system – Citibank Online <https://www.citibankonline.pl/>
- Sending a letter to the Bank's address or orally at the Bank's Branch
- Sending an email to the address: [listybh@citi.com](mailto:listybh@citi.com) or – in case of escalation - to Customer Advocate: [rzecznik.klienta@citi.com](mailto:rzecznik.klienta@citi.com)
- Contact with CitiPhone

Institutional clients of Citi Handlowy have the possibility of submitting complaints using several channels of communication, such as:

- by email – to the address: : <https://www.citibank.pl/poland/corporate/polish/reklamacje.htm>;
- by phone – in CitiService and directly to the CitiService Consultant's phone number;
- in person at any unit of Citi Handlowy that serves clients of the Financial Markets and Corporate Banking Sector;
- in writing to the address indicated on: [www.citihandlowy.pl/strefaklienta](http://www.citihandlowy.pl/strefaklienta) , in section: Important addresses.

The Bank informs of a possibility to resolve amicably disputes in relations with clients and this information is made public on the Internet. An important quality-related element, monitored in the complaint handling process is the time taken to respond. The standard time for consideration of the complaints filed by Citigold and Citigold Private Clients is one working day, whereas for clients from other segments is 4 working days.

The Bank logs each dissatisfaction and each lack of consistency identified by customers as complaints. Analyses of complaints and clients' comments, manners of handling them and drawing conclusions for the needs of the Bank's operations, are presented at the Client Experience Board meetings held on a monthly basis. Based on the prepared analyses, corrective action plans are specified to reduce errors on the part of the Bank in the future.

In 2022, Citi Handlowy continued digitization of its processes in line with client expectations. Bank is continuously developing the communication channel with its clients via social media (Messenger). During the year, customers made almost 5,000 enquiries using this channel. Customers also have a Chat available, which can be found on the official Citi Handlowy website. A specialized group of consultants reply online to queries posted by the Bank's clients.

### **Client Advocate**

Establishment of the Customer Advocate is to both strengthen the cooperation between the Bank and the customers and increase customer satisfaction as far as the products and services offered by the Bank are concerned. The Bank invites its clients to dialogue, through contact with the Customer Advocate. This way, the Bank invites its customers to share their opinions, comments and suggestions about functioning of the Bank. Customers are able to share their opinions, comments and suggestions about functioning of the Bank, and are provided with another opportunity to have their unsuccessful complaint examined again. Customers can contact the Customer Advocate by sending an enquiry to the Customer Advocate. In 2022, the Customer Advocate received 264 issues for consideration, i.e. less by 33% comparing to 2021.

The Corporate Client Spokesperson function was launched by Citi Handlowy in 2017. The main duties of the Spokesperson include: coordination of the process of examining complaints and grievances submitted by corporate clients to the Bank, analysis and monitoring of the process of complaints and grievances from clients, providing the Management Board of Citi Handlowy with information regarding the scope and scale of complaints and grievances submitted by corporate clients to Citi Handlowy, cooperation with units of the Bank in order to improve the quality of services and products offered to the corporate clients, and to increase client satisfaction and loyalty. The institutional clients of Citi Handlowy may also contact the Spokesperson by sending a message using the form available on the Bank's website at <https://www.citibank.pl/poland/corporate/polish/rzecznik-klientow-korporacyjnych.htm>

Clients may also send their opinions and comments to the Corporate Client Spokesperson, which help us to improve our products and services offered by Citi Handlowy. In 2022, two such submissions were made directly to the Corporate Client Spokesperson.

### **Client education**

As part of its educational activities, the Bank – through the Citi Handlowy Leopold Kronenberg Foundation – also carries out educational activities in the areas of personal finance, cyber security and the promotion and development of entrepreneurship. Through comprehensive programs, it educates both the Bank's customers and local communities, including children and young people, in these areas.

The Foundation's efforts to raise awareness of personal finance focus primarily on regular monitoring of Poles' attitudes in this area through opinion polls. The reports compiled on this basis are a source of knowledge not only of the state of financial awareness at a given point in time, but also make it possible to trace changes in it over the years. In 2022, the Foundation, together with its social partners, published four research reports addressing the attitudes of Poles towards finances, knowledge of inflation and how to cope with it, the attitudes, and values of the younger generation, as well as work-life balance and the opinions of employers on how to support employed people in combining these roles.

Through the Citi Handlowy Leopold Kronenberg Foundation the Bank also runs programs designed to raise awareness of cybersecurity, understood as knowledge of the mechanisms taking place on the Internet and the ability to spot potential threats. Hence, in 2022, for the third time, the Foundation inaugurated the CyberMocn@ Szkoła (CyberStrong School) program, which aims to raise awareness of this issue among teachers and, indirectly, among children and young people.

The Foundation also attaches great importance to supporting the economic potential of companies operating in Poland. It supports entrepreneurship through participation in mentoring and incubation programs, targeting groups such as women, professionals, and specialists in STEM (Science, Technology, Engineering, Mathematics), as well as migrants. The Foundation also promotes an entrepreneurial mindset among young adults, encouraging them to run their own businesses or strengthen existing ones. The Foundation attaches particular importance to supporting those companies that have the potential for international business.

## Client data protection

The Bank applies the highest information security standards. Regular audits are conducted in this regard, validated by the Bank's certificates such as certificates of compliance with ISO 27001 and ISO22301 for processes, products and services provided by the Bank to its clients.

The Bank undertakes to protect private and confidential information about its clients and to properly use that information. Those rules are described in the "Rules for Personal Data Protection at Bank Handlowy w Warszawie S.A." The Bank gathers, keeps and processes clients' personal data in manners prescribed by national laws so that products and services offered to clients could be more efficient in meeting clients' financial needs and in supporting them in attaining their financial goals. With this in mind, the Bank makes every effort to implement and maintain appropriate systems and technology, and to properly train employees who have access to such information. The suppliers whose services are used by the Bank also have an obligation to protect confidentiality of information, including personal data and confidential information they receive from the Bank. The Bank also observes its own stringent internal standards and regulations concerning the confidential nature and security of information and personal data (standards concerning information systems management, information security standards, general provisions on security). Concerned about the issue of security the Bank applies the best standards and uses such information only for justified reasons related to the performance of business duties, makes it available only to authorized persons and organizations, and keeps it in a proper and secure manner.

## 1.3 Caring for people

A strategic goal of the Bank is to attract, develop and retain the best talents who share the values of the Bank:

<b>We take ownership</b>	We motivate each other to apply the highest standards in everything we do
<b>We deliver with pride</b>	We focus on excellence in customer service and operational activities
<b>We succeed together</b>	We appreciate and learn from different approaches to exceed the expectations of the stakeholders.

For its employees, the Bank has safe and friendly workplace, where employees can use their energy and feel appreciated for their personal achievements, satisfied and able to pursue their individual development paths. Employee development is supported by such activities as: training, involvement in challenging projects as well as an assessment process when employees gain information on their strong points and areas which need to be developed. The Bank has a HR policy which includes documented, measurable and systematically monitored objectives.

At the Bank, diversity is treated as an indicator of the organizational culture. It is about ensuring that the organization employs people with different length of working experience and of different ages, and that the people being in the minority due to their origin, sexual orientation or views can feel good at the Bank and have the same opportunities to grow their careers. The Bank takes ongoing efforts to ensure diversity regarding its staff through respective regulations and internal procedures, respective corporate customs, by building employee awareness, promoting equal treatment at work place so to ensure a work environment where every employee may use all his or her abilities, in an effort to ensure sustainable development, namely to enhance the Bank's effectiveness and competitiveness.

The personnel selection and development process is one of the Bank's priorities. Employees have access to work proposals in the Workday intranet system, which enables them to apply for positions they are interested in within the Bank and other Citi companies.

Additionally, the Bank provides its employees with a rich package of perks to meet their personal and social needs.

Employee may opt for an employee pension scheme, life insurance products, sports package, private medical care, help in difficult life situations under the Employee Assistance Program, a social fund and banking products on preferential terms. Employees also have the opportunity to work in flexible conditions as to the time and place of work, hours in order to enable better performance of personal and professional duties.

An important element of preventive healthcare is physical activity, therefore every employee of Citi Handlowy may purchase a sporting card for themselves and an accompanying person. Aiming to support and promote diversity through Work Life Balance and the wellbeing of the workforce as a whole, in 2022 the Bank expanded the catalogue of activities that can be subsidized as part of leisure, sports and cultural/educational activities to include hobby, dance, art courses (such as drawing, painting, sculpture), playing musical instruments and cooking workshops, among others. Employees experiencing problems in their private and professional life and needing support in a difficult life situation can obtain free psychological, legal and financial assistance under the Employee Assistance Program. The EAP is also available to immediate family members of Citi Handlowy employees. Assistance is provided through the hotline. Striving to ensure a safe workplace, the Bank makes efforts to optimize the working environment for all employees, with particular emphasis on compliance with occupational health and safety rules.

## Employee satisfaction survey

The Bank enables its staff to express their opinions freely by annual employee satisfaction survey, called Voice of Employee. The objective is to find out more about the satisfaction and commitment of employees. Participation in the survey is voluntary. Questions asked in the survey concern, i.a., communication, professional development opportunities, meritocracy, relations with the supervisor and co-workers, participation in a decisions, balance between professional and personal life, diversity, and values and ethical principles followed by the Bank.

In the first step of the process to examine employee feeling employees fill in questionnaires. The next steps include an analysis of results, group interviews to provide more insight on the basis of those results and enable preparation of improvement plans after the survey, implementation and communication of outcomes to employees. The Bank's senior management and People Board are actively involved in post VOE activities. The People Board is a group of nine employees representing all business areas, elected by employees in a ballot. In 2022, People Board II came to an end after 18 months of work. Another was launched in 2023. The People Board is a bridge in communication between the Management Board and the employees. They actively engage in the Bank's projects and initiatives aimed at building a friendly work environment and promoting change to support the implementation of the Bank's strategy.

### **Dialogue and freedom of association**

Two unions are active at the Bank:

- Independent Self-Governing Trade Union of Employees of Bank Handlowy w Warszawie S.A.
- NSZZ "Solidarność" - Mazowsze Region Intercompany Union Organization No 871 at Bank Handlowy w Warszawie S.A

### **Code of Conduct for Employees of Bank Handlowy w Warszawie S.A.**

The Code of Conduct is a general review of the most important internal regulations applicable at the Bank. All employees of the Bank are obliged to adhere to applicable laws, internal regulations and standards adopted by the Bank. The Bank strives to create for its employees optimal opportunities to develop their potential, to ensure them development and to support diversity while respecting dignity regardless of gender, race, religious beliefs or sexual orientation. The Code includes formal solutions for reporting of breaches. The Bank has an Ethics Helpline which may be used by employees to report issues relating to selection of the best course of action in specific situations or their reasonable suspicions or information relating to a possible infringement of laws or ethical standards and internal regulations applicable at the Bank. Reports can be submitted to the Ethics Helpline by telephone or to a mailbox. Reports can also be submitted anonymously.

Every year, employees of the Bank take part in mandatory online training relating to the Code of Conduct. Every newcomer receives the Code of Conduct and must sign a statement that they have read it and will adhere to it in their everyday work.

The Bank works continuously on the formation of an organizational culture where employee relationships are based on mutual respect, professionalism and respect for others. Any forms of discrimination are forbidden at Citi Handlowy. The Bank's policy forbids any acts of vengeance in respect of persons who report cases of negative phenomena in their work environment. The Bank takes preventive actions to counteract discrimination and unequal treatment, consisting of a range of educational activities and activities aimed at bringing about proper organizational climate favorable to the fair play principle at work place. Since 2018, the Bank has conducted cyclical obligatory training for all its employees called ""Undesirable Situations in a Work Place" to counteract such phenomena.

### **Corruption prevention**

Citi Handlowy has adopted a zero tolerance policy toward corruption with respect to all aspects of business activities. That policy is binding on all of employees and business partners acting on behalf of the bank. The bank takes care of its image, reputation as well as trust of clients and business partners through the observance of ethical standards and conducting activities which are designed to prevent corruption effectively.

The anti-corruption program at Citi Handlowy constitutes part of the bank's anti-corruption policy, which is composed of:

- the procedure "Anti-corruption program at the Bank Handlowy w Warszawie S.A." (including the formalized process for approval and registration of gifts and invitations to events),
- "Code of Conduct for Employees of Bank Handlowy w Warszawie S.A.",
- training programs,
- information campaigns,
- internal control mechanisms,
- assessment of compliance risk with respect to anti-corruption activities.

Preventing cases of corruption and their notification is the duty of each bank employee. Employees should avoid any activities that may violate the principle of zero tolerance for corruption.

All employees of the Bank take part in the training on prevention of corruption practices. They also have appropriate guidelines allowing the reduction of the corruption risk in relationships with business partners. Employees must avoid any activities that may violate the principle of zero tolerance for corruption and expose the bank to charges of non-compliance with standards and regulations in force.

In 2022, no case of corruption in the bank's activity was recorded.

## Employee Volunteering Program

The Citi Employee Volunteering Program, one of the most prominent in Poland, plays a key role in local community initiatives. Citi Handlowy encourages its employees to engage in social work and supports their efforts, including through offering them an extra day off for volunteering activities. Within this area, the Foundation encourages involvement in social causes through three types of volunteering:

Intervention assistance – the past 12 months have allowed, after a period of constraints due to the COVID-19 pandemic, the return of direct action in local communities by Citi Group employees. In 2022, in addition to the existing projects such as Global Community Day and Letters to Santa Claus, a significant number of projects in this area were implemented in support of those affected by the migrant crisis and the armed conflict in Ukraine. Intervention aid included in 2022 both in-kind and cash collections, e.g. by organizing fairs or festivals, but also work carried out in places such as social care homes, children's homes, day centers, migrant centers, or animal shelters.

Skill-based volunteering – sharing knowledge and experience with people who want to develop their professional skills is one of the most important elements of Citi's employee volunteering program. Citi's skill-based volunteering ranges from involvement as a mentor in partnership programs, especially those promoting entrepreneurship, to the preparation of cybersecurity training courses, as well as the promotion of corporate social responsibility.

Sports volunteering – this type of volunteering is the perfect combination of promoting a healthy lifestyle and donating to charity. These types of projects are very popular and are a way of encouraging new, previously inactive people to become involved in the community. This is why the Foundation implements such projects both locally and by joining the Citi Foundation's global campaigns. In 2022, organizations such as ASHOKA, which, among others, support refugees residing in Poland, received support through such initiatives.

### 1.4 Reduced environmental footprint

The climate crisis is a major challenge facing our society and economy in the 21st century. The financial sector has an important role to play in tackling this crisis by supporting the transition to a sustainable, low-carbon economy.

The Bank impacts the climate not only as an institution offering financial services, but also as a company with many employees and many offices, including owned property. As early as 2007 Citi Handlowy introduced a comprehensive Environmental Management Plan. In the subsequent years, it introduced an Environmental Management System according to ISO 14001 and Energy Management System according to ISO 50001 for the main locations of the Bank. 2014 saw the launch of the integrated Environmental and Energy Management System (EMS), which has been subjected to annual audits by an independent certification bureau. In 2022, the Bank was also subject to another recertification audit including ISO 50001:2018 and ISO 14001:2015 management systems. The audits confirm that the Bank achieves the set goals and fully implements the requirements of these standards, including operation of a system supporting the fulfillment of individual statutory, regulatory and contractual requirements. The audit also confirmed the effectiveness and suitability of the environmental and energy management system in place, as well as the high commitment of operational and management staff.

As part of the integrated environmental and energy management system, the Bank introduced environmental and energy policy, in which it has identified the following objectives: reducing greenhouse gas emissions, ensuring the most efficient management of utilities, in particular energy, minimize consumption of energy and non-renewable energy sources, supporting the purchase of energy-saving products and services as well as improving energy performance, ensuring correct waste segregation and controlling noise emissions.

### Direct and indirect impact on the natural environment

The Bank has included measures to protect the environment in the 2022 – 2024 Strategy. It has committed not only to reducing its own greenhouse gas emissions by 2024 (by at least 50% relative to 2019), but also to reducing its electricity consumption (by 40% relative to 2012). The Bank continuously monitors and manages the environmental impact of its operational activities. It analyzes the following emissions from its business on an annual basis:

- Direct emissions – greenhouse gas emissions owned or supervised by the company, mainly those resulting from the combustion of fuels (company vehicles), oxidizing refrigerants (emissions associated with air conditioning operation);
- Indirect energy emissions – emissions comprising the generation of electricity, heat or steam consumed by the business, mainly those caused by the consumption of externally purchased electricity or heat;
- Other emissions not mentioned above – resulting from the company's business, mainly related to business trips by means of transport other than its own, waste disposal, purchase of capital goods and raw materials.

Since 2019, the Bank has been taking steps to estimate and reduce its carbon footprint. In 2022, the Bank contracted to purchase 55% of its electricity from renewable energy sources (and 60% in 2023), thereby systematically moving away from conventional energy supplies. In pursuit of its sustainability strategy, in which green initiatives play an important role, the Bank has launched new photovoltaic projects. It has started a project consisting in purchasing and installing photovoltaic panels on the roofs of two buildings. These investments will increase the Bank's current power generation capacity (the planned capacity is approximately 50 kWp for the facility located at ul. Senatorska 16 in Warsaw and approximately 17 kWp for the facility located at ul. Traugutta in Warsaw). Following the electromobility trend, spaces for electric bicycles and scooters have been made available for employees along with a vehicle charging station in 2022. In this way, the Bank encourages employees to choose a mode of transport that reduces exhaust fumes, contributes to the reduction of greenhouse gas emissions, and to a better quality of life in the city. In addition, the Bank has taken steps to downsize and replace its fleet with hybrid cars.

2022 will also see the implementation of Breeam In-Use certification – one of the world's most recognizable sustainable building rating systems – for the Bank's three buildings located in Olsztyn at ul. Pstrowskiego 16 and in Warsaw at ul. Senatorska 16 and ul. Traugutta 7/9. The implementation of the Breeam system directly aligns with the Bank's strategic objectives. The certificate assessed the environmentally friendly solutions used in the buildings and the efficient management of the facilities. By achieving very good ratings for two buildings and a good rating for a third building located at ul. Senatorska 16, the Bank confirmed the implementation of good practices in the following areas:

- reducing energy consumption – for example by using energy-efficient lighting and electronic equipment;
- reducing water consumption – e.g. by using water-saving fittings, dual flushers;
- conducting rational waste management – waste prevention, e.g. by introducing the possibility for employees to buy back used equipment belonging to the Bank (desktops, laptops and Ipads) at dedicated auctions, promoting selective waste collection (e.g. by eliminating polystyrene packaging and replacing it with packaging made from palm leaves, bamboo), eliminating waste in the form of plastic bottles (by removing them from the shopping catalogue) and providing drinks in glass bottles and water from dispensers;
- conducting sustainable purchasing – by reusing used furniture and some office supplies (e.g. binders);
- ensuring comfort and well-being – including by providing sufficient daylight in the rooms, ensuring the right temperature, designing rest areas;
- landscaping of green areas – by appropriately arranging green areas around the buildings taking into account the viability of the trees planted, as well as setting up nesting boxes for birds and bats and installing insect hotels.

In an effort to further minimize the environmental impact of its buildings and to increase the rating obtained for the building located at ul. Senatorska 16 in Warsaw, the Bank has begun a major refurbishment at the facility in early 2023. Plans include upgrading the lighting to LED technology, modernizing the ventilation and air conditioning, as well as replacing the roof sheathing, work in the area of thermo-modernization of the building and implementing a system to enable the use of grey water.

The Bank is constantly striving to reduce the amount of raw materials used (mainly paper) by digitizing and optimizing its processes. Therefore, it practices electronic document circulation with suppliers and implements solutions to automate operational processes (e.g. Digital Office). The Bank has also had a cost-effective office paper printing system in place for many years. Its consumption is continuously monitored as part of the on-going Paperless project, in which all the Bank's organizational units have been involved. The main objective of the project is to keep the following performance indicators stable: print volumes, non-leased printers, external printing houses, internal archives, document shredding, mail and couriers, and marketing materials; Additionally, the Bank has introduced ECO paper sourced from recycled raw materials on its purchasing platform. The product will gradually eliminate the purchase of traditional paper.

## **Personnel education**

The Bank also runs environmental projects aimed at employees. It is well aware that increased environmental awareness among employees translates directly into their conscious efforts to act in accordance with the concept of sustainable development. In 2022, as part of the Earth Day campaign, the Bank communicated information on reducing its carbon footprint and the environmental impact of everyday activities to employees via the intranet. As part of the European Week for Waste Reduction, the Bank provided information on ways to reduce and reuse waste and encouraged people to join the WWF's Earth Hour, drawing attention to climate change as one of the most serious challenges facing the world today.

The year 2022 will see the implementation of green initiatives including: workshops with Toyota (eco-driving training), bookcrossing (book sharing action), organizing educational actions (e.g. zero waste).

## **1.5 Local community involvement and development**

The Citi Handlowy Leopold Kronenberg Foundation pursues its objectives by carrying out its own initiatives, by cooperating with other public organizations, and jointly with the Citi Foundation by providing grants for programs implemented by foundations and associations working in Poland for the development of entrepreneurship.

Taking into account social and market trends and directions, as well as the events of 2022, the Foundation has consistently pursued its objectives, implementing the following projects:

- **Support for Ukraine**
- **Global Community Day**
- **Charity Christmas**
- **CyberStrong School**
- **The Professor A. Gieysztor Award**
- **Support for entrepreneurship**
- **Celebrating 10 years of the Diversity Charter in Poland**

Among the Foundation's own initiatives implemented in 2022, the following ones are worth mentioning:

#### Support for Ukraine

The program to support Ukrainian citizens who emigrated to Poland after the outbreak of the armed conflict in their country and those who chose to remain in their homes covers the full spectrum of activities of the Citi Handlowy Leopold Kronenberg Foundation: intervention aid, skilled-based and sports volunteering, as well as targeted grants aimed at aid projects of partner organizations. More than 350 Citi volunteers were involved in the intervention aid including the collection of items needed by refugees such as hygiene products, warm clothes and food. Already in the first few days after the outbreak of the war, a total of more than 1,000 kg of donations were collected and distributed among those in need.

During the first two months of the war, refugees arrived in the major Polish cities, above all Warsaw and Cracow. Each day, Citi volunteers delivered the food and hot drinks the refugees needed to the contact points at railway stations. In addition, the Foundation created the #UkraineReliefEfforts support program, which included both providing intervention aid, showing solidarity with people affected by the conflict and, in a later phase, supporting their integration into Polish society. As a result, the assistance provided included:

- employee volunteering, including intervention assistance, skill-based volunteering and sports volunteering
- transfer of funds to public benefit organizations, including: SOS Children's Villages and the "Rakiety" Foundation, Future of Children,
- supporting Citi Group employees in Ukraine – providing the opportunity to move to Poland and work at a Polish branch of the Bank.
- organization of webinars connected with the response to events in Ukraine, which covered the following topics: how to talk to children about events in Ukraine, how best to support refugees, how to recognize misinformation.
- involvement and funding of the "WELCOME! Witajcie!" program, which aims to support Ukrainian and Polish women in entering the Polish labor market.

#### Citi Global Community Day

In 2022, the Global Community Day engaged more than 2,000 Citi volunteers in Poland to deliver initiatives for local communities. The projects, both coordinated by Citi's Volunteer Leaders and the Foundation, were carried out across the country from the beginning of May until the end of June 2022. After two years of constraints in implementing initiatives and projects as part of the Global Community Day celebrations, Citi volunteers have returned to meeting their beneficiaries face-to-face. In 2022, they focused on four key beneficiary groups: children, senior citizens, refugees from Ukraine and animals.

The Citi Handlowy Foundation organized a grant competition to which Group employees could submit initiatives they would like to implement for the benefit of the local community. In 2022, 50 grants were provided to carry out projects, among which we should mention:

- Repair and maintenance work at care centers and sports clubs in localities such as: Napiwoda, Olsztyn, Pruszków, Stawiguda, Warsaw, Biskupiec,
- Picnics, fairs and integration activities, e.g. in Dorotowo, Liskowate, Gdańsk, Mikołajki, Białystok, Olecko, Milanówek, Bolimów, Poznań,
- Purchase of equipment for care facilities in Biskupiec, Olsztyn, Strzelno, Łódź, Garczyn,
- Purchase of materials and construction of winter kennels for homeless animals in Warsaw, Zielonka, Biskupiec, Siedlce,

In view of the situation of Ukrainian migrants in Poland, the Foundation also decided to implement a grant competition for projects connected with helping this group of beneficiaries. As a result of the "Aid for Ukraine" competition, more than 20 micro-grants were awarded to, among others:

- Financial support for collections in kind for Ukrainian refugees,
- Purchase of school kits for Ukrainian children staying in Bydgoszcz,
- Integration classes for Polish and Ukrainian children, held in kindergartens and schools in cities such as Olsztyn, Ząbki near Warsaw, Siedlce, Serock, Gdynia,
- Purchase of books in Ukrainian for a school library in Siedlce.

As part of the Global Community Day celebrations, the Citi Handlowy Leopold Kronenberg Foundation also carried out its own projects to support groups such as senior citizens, people with disabilities, children and Ukrainian citizens affected by the war. Noteworthy projects implemented as part of the 2022 Global Community Day are:

- **RH Active:** blood collection events in Olsztyn and Warsaw – the blood collected went to those in need in both Poland and Ukraine.
- **Able Disabled:** a picnic organized in cooperation with the Polish Paralympic Committee to integrate children and adults with disabilities into society.
- **Children's Day:** a fair held at Citi Handlowy's headquarters, during which funds were raised for those affected by the

war in Ukraine and parcels and letters were prepared for Ukrainian children.

### Charity Christmas

In 2022, the Foundation and its volunteers implemented and coordinated two major Christmas initiatives: "Letters to Santa Claus" and "Christmas is for sharing". As a result, 250 children received the presents of their dreams and more than 2,500 parcels were distributed, through partner social organizations, to those in need.

The project, under the slogan "Christmas is for sharing", is a way of sustaining the relationship of Citi volunteers with the organizations and institutions they support in their work for local communities. In the run-up to Christmas, they contact them to find out their needs. As a result of the in-kind collections organized by Citi volunteers and the Foundation's funding of the project, 2,500 parcels were delivered in 2022.

The second annual initiative is making Christmas dreams come true for children in care. Citi's volunteer leaders, who have relationships with these types of facilities, invite their charges to write letters to Santa Claus. These letters are uploaded to an external platform where Citi employees can book them. In 2022, 250 children from five care centers received their dream presents in this way.

### CyberMocn@ Szkoła (CyberStrong School)

The CyberStrong School program was developed in response to the challenges of hybrid learning facing teachers and students. The program is aligned to the school cycle – with subsequent editions starting with the new school year. The third edition of the program began at the end of October 2022. Nearly 100 early school education teachers, educators and pedagogues are taking part in it.

After a period of pandemic restrictions and with children returning to school from distance learning, the premise of the program was, among others, to educate on hate speech on the Internet. However, the outbreak of the war in Ukraine at the end of February 2022 posed further challenges for teachers, children and their caregivers. The program was tailored to the topics of war, refugee assistance, integration of a group coming from different cultures – these topics were covered during webinars for teachers and parents – Citi Group employees and their friends. In total, more than 600 people took part in them in 2022.

Each edition of the program is subject to evaluation. The second edition was extremely highly rated by the teachers who participated, with more than 80 percent of those surveyed rating it 5 on a scale of 1 to 5. Importantly, a significant number of participants appreciated the online format of the program, and almost all (more than 90 percent) indicated that they use the knowledge and skills gained during the meetings in their daily work.

Such evaluations led to the decision to continue working with the existing experts and to expand the group to include experts from the Dajemy Dzieciom Siłę (Let's Give Children Strength) foundation and Teach for Poland. This happened in response to the needs of teachers associated with the mental wellbeing of students and online safety.

The 3rd edition of the program has three components:

- Open online meetings held every 1.5 months for all participants of previous editions and those interested in the topic. As part of these meetings, a webinar on how to build community in a multicultural group was held in December 2022, referring to the celebration of Christmas.
- Workshops for three groups of teachers – participants in the 2nd edition of the project – with a total of 95 educators, pedagogues and early school education teachers taking part in the workshops.
- Workshops led by Citi volunteers together with an expert on hate speech and hate. In the fall of 2022, 10 volunteers held several such meetings for high school students in Olsztyn.

### The Professor A. Gieysztor Award

In 2022, for the 23rd time, the Citi Handlowy Leopold Kronenberg Foundation, with the support of the jury, awarded the Professor Aleksander Gieysztor Award for outstanding achievements in protecting the Polish cultural heritage and, in particular, for museology and art conservation efforts and achievements in collecting mementos of the Polish culture. This edition of the award was held under the patronage of Polish President Andrzej Duda. On 23 May 2022, the Gala of the Professor Aleksander Gieysztor Award took place in the Great Hall of the Royal Castle in Warsaw to honor the winners of the two editions of the Award (22nd and 23rd): Professor Jerzy Hausner and Vydas Dolinskas, PhD.

Professor Jerzy Hausner, winner of the 22nd Award, was awarded for all-embracing activities to promote the use and (re)interpretation of cultural heritage as a basis for communication and creativity as well as economy of the values. The heritage as a lever of economic development which builds sustainable social and economic order.

Vydas Dolinskas, PhD, winner of the 23rd Award, was recognized for his outstanding efforts to strengthen the commitment of the Lithuanian community to the protection and promotion of cultural heritage of Poland and Lithuania.

As a result of the communication activities undertaken, the award gala was attended by more than 250 guests from the worlds of culture, art and science, and there were more than 60 media publications about the Award.

### Cooperation with public benefit organizations

An important element of the activities carried out by the Citi Handlowy Foundation is also its cooperation with other organizations and associations that specialize in areas that are key to the Foundation's strategy. In 2022, the Foundation established substantive, logistical as well as financial cooperation with four new organizations: "Rakiety" Oncological Foundation, SOS Children's Villages Association, MamoPracuj Foundation and Polish Migration Forum. Thanks to the

experience of these organizations, people affected by the armed conflict in Ukraine were offered comprehensive support.

Cooperation and partnerships with other public benefit organizations, such as associations and foundations, make it possible to significantly increase the scale of the Foundation's activities. Importantly, the Foundation builds lasting relationships that allow not only financial but also substantive cooperation, e.g. through skill-based volunteering or the joint design of studies and reports.

Partnerships with other organizations also involve the funding of projects of cultural and educational importance. In 2022, the Foundation gave three grants to the Polin Museum and the Association of the Jewish Historical Institute in Poland, the Polish Academy of Arts and Sciences and the Polish National Committee of the International Council for the Protection of Monuments.

Together with the Polin Museum and the Jewish Historical Institute, this is the fifth time the Foundation has created a joint project to showcase the shared traditions of Polish and Jewish cuisine in 2022. As a result, on the website <https://whatscooking.art/ugotuj-cos> an interactive sub-page was set up, with recipes of Jewish cuisine (all are available in Polish, English and Hebrew versions). Short films about Jewish culinary heritage with Polish roots have also been made. These films were promoted in Poland, as well as to broad audiences in Israel and the United States of America. The site was the winner of the 5th "Visible Museum" Review 2022. The success of this collaboration led to work starting on the next project in December 2022, which will be presented to the general public in 2023.

The donation to the Polish Academy of Arts and Sciences was also provided to the organization of an International Scientific Conference to mark the 150th anniversary of the institution. The event was designed to commemorate the academic tradition of the PAU and its scientific and popularization achievements, promoting its mission as widely as possible, as well as to present a scientific diagnosis of the current state of the world to a wide range of interested parties and to highlight the impact of scientific developments on the lives of modern communities.

Thanks to a grant to the Polish National Committee of the International Council for the Protection of Monuments, a publication will be produced to disseminate knowledge on historical and contemporary architecture, urban planning and spatial planning. The grant will result in the publication of a book by Professor Krzysztof Pawłowski entitled "Meanders of Studies on City Shaping". The author is an eminent architect, urban planner specializing in the history of urban planning and the revalorization of urban historic complexes, and the publication will help to preserve Polish cultural heritage and contribute to consolidating the important role of the Polish urban planning and conservation school in European historiography. The publication also refers to the activities of Aleksander Gieysztor, the legendary director of the Royal Castle in Warsaw.

Among the projects carried out in partnership with other organizations, it is also worth mentioning initiatives supporting entrepreneurship, which are funded by the Citi Foundation and carried out as part of substantive cooperation with the Citi Handlowy Leopold Kronenberg Foundation:

- **Business in Women's Hands** – a program in partnership with the Foundation for Female Entrepreneurship. In 2022, the 8th edition of this program took place. There were 60 women with a business idea, selected from 200 applicants. During the program, they will have the chance to spread their wings under the guidance of experts and mentors, including from Citi Group. During the 8th edition of the program, a total of more than 330 new businesses were created by more than 450 participants, with 150 mentors working with them. The fact that 70 percent of the companies established under the program have been in existence for more than a year is also testament to the effectiveness of the initiative.
- **Entrepreneurship Development Program** – a comprehensive project with the following activities: incubation paths for young entrepreneurs with foreseen business training, webinars, consultations, and mentoring involving Citi volunteers, Business Market conference in a hybrid format, webinars for secondary school teachers on tools useful in teaching and developing entrepreneurial competences of pupils and students. In addition, the program edits the [rozwijamy.edu.pl](http://rozwijamy.edu.pl) portal, which provides a knowledge platform for all program participants. The portal gives access to substantive articles, how-to guides, interviews with business practitioners, as well as access to inspiration and quizzes to test knowledge on different areas of functioning of entrepreneurs and to research and reports on personal finance and entrepreneurship.
- **Shesnnovation Academy** is a project organized by the "Perspektywy" Educational Foundation and funded by the Citi Foundation with professional support of the Citi Handlowy Leopold Kronenberg Foundation. During the program, the participants attended mentoring sessions and prepared business plans and speeches presenting the business premise of their ideas. Throughout the program, participants received support from mentors who run successful start-ups, are managers and board members. The final of the Shesnnovation Academy competition took place on 8 June 2022 at the Prospects for Women in Tech Summit 2022. During the event, the 10 finalists of the program presented their business ideas. The jury awarded three prizes and one distinction.
- **Hello Entrepreneurship** – is a program of the ASHOKA Foundation that aims at strengthening social entrepreneurship of migrants. In 2022, a total of 60 initiatives applied for the 3rd edition of the program, from which 10 social enterprises were selected for the final. The finalists received comprehensive support in, among others, the development of a business model, the promotion of the initiative, the opportunity to establish contacts with potential investors and social partners. Each initiative also received financial support. 125 people who emigrated to Poland took part in the 3rd edition of the program. During the program, they had the opportunity to develop their social business concepts by attending events, webinars, individual consultations, and lectures. In addition, program participants were integrated into a migrant community that supports entrepreneurship and allows them to share their experiences. Previous finalists from the last two editions of the program prove the effectiveness of this initiative. The 2022 finalists include a new method in the diagnosis of children with migrant experience on the autism spectrum, which allows screening without a language barrier, and also programming training for migrant women from Poznań.

- **WELCOME! WITAJ!** – is a program of the Mamo Pracuj Foundation that aims to support women in their career development and build a community where women can support each other in their careers. The 1st edition of the program started in 2022 with both Polish and Ukrainian women who want to work in our country in mind. Participants not only received knowledge, but also created a space for mutual support and professional and personal development. A total of 300 women participated in the 2022 program and took part in a traditional workshop and integration meeting, having an opportunity to work with mentors from HR, employment law, LinkedIn to create their professional profile for employers and prepare to enter the job market.

The Citi Handlowy Leopold Kronenberg Foundation represents the Bank in the Responsible Business Forum, which is an organization that promotes the social responsibility of companies and also supports their further development. In 2022, the Foundation was a strategic partner in celebrating the 10th anniversary of the Diversity Charter, an international initiative coordinated in Poland by the Responsible Business Forum under the aegis of the European Commission. The celebrations connected with this anniversary have been planned for almost a whole year, with the organization of the Diversity Charter Awards, debates with experts and webinars.

## 1.6 Cultural patronage and sponsorship

**In 2022, Citi Handlowy continued its cooperation with the Polish Paralympic Committee and supported the Polish Paralympians during the winter Olympics in Beijing.** The team of athletes was supported by **Igor Sikorski**, a Polish monoskier competing on one ski. Igor is a Polish bronze medalist of the 12th Winter Paralympic Games in PyeongChang in alpine skiing and a silver medalist in a giant slalom at the World Para Snow Sports Championships in Lillehammer in January 2022. The Team Citi is a group of 49 world-class athletes who personify the values that are important to Citi. They have been invited to join the team due to their impressive achievements in sports as well as in their personal lives. This long collaboration with the Polish Paralympic Committee is a part of a global initiative of Citi that supports the Paralympic movement and the efforts to change the social perception of disability – to see the person, his/her passion and achievements.

**Keeping in mind the athletes with disabilities, Citi Handlowy was also the partner of the second edition of the Orlen Paralympic Run.** This is the second time that the Bank has supported this exceptional initiative as one of the main founders of special prizes and the proud partner of the Polish Paralympic Committee. Orlen Paralympic Run is a running race, which brings athletes together regardless of their age, degree of disability, or physical shape. Its aim is to voice solidarity with Paralympians, who prove every day that “impossible is nothing”.

Together with Citi’s business services center, the bank was **the strategic partner of the Most Popular Athlete of Warmia and Mazury Award** for yet another year in a row. Being one of the biggest employers in the region, the company regularly supports the local community. During the finals of the 61st edition of the Award, bank representatives, as usually, awarded prizes to the Athlete of the Year and the No-Barriers Athlete of the Year. During the final gala of the Award, the Citi Handlowy Foundation declared the financial support for refugees’ children and families from Ukraine. The bank also promised they would be supported by Citi volunteers.

For yet another year in a row, Citi Handlowy was the partner and active participant in the prestigious IRONMAN triathlon race that took place in Poland in three different locations: Poznań, Warsaw, and Gdynia. The main theme of the 2022 IRONMAN Poland competition was “The Year of Dreamers”, inspiring people to take up the challenge of finishing the IRONMAN race. Its aim was also to point out that every great achievement starts with a dream. Dreams – these about personal hobbies and these about professional growth – can be an amazing driving force, and if we combine them with a good plan and consistency, they often become a goal that is at our fingertips. As a partner of the IRONMAN race, Citi Handlowy supports people with passions, and as a bank, it has been supporting entrepreneurs and individuals in fulfilling their ambitious plans and financing their investments that make the world more modern and accessible for more than 150 years. Joint efforts and kilometers covered in 30 employees’ and clients’ relays also supported social matters as they translated into support for those who had suffered because of the war in Ukraine.

To support ambitions of companies, Citi Handlowy has again been a partner of Deloitte Technology Fast 50 Central Europe 2021, a ranking of the fastest growing technology companies in Central Europe. The aim of the program is to promote innovative companies and their technologies as well as to create a networking and business development platform. Prizes awarded in three categories recognize the fastest growing companies from Central and Eastern Europe. Among the finalists there were 17 Polish companies.

### Expenses for social purposes and other

	2022 PLN '000	2021 PLN '000
Cultural patronage, sponsorship and media	987	750
Social involvement (charitable and social institutions)	3,622	3,500

## VII. Investor information

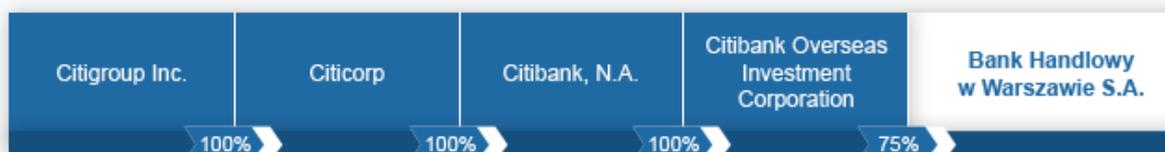
### 1. Ownership structure and stock prices on the Warsaw Stock Exchange

#### 1.1 Shareholders

The only shareholder of the Bank holding at least 5% of shares and votes at General Meetings of Shareholders is Citibank Overseas Investment Corporation (COIC) – a company which holds foreign investment in Citi group of companies. COIC is also the strategic majority shareholder of the Bank.

Over 2022, the number of shares held by COIC and its interest in the share capital and votes at General Meetings of Shareholders (GSM) did not change comparing to the end of 2021 and was 97,994,700 shares and votes, i.e. 75% of share capital and votes.

The following diagram depicts the positioning of Bank Handlowy w Warszawie S.A. in the organizational structure of Citigroup:



The other shares (32,664,900, i.e. 25% of share capital) are the so called *free float*, which means that they are freely traded on the Warsaw Stock Exchange.

Investors holding the Bank's shares include open-end pension funds (OFE), which - according to available annual reports on their asset structure - held, as at 31 December 2022, 16.90% of the Bank's shares, i.e. 0.17 p.p. less than as at 31 December 2021.

OFE investments in the Bank's shares were as follows:

Shareholder	31.12.2022		31.12.2021	
	Number of shares and votes in GSM	% of total number of shares and votes in GSM	Number of shares and votes in GSM	% of total number of shares and votes in GSM
Nationale Nederlanden OFE	5 885 000	4,50%	5 885 000	4,50%
Aviva Santander OFE	4 478 630	3,43%	4 878 630	3,73%
PZU OFE	2 780 271	2,13%	2 704 701	2,07%
UNIQA OFE	1 967 476	1,51%	1 967 476	1,51%
Allianz Polska OFE	1 694 946	1,30%	1 694 946	1,30%
NN Life OFE	1 676 442	1,28%	1 637 409	1,25%
Aegon OFE	1 550 166	1,19%	1 391 095	1,06%
PKO BP Bankowy OFE	921 539	0,71%	1 022 288	0,78%
Generali OFE	601 904	0,46%	601 904	0,46%
Pocztynion Arka OFE	520 452	0,40%	520 452	0,40%
<b>Razem</b>	<b>22 076 826</b>	<b>16,90%</b>	<b>22 303 901</b>	<b>17,07%</b>

Source: Annual information about the structure of assets of Open Pension Funds; Bank share closing price at the end of the period.

#### 1.2 Performance of the Bank's shares on the WSE

In 2022, the Bank's shares were part of the following indices: WIG, WIG30, mWIG40, WIG Banks and WIG-ESG. At the last session in 2022 (i.e. on 30 December 2022), the price of the Bank's shares was PLN 75.6, i.e. 28% above the level of 30 December 2021 (PLN 59.0). In the same period, the WIG Index decreased by 17% and WIG-Banks Index decreased by 28%.

### Market capitalization and share price of Citi Handlowy since its debut on the WSE



As at the end of 2022, the capitalization of the Bank was PLN 9.9 billion (as compared to PLN 7.7 billion at the end of 2021). The stock market ratios were: price/earnings (P/E): 6.4 (versus 10.7 in 2021); price/book value (P/BV): 1.2 (versus 1.0 in 2021).

### The Bank's share price and trading volume vs. selected indices brought to comparability (30/12/2022 = PLN 75.60)



For the first three quarters of 2022, the Bank's share price remained fairly stable (average price at that time was PLN 59.95). The short-lived price drop in February 2022 to PLN 54.10 on 24 February 2022 was the result of uncertainty in the capital market caused by the outbreak of the war in Ukraine. On 29 June 2022, the price increased to PLN 63.50, only to fall to PLN 50.00 as a consequence of the announcement that credit holidays would be introduced. In the fourth quarter, the Bank's share price started to increase intensively, reaching its highest level in 2022 on 21 December 2022 (i.e. PLN 76.00). The final price was at PLN 75.60 on 30 December 2022. The average price of the Bank's shares in 2022 was PLN 61.43, with the average daily turnover above 43,200 shares.

## 2. Dividend payment history

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

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

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

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

On 17 March 2023, the Bank's Management Board adopted a resolution on the proposed distribution of profit for 2022 and it has proposed to allocate the amount of PLN 1,175.9 million for the dividend payment, which accounts for 75% of the stand

alone net profit of the Bank. The proposed dividend is PLN 9.00 per share. The remaining amount of PLN 393.4 million the Management Board has proposed to allocate for reserve capital. This proposal of the Bank's Management Board will be submitted to the Supervisory Board for an opinion, however the final decision on the distribution of net profit for 2022 will be made by the General Meeting of the Bank.

The table below shows a history of dividends since 1997, i.e., since the floatation of the Bank on the WSE.

Financial year	Dividend (PLN)	EPS (PLN)	Dividend per share (PLN)	Dividend pay-out ratio
1997	130,000,000	6.21	1.40	22.5%
1998	93,000,000	3.24	1.00	30.8%
1999	186,000,000	5.08	2.00	39.4%
2000	130,659,600	1.57	1.00	63.8%
2001	163,324,500	1.25	1.25	99.8%
2002	241,720,260	1.86	1.85	99.6%
2003	241,720,260	1.86	1.85	99.7%
2004	1,563,995,412	3.17	11.97	377.6%*
2005	470,374,560	4.51	3.60	79.8%
2006	535,704,360	4.75	4.10	86.4%
2007	620,633,100	6.19	4.75	76.8%
2008	-	4.94	-	**
2009	492,586,692	4.02	3.77	94.0%
2010	747,372,912	5.72	5.72	99.9%
2011	360,620,496	5.52	2.76	50.0%
2012	756,519,084	7.72	5.79	75.0%
2013	934,216,140	7.15	7.15	99.9%
2014	971,422,828	7.43	7.43	99.9%
2015	611,486,928	4.75	4.68	98.6%
2016	591,887,988	4.62	4.53	98.0%
2017	537,010,956	4.11	4.11	100.0%
2018	488,666,904	5.00	3.74	74.8%
2019	-	3.66	-	***
2020	156,791,520	1.21	1.20	99.2%
2021	714,708,012	5.48	5.47	99.8%

\* Dividend-pay-out ratio for 2004 - 100% plus prior year profits

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

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

### 3. Rating

As at the end of 2022, the Bank had a full rating from the international rating agency: Fitch Ratings ("Fitch").

On 14 September 2022, after the annual rating review, Fitch downgraded the viability rating ("VR") of the Bank from a- to BBB+ and kept this rating on the rating watch negative. Simultaneously, Fitch affirmed the other ratings of the Bank as follows:

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

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

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

In the rationale, the rating agency explained that the decision to downgrade the Bank's VR was a result of the score cut-down for the operating environment of the Polish banking sector from *bbb+* to *bbb* in the wake of the implementation of "credit holidays" and concerns about further government interventions in the banking sector and the possibility that the banks will have

to incur additional costs of such interventions while macroeconomic outlooks show a downgrade tendency. Therefore, Fitch believes that the risk affecting both quality of assets and capitalization of the Bank has increased, even if the financial ratios are now solid and profitability has improved. Despite that VR downgrade to BBB+, it is still the highest score among all the Polish banks, which reflects the low risk appetite, diversified business model, high capitalization and high liquidity of the Bank. All these factors make the Bank more resilient to the risks existing in the Polish operating environment. The balance sheet of the Bank mainly includes low-risk assets and the quality of its loan portfolio is solid, thanks to the Bank's strategy to focus on top quality corporate and retail borrowers. However, the Bank cannot be isolated from the discussed threats occurring in the operating environment.

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

For the full announcement published by Fitch please visit: [Fitch Downgrades Bank Handlowy's VR to 'bbb+'/RWN; Affirms IDR at 'A-' \(fitchratings.com\)](https://www.fitchratings.com)

#### **4. Investor relations**

Investor relations, which provide existing and prospective investors, capital market analysts and rating agencies with necessary information, are an integral component of the information policy of the Bank, which is to meet the information needs of all persons and institutions searching for information on the Company. The information policy tools used in investor relations are:

- regular contacts with investors and analyst during conference calls and meetings, also at the Bank's seat, with participation of members of the Bank's Management Board;
- support by the Press Office during quarterly press conferences for the media, held after publication of periodic reports;
- the website of the Bank where information on the Bank and its activities and all periodic and current reports are published; the website is also a convenient venue for contacting the Investor Relations Unit (BRI), which is a source of comprehensive information on the Bank and the Group.
- presence of the media at General Meetings of Shareholders of the Bank.

In 2022, after each quarter the Bank organized meetings regarding the publication of financial results with capital market analysts and representatives of investors.

### **VIII. Statements of Bank Handlowy w Warszawie S.A. concerning application of corporate governance standards in 2022**

#### **1. Corporate governance standards applied by Bank Handlowy w Warszawie S.A.**

Since 2003, Bank Handlowy w Warszawie S.A. ("Bank" or "Company") has been adhering to the corporate governance standards adopted by the Warsaw Stock Exchange, initially as the "Best practices of public companies 2002" and subsequently replaced by: "Best practices of public companies 2005" and "Best Practice of GPW Listed Companies 2008", "Best Practice of GPW Listed Companies 2016" and from 1 July 2021 by "Best Practice of GPW Listed Companies 2021" ("BPLC"). This document is available on the website of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) (<http://www.gpw.pl>) in the section dedicated to corporate governance of listed companies.

The primary goal of the decision to adopt the corporate governance principles of the Warsaw Stock Exchange as the standard of the Bank was and is the intention to build transparent relations between all the bodies and entities involved in the functioning of the Company and to ensure that the management of the Company and its undertaking is carried out in a proper and prudent manner, with loyalty to all shareholders. The willingness to ensure transparency of the Bank's activities, in particular with respect to relations and processes between statutory bodies of the Company, also resulted in the adoption of best practices covered by the latest, 2021 amendment to the document for application at the Bank.

On 28 July 2021, the Management Board of the Bank decided that the Bank would comply with the corporate governance rules contained in the document "Best Practice for WSE Listed Companies 2021", adopted by the Supervisory Board of the Warsaw Stock Exchange by Resolution no. 13/1834/2021 of 29 March 2021, with the exception of principles 5.6 and 5.7, which shall not apply to the Bank.

On 29 July 2021, the Supervisory Board of the Bank decided that the Bank would comply with the corporate governance rules contained in the document "Best Practice for WSE Listed Companies 2021", adopted by the Supervisory Board of the Warsaw Stock Exchange by Resolution no. 13/1834/2021 of 29 March 2021, with the exception of principles 5.6 and 5.7, which shall not apply to the Bank.

## **2. Information on the application of Corporate Governance Principles for Supervised Institutions**

The Polish Financial Supervision Authority in a resolution of 22 July 2014 issued a document entitled Principles of Corporate Governance for Supervised Institutions ("Principles"), which came in force on 1 January 2015. The Principles are available on the official website of the Polish Financial Supervision Authority:

[https://www.knf.gov.pl/knf/pl/komponenty/img/knf\\_140904\\_Zasady\\_ladu\\_korporacyjnego\\_22072014\\_38575.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/knf_140904_Zasady_ladu_korporacyjnego_22072014_38575.pdf)

The principles are a set of rules governing internal and external relations of institutions supervised by the KNF, including their relationships with shareholders and customers, their organization, the operation of internal oversight as well as of key internal systems and functions, and of corporate bodies and their cooperation. The purpose of the Principles is to enhance corporate governance in financial institutions and transparency of their operations, which is designed to promote public confidence in the Polish financial market. Bank Handlowy w Warszawie S.A. performs a regular assessment of the application of the Principles of Corporate Governance for Supervised Institutions.

On 25 January 2022, the Management Board of Bank Handlowy w Warszawie S.A. approved the "2021 Report – Assessment of the Application of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority at Bank Handlowy w Warszawie S.A." prepared by the Regulations and Cooperations with Regulatory Institutions' Compliance Department including an independent assessment of application at the Bank of the "Principles of Corporate Governance for Supervised Institutions" for 2021 made by Compliance Division. The Management Board of the Bank submitted to the Audit Committee of the Supervisory Board and, next, to the Supervisory Board a Report of the Compliance Division in order to enable the Audit Committee of the Supervisory Board and the Supervisory Board to make their own assessments of application of the "Principles of Corporate Governance for Supervised Institutions" for 2021.

On 23 March 2022 the Audit Committee, pursuant to the provision of Article 3.1 (b) of the Regulations of the Audit Committee, after becoming familiar with the "2021 Report – Assessment of Application of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority at Bank Handlowy w Warszawie S.A." prepared by the Compliance Division, recommended that the Supervisory Board ought to assess that in 2021 the Bank applied rules stemming from the Principles of Corporate Governance for Financial Institutions, with the exception of those principles that the Bank decided not to apply.

On 24 March 2022, the Supervisory Board of Bank Handlowy w Warszawie S.A. became familiar with the "2021 Report – Assessment of Application of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority at Bank Handlowy w Warszawie S.A." prepared by the Compliance Division and containing an independent assessment of the application of the Principles of Corporate Governance for Supervised Institutions. On the basis of the above Report of the Compliance Division containing an independent assessment of the application of the "Principles of Corporate Governance for Supervised Institutions" and taking into consideration a positive recommendation issued by the Audit Committee of the Supervisory Board, the Supervisory Board assessed independently that in 2021 the Bank applied the rules resulting from the Principles of Corporate Governance for Supervised Institutions, except for the excluded principles. The result of the independent assessment of the application of the Principles was passed on to other corporate bodies of the Bank.

The Annual General Meeting of Bank Handlowy w Warszawie S.A. by Resolution No. 14/2022 of 23 June 2022, approved the Report of the Supervisory Board of Bank Handlowy w Warszawie SA on the operations of the Supervisory Board in the period from the date of the Annual General Meeting of the Bank in 2021 to the date of the Annual General Meeting of the Bank in 2022, containing: the report and an assessment specified in the Principles of Corporate Governance for Supervised Institutions, adopted by the Bank for application and based on the assessment contained in the Report of the Supervisory Board.

Pursuant to the requirements of the Principles of Corporate Governance for Supervised Institutions and the information policy adopted by the Bank, after the Supervisory Board of Bank Handlowy S.A. performed an independent assessment of the application of the Principles of Corporate Governance for Supervised Institutions, the Bank makes available on its website the information on the application of the Principles, and on the non-application of specific Principles.

With regard to three Principles, the decision not to apply them was upheld in 2021:

- 1) Article 8.4 (electronic General Meeting) – currently available IT solutions do not guarantee a secure and efficient electronic form of holding a General Meeting. However, the Management Board does see the importance of such form of shareholders' participation in the Bank's General Meeting, and therefore a separate decision on that matter shall be made before each General Meeting.
- 2) Article 11.2 (transactions with related parties) – this principle shall not be used with respect to contracts tied to day-to-day operations, in particular to contracts tied to liquidity, due to the nature of transactions and the number of contracts being concluded.
- 3) Article 16.1 (meetings of the Management Board of the Bank held in the Polish language) – meetings of the Management Board attended by foreigners, and especially foreigners who are members of the Management Board and do not speak Polish, are held in the English language. Simultaneously, any motions submitted to the Management Board, any materials and minutes of meetings are prepared and kept in Polish and in English.

### 3. Description of main features of internal control and risk management systems implemented in the Bank with respect to the process of preparation of financial statements and consolidated financial statements

Financial statements of the Bank are prepared by the Financial Reporting, Control and Tax Department, which is a separate organizational unit in the structure of the Finance Management Sector and reports directly to the Chief Financial Officer of the Bank, who is also a Vice President of the Bank's Management Board. The process of preparation of financial statements is covered by an internal control system, which is to ensure: effective and efficient activities of the Bank, reliability of financial reporting, compliance with the principles of risk management at the Bank and compliance of the Bank's activities with laws, internal regulations and market standards. The internal control system includes identification and control of risks connected with the process of preparation of financial statements, examination of compliance of those activities of the Bank with laws and internal regulations, horizontal and vertical monitoring and internal audit.

Internal control is exercised by each and every employee and, in addition, by their direct manager and persons cooperating with him/her as well as by managers of organizational units of the Bank. Risk management is carried out via internal mechanism for risk identification, assessment, mitigation, control, monitoring and reporting performed and supervised by units of the first level of risk management (first line of defense) and specialized organizational units of the second line of defense. Within the internal control functions, there is a separate financial control function, which is performed by a dedicated unit of the Finance Management Sector. Financial control in the Finance Management Sector covers the areas of accounting policy and financial reporting.

As part of the process of identification, prevention, control, monitoring and reporting of operational risk exposures, the Bank has implemented effective mechanisms that mitigate risks affecting the security of technology systems. The IT systems used in the process of preparation of financial reporting are covered by the continuity of business plan of the Bank in case they are lost.

A horizontal monitoring has been implemented in the Bank. It is a Self-Assessment is a process used to verify and assess the effectiveness of control processes and to proactively and effectively manage any significant risk categories which are inherent in the process of preparation of financial statements. The process of Self-Assessment is one of the key tools used to monitor the level of exposure to operational risk and changes in the financial reporting environment, identify emerging risks, verify the effectiveness of controls and implement remedial plans.

The Bank also implemented vertical monitoring, which is enforced by dedicated units from the second level of the internal control system.

Internal audit activities at the Bank are carried out by the Internal Audit Department. The Internal Audit Department is responsible for independent and objective assessments of adequacy and effectiveness of the internal control system and the effectiveness of management of risks connected with activities of the Bank. The Internal Audit Department carries out internal checks, assesses activities initiated by organizational units of the Bank and carries out audits in subsidiaries of the Bank in connection with supervision exercised by the Bank over risks connected with operations of its subsidiaries with respect to their compliance with internal regulations, applicable laws and regulatory requirements and the effectiveness and reasonableness of controls. The Internal Audit Department is a separate organizational unit in the structure of the Bank, reporting directly to the President of the Bank's Management Board.

The Bank's Management Board takes measures to ensure the continuity and effectiveness of the internal control mechanisms, which will contribute to ensuring that the objectives of the internal control system are met, in particular by guaranteeing the prudent and stable conduct of the Bank's business through the appropriate identification and mitigation of risks occurring in banking operations, the reliability of the financial and non-financial information provided – both internally and externally to the Bank, ensuring that the organizational structure is adapted to the size and profile of the risks incurred and allows for the effective performance of tasks, making necessary adjustments and improvements to the management system in the event of changes in the size of the risk profile in the Bank's business, factors of the economic environment, detection of irregularities in the functioning of the internal control system, and ensuring compliance of the Bank's operations with the provisions of law, internal regulations and requirements resulting from supervisory regulations.

The Bank's Management Board is responsible for designing, implementing, and ensuring the operation of a coherent and comprehensive system of internal control at the Bank.

The operation of the internal control system and the Internal Audit Department is overseen by the Supervisory Board of the Bank. The Supervisory Board carries out its function with help of the Audit Committee, which - as part of its supervisory tasks - verifies, jointly with the Management Board and the statutory auditor, the accuracy of prepared financial statements and the correctness of functioning of processes connected with their preparation, and submits recommendations concerning approval of annual and interim financial statements by the Supervisory Board of the Bank.

The Head of the Internal Audit Department informs the Management Board of the Bank and the Audit Committee of the Supervisory Board of the Bank of results of completed audits and periodically, and at least once in a year, provides the Supervisory Board with a summary report on identified irregularities and conclusions arising from the completed internal audits, and corrective actions initiated to remedy those irregularities. The Head of the Internal Audit Department is authorized to participate in meetings of the Management Board and Supervisory Board at which issues relating to the functioning of the internal control systems at the Bank are to be discussed.

#### **4. Significant shareholdings**

A shareholder which holds a significant lot of the Bank's shares is Citibank Overseas Investment Corporation (COIC) (subsidiary of Citibank N.A.), which owns 97,994,700, shares, i.e. 75% of the Bank's share capital. The number of votes held by COIC from those shares is 97,994,700, i.e. 75% of total votes at the General Meeting of Shareholders of the Bank.

#### **5. Holders of all securities with special control rights together with a description of those rights**

The Bank has not issued any securities that would give its shareholders any special control rights.

#### **6. Restrictions on the exercise of voting rights**

No restrictions on the exercise of voting rights have been provided for at the Bank.

#### **7. Restrictions on the transfer of ownership of the securities**

No restrictions on the transfer of ownership of the securities issued by the Bank have been introduced at the Bank.

#### **8. Rules governing the appointment and dismissal of Members of the Management Board and their powers**

The Management Board of the Bank consists of five to nine members. The Management Board consists of: President of the Company's Management Board, Vice Presidents of the Company's Management Board and other Members of the Management Board. At least half of all members of the Management Board should be Polish citizens. Each member of the Management Board is appointed by the Supervisory Board for an individual 3-year term of office. The President of the Management Board and the Member of the Board supervising the significant risk management at the Bank, require consent of the Polish Financial Supervision Authority to be appointed.

The mandate of a member of the Management Board expires:

- 1) on the day on which the General Meeting is held to approve the report of the Management Board on the activities of the Bank and the financial statements for the last full financial year in which the member performed his or her function;
- 2) upon death of the Management Board member;
- 3) on the day the Management Board member is recalled;
- 4) on the day a resignation in writing is submitted to the Chairman of the Supervisory Board.

By way of resolution, the Management Board makes decisions in the Company's affairs, except for matters that - under the law or Articles of association - are within the powers of other bodies of the Company, and in particular it:

- 1) determines the strategy of the Company;
- 2) establishes and dissolves committees of the Company and determines their competences;
- 3) adopts its rules and submits them to the Supervisory Board for approval;
- 4) adopts the rules of management of special funds created from net profit and submits them to the Supervisory Board for approval;
- 5) determines dividend payouts, on dates fixed by the General Meeting;
- 6) appoints general proxies (*prokurenci*) and general attorneys and general attorneys having a substitution right;
- 7) makes decisions in matters set out in the rules of the Management Board;
- 8) makes decisions in matters submitted by the President, a Vice President or a Member of the Management Board;
- 9) passes a resolution to adopt the annual financial plan of the Company, adopts investment plans and accepts reports on their performance;
- 10) accepts reports on activities of the Company and its financial statements;
- 11) prepares recommendations concerning appropriation of profits and losses;
- 12) approves the human resources management policy and the legal principles for the Company's activities;
- 13) approves the principles of management of the Company's capital;
- 14) approves the employment structure;
- 15) determines and presents to the Supervisory Board for approval the general organizational structure of the Bank reflecting the size and profile of incurred risks and appoints and removes Heads of Sectors and Heads of Divisions, and determines their competence;
- 16) determines the inspection plan for the Company and accepts reports on completed checks;

- 17) makes decisions in other matters which according to the Articles of Association are to be submitted to the Supervisory Board or General Meeting;
- 18) makes decisions to incur liabilities or dispose of assets if their total value with respect to a single entity exceeds 5% of the Company's equity or grants powers of attorney to designated persons to make such decision, however in case of matters within the powers of Committees established at the Company, such decisions must be first consulted with the competent Committee;

Persons authorized to submit matters to the Management Board include:

- 1) President of the Management Board;
- 2) other members of the Management Board;
- 3) heads of other organizational units - in matters within the scope of operations of those units, upon consent of the member of the Management Board in charge or the President of the Management Board.

Provided that decisions concerning matters relating to the basic organizational structure of the Bank and appointments or dismissals of Sector Heads or Division Head and to determine their competences are initiated or must be agreed with the President of the Management Board.

The Management Board determines, in a resolution, the internal division of powers between members of the Bank's Management Board and submits it to the Supervisory Board for approval.

Within the framework of the internal division of powers in the Management Board of the Bank:

- 1) there is a separate function of the member of the Management Board responsible for supervision over the management of risks significant to activities of the Bank;
- 2) the Internal Audit Department reports directly to the President of the Management Board
- 3) the President of the Management Board may not be appointed as member of the Management Board responsible for supervision over the management of risks significant to activities of the Bank;
- 4) the president of the Management Board must not be entrusted with supervision over those areas of the Bank's activities which create a significant risk to activities of the Bank;
- 5) the member of the Management Board who is responsible for supervision over the management of risks significant to activities of the Bank must not be entrusted with supervision over those areas of activities of the Bank that generate the risks the management of which is supervised by that member;
- 6) a designated member or members of the Management Board are entrusted with supervision over the area of management of non-compliance and the area of financial accounting and reporting.

## **9. Amendments to the Articles of Association**

The Articles of Association of the Bank may only be amended by the General Meeting of Shareholders. An amendment to the Articles of Association must be recorded in the register of entrepreneurs of the National Court Register. Pursuant to Article 34(2) of the Act of 29 August 1997 - Banking Law, an amendment to the Articles of Association of the Bank requires approval by the Polish Financial Supervision Authority (*KNF*).

## **10. General Meeting procedure, description of its fundamental powers as well as shareholder rights and methods of exercising them**

### **10.1 General Meeting procedure**

The General Meeting at the Bank operates in accordance with the General Meeting Regulations, the Articles of Association and provisions of law. The General Meeting of the Bank (General Meeting) has Regulations, specifying detailed rules for conducting meetings and adopting resolutions.

According to the practice adopted by the Company, the General Meeting is held at the registered office of the Company in Warsaw. The Annual General Meeting is convened by the Management Board. It should be held within six months of the end of each financial year. The Supervisory Board has the right to convene the Annual General Meeting if the Management Board fails to do so within the time limit specified in the Articles of Association, and the Extraordinary General Meeting, whenever deemed necessary. The Management Board convenes the Extraordinary General Meeting at its own initiative and at the request of a shareholder or shareholders representing at least one-twentieth of the share capital. A request to convene the Extraordinary General Meeting must be submitted to the Management Board in writing or electronically. If the Extraordinary General Meeting is not convened within two weeks after a request is made to the Management Board, the registry court may, by way of a ruling, authorize the shareholders or shareholders who submitted the request to convene the Extraordinary General Meeting. The shareholder or shareholders so authorized by the registry court must invoke the registry court's ruling referred to in the preceding sentence in the notice convening the Extraordinary General Meeting. The registry court appoints the chairman of that Extraordinary General Meeting. The Extraordinary General Meeting may also be convened by shareholders representing at least half of the Bank's share capital or at least half of the total number of votes at the Bank. The chairman of the Meeting is appointed by shareholders. The General Meeting is convened by an announcement placed on the Bank's website and in the

manner prescribed for making current disclosures by public companies, provided that the announcement should be made at least twenty-six days before the date of the General Meeting. The shareholders entitled to request that a specific matter be placed on the agenda of the General Meeting, in order to exercise that right to complete the agenda, should submit a written or electronic motion to the Bank's Management Board, together with reasons and a draft resolution on the proposed agenda item, by no later than twenty-one days before the set date of the General Meeting. The Management Board places the item requested on the agenda of the next General Meeting immediately but no later than eighteen days before the set date of the General Meeting. The General Meeting may only be cancelled if it becomes unnecessary or in the event of an extraordinary hindrance to its holding. Cancellation and rescheduling of the General Meeting is made in the same manner as its convocation, provided that the twenty-six day advance notice does not apply. Cancellation and rescheduling of the General Meeting should be made in a manner which is least prejudicial to the Bank and shareholders. The General Meeting may adopt a resolution on refraining from considering a matter placed on the agenda or on changing the order of agenda items. However, taking an item off the agenda or refraining from consideration of an item placed on the agenda at the request of shareholders is subject to a prior consent of all the present shareholders who submitted the request, with 80% of General Meeting votes in favor. Requests on above matters should state detailed reasons.

A full text of the documentation to be presented during the General Meeting together with draft resolutions (if no resolution is envisaged on a matter - remarks of the Management Board) is published on the Bank's website as of the date of convening the General Meeting, together with other information regarding the General Meeting. Materials for the General Meeting are also made available at the Bank's office at the time when the Bank announces the notice convening the General Meeting. Notwithstanding the foregoing, the Bank performs all the information obligations arising from generally applicable regulations regarding convocation of General Meetings.

The General Meeting is opened by the Supervisory Board Chairman and, in his absence, successively, by the Deputy Chairman or one member of the Supervisory Board. According to the practice of holding General Meetings, as adopted by the Company, immediately after opening of the General Meeting, election of its Chairman is ordered. Prior to election of the Chairman, the General Meeting does not make any decisions.

The Bank's Management Board, each time through the person opening the General Meeting, provides the Chairman of the General Meeting with instructions on how to serve in that capacity in a manner that ensures compliance with generally applicable laws, corporate governance, the Articles of Association and other internal Bank regulations. The General Meeting should be attended by members of the Management Board and the Supervisory Board as well as the Bank's statutory auditor if financial matters are the subject of the General Meeting.

Voting at the General Meeting shall be open. Secret voting shall be ordered on elections or on motions to recall or hold accountable members of Company authorities or its liquidators, and on personal matters. In addition, secret voting shall be ordered at the request of at least one of the shareholders present or represented at the General Meeting.

The General Meeting shall be valid regardless of the number of shares represented, save as provided for by law. Resolutions of the General Meeting are adopted by an absolute majority of votes present unless provisions of law or the Articles of Association provide otherwise.

Voting in practice is done with the help of a computer system for casting and counting votes, which ensures that the number of votes cast corresponds to the number of shares held, as well as prevents - in the case of secret voting - tracing the votes cast to individual shareholders.

The Chairman of the General Meeting should phrase resolutions in such a way that any authorized person who disagrees with the merits of the decision being made in the resolution could challenge it. The Chairman of the General Meeting is responsible for ensuring that resolutions are worded in a clear and transparent manner. The Management Board of the Company also allows the Chairman to obtain the assistance of the Company's legal services.

Resolutions of the General Meeting are recorded by a notary public. The minutes are prepared in accordance with the relevant provisions of the Commercial Companies Code.

General Meetings may be attended by representatives of the media.

## **10.2 Fundamental powers of the General Meeting**

The Annual General Meeting should be convened for the purpose of:

- 1) consideration and approval of the Management Board report on Company operations and its financial statements for the previous accounting year, as well as the consolidated financial statements of the Company's Group;
- 2) adoption of a resolution on profit distribution or coverage of losses,
- 3) acknowledgment of the fulfillment of duties by members of Company authorities.

In addition to matters provided for in mandatory provisions of law, the General Meeting has the authority over the following matters in particular:

- 1) sale or lease of the enterprise or its organized portion, and establishment of limited property rights thereon;
- 2) amendments to the Articles of Association;
- 3) increasing and reducing the share capital of the Company;
- 4) determination of the date of pre-emptive rights to new shares;

- 5) determination of the dividend day for the previous accounting year and dividend payment dates;
- 6) creation and release of special funds set up from profit;
- 7) appointment and recall of Supervisory Board members;
- 8) determination of the remuneration of Supervisory Board members;
- 9) merger or winding up of the Company;
- 10) appointment and recall of liquidators;
- 11) cancellation of Company shares;
- 12) use of supplementary and reserve capital, including the reserve capital (fund) established in order to accumulate undistributed profit (not intended for dividends in a given accounting year) and the banking risk fund.

The General Meeting decides on profit distribution, specifying the amounts of accruals for:

- 1) supplementary capital accrued annually from profit at the minimum of 8% of the profit for the accounting year until that capital reaches at least one third of the share capital. The General Meeting may adopt a resolution requiring further accruals;
- 2) reserve capital;
- 3) general risk fund;
- 4) dividend;
- 5) special funds;
- 6) other purposes.

In the event of winding up of the Company, the General Meeting appoints one or more liquidators at the request of the Supervisory Board and determines the method of winding up.

### **10.3 Shareholders' rights and their exercise methods**

Company's shares are bearer shares and are transferable. Shareholders have the right to share in the profit reported in the financial statements audited by a statutory auditor if that profit has been allocated by the General Meeting to payments to shareholders. Profit is distributed in proportion to the number of shares held.

Only those who are the Bank's shareholders sixteen days before the date of the General Meeting (Date of Registration for participation in the General Meeting) are entitled to participate in the General Meeting of the Bank as a public company. A shareholder participating in the General Meeting has the right to vote, put forward motions and raise objections, as well as provide a brief explanation of his/her position.

Draft resolutions proposed for adoption by the General Meeting and other relevant materials should be presented to shareholders together with the reasons and opinion of the Supervisory Board prior to the General Meeting, allowing sufficient time for their review and assessment.

A shareholder may participate in the General Meeting and exercise their voting rights in person or through a proxy.

Each shareholder has the right to run for Chairman of the General Meeting as well as propose a candidate for Chairman of the General Meeting for the record.

Whenever any item of the agenda is being considered each shareholder has the right to speak and respond.

The Management Board is required to provide the shareholder, at the latter's request, with information about the company if it is necessary to assess a matter on the agenda. The Management Board should refuse to provide such information if:

- 1) this may be detrimental to the Company, its affiliated company or its subsidiary company, in particular as a result of disclosure of technical, commercial or organizational company secrets.
- 2) this could expose a Management Board member to criminal, civil or administrative liability.

In justified cases, the Management Board may provide the information in writing by not later than 2 (two) weeks of the date of adjournment of the General Meeting.

Company authorities do not limit information but at the same time they adhere to the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies, the Act on Trading in Financial Instruments, Regulation of the European Parliament and Council (EU) No 596/2014 of 16 April 2014 on Market Abuse, the Regulation on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state, as well as provisions of the Code of Commercial Companies.

A shareholder has the right to object to the wording of a resolution of the General Meeting and, when objecting, may present arguments and justify the objection.

Each shareholder has the right to propose amendments and additions to draft resolutions placed on the agenda of the General

Meeting, until discussion on the agenda item ends with a draft resolution on that proposal. Such proposals together with a brief justification should be submitted in writing.

A shareholder at the General Meeting may submit motions on procedural matters. Motions on procedural matters are considered to be motions regarding the method of proceeding or voting.

Shareholders have the right to propose their candidates to the Supervisory Board of the Bank in writing to the attention of the Chairman of the General Meeting or verbally for the record, in both cases the proposals must be accompanied by a brief justification. When proposing candidates for members of the Supervisory Board, shareholders submit documents necessary to assess whether the candidates meet the requirements of Article 22aa of the Banking Law, following in this regard the guidelines set out in the "Qualification assessment policy for members of the Supervisory Board at Bank Handlowy w Warszawie S.A." If candidates are proposed in the course of the General Meeting, the Chairman orders a procedural break to allow shareholders to review the candidate profile and submitted documents as required by the above Policy.

Shareholders have the right to view the book of minutes, as well as to request copies of resolutions certified by the Management Board.

The shareholder who voted against a resolution of the General Meeting, and after its adoption, requested that his/her dissension be recorded, the shareholder who was unreasonably not allowed to participate in the General Meeting and the shareholders who were not present at the General Meeting, provided only that the General Meeting was convened defectively or if a resolution was adopted on a matter not included in the agenda, will have the right to bring a lawsuit seeking to repeal the resolution of the General Meeting.

Shareholders have the right to bring a lawsuit against the Company to have an unlawful resolution of the General Meeting declared invalid.

Shares may be cancelled with the shareholder's consent by way of their purchase by the Company (voluntary redemption). Shares cancellation requires a resolution of the General Meeting and the prior consent of the Polish Financial Supervision Authority. The resolution should specify, in particular, the legal basis for the cancellation, the amount of compensation payable to the shareholder of the cancelled share or the justification for shares cancellation without compensation and the method of decreasing the share capital.

The Bank ensures adequate protection of minority rights within the limits allowed by the Bank's capital nature and the resulting primacy of the majority over the minority. In particular, to ensure equal treatment of shareholders, the Bank applies, inter alia, the following practices:

- General Meetings of the Bank are always held at the registered office of the Bank, which is located in Warsaw;
- media representatives are allowed to be present at General Meetings;
- according to the practice adopted at the Bank, all relevant materials for the General Meeting, including draft resolutions with justifications and opinions of the Supervisory Board, are made available to shareholders at least 14 days before the date of the General Meeting at the Bank's registered office and on its website;
- the General Meeting of the Bank has a Regulations, specifying detailed rules of procedure and adoption of resolutions;
- the General Meeting is attended by members of the Supervisory Board and the Management Board, who, within their respective authority, provide explanations and information about the Bank to participants of the Meeting;
- participants of the General Meeting who object to a resolution are allowed to justify their objection. In addition, each participant of the Meeting has the option to submit his/her written statement for the record.

## 11. Composition of and changes to the Management Board and the Supervisory Board of the Bank in 2022, rules of procedure of the Bank's managing and supervisory bodies

### 11.1 Management Board

The Management Board of the Bank consists of five to nine members. The Management Board consists of: President of the Management Board, Vice Presidents of the Management Board and Members of the Management Board. At least half of all members of the Management Board should be Polish citizens. Each member of the Management Board is appointed by the Supervisory Board for an individual term of three years.

As at 31 December 2022, the Management Board consisted of:

Member of the Management Board	Scope of responsibility
Elżbieta Światopełk-Czetwertyńska President of the Management Board	<p>The President of the Management Board:</p> <ul style="list-style-type: none"> <li>• manages the work of the Management Board, including appointing from among the members of the Management Board a person to replace the President of the Management Board, during his absence, and determines the procedure of substitution for members of the Management Board who are absent;</li> <li>• calls and chairs meetings of the Management Board;</li> <li>• presents the position of the Management Board to other bodies of the Bank, central and local government and the general public;</li> <li>• submits motions to the Supervisory Board concerning appointments and dismissals of Vice Presidents and other Members of the Management Board and determination of their remuneration;</li> <li>• issues internal regulations applicable to activities of the Bank and may authorize other Members of the Management Board or other employees to issue such regulations;</li> <li>• decides how internal audit results are to be used and notifies such decision to the audited entity;</li> <li>• exercises other authorizations resulting from appropriate rules adopted by the Supervisory Board;</li> <li>• supervises the formulation and implementation of the strategy of the Bank;</li> <li>• is the officer to which the internal audit department is subordinated;</li> <li>• supervises the risk of non-compliance of the Bank with respect to the law, internal regulations and market standards;</li> <li>• supervises human resources policy;</li> <li>• is responsible for activities to control how the Bank is perceived;</li> <li>• ensures a consistent organizational structure of the Bank;</li> <li>• supervises activities to ensure appropriate corporate governance;</li> <li>• supervises legal services;</li> <li>• supervises the area of security at the Bank with respect to protection of persons and property;</li> <li>• ensures the implementation of risk management principles in supervised divisions and units outside the organizational structure of a division with respect to operational risk connected with their activities;</li> <li>• as part of the external matrix structure, it covers the external functional bond of designated persons from subsidiary entities of the Bank responsible for the area corresponding to the scope of the competence of the President of the Management Board.</li> </ul>
	<b>Experience</b>
	<p>Ms. Elżbieta Światopełk-Czetwertyńska has many years of experience in the banking industry on 6 European markets and both Americas. She joined Citibank in July 1994 in Ecuador as Relationship Manger in the Corporate Bank. During 1999-2003, she worked in the Dominican Republic as the Head of Transaction Services, Asset Based Finance and the small and medium enterprises client segment. Later, she moved to the United States for one year, to work in audit area overseeing corporate loans in Latin America.</p> <p>In 2004, Ms. Elżbieta Światopełk-Czetwertyńska joined Bank Handlowy w Warszawie S.A. in Risk Management and in 2005 was appointed Senior Credit Officer. After three years, Elżbieta took the responsibility for the Central-East</p>

<b>Member of the Management Board</b>	<b>Scope of responsibility</b>
	<p>Region in Poland. In October 2009, she was appointed country Head for the Commercial Bank and she held this position until 2013, when she moved to Colombia. In Colombia Ms. Elżbieta Światopełk-Czetwertyńska was responsible for running the Treasury and Trade Solutions business, where she successfully developed and executed a dynamic growth strategy. As part of the Senior Management Team of Colombia and the Latam Treasury and Trade Solutions Executive Committee, Ms. Elżbieta Światopełk-Czetwertyńska was involved in shaping the strategy of the franchise and the TTS business in the Region.</p> <p>In November 1, 2015, Ms. Elżbieta Światopełk-Czetwertyńska was appointed Citi Country Officer and Corporate Investment Banking Head for Ecuador. In March 2019 she returned to Europe as Citi Country Officer for Switzerland, Monaco and Liechtenstein.</p> <p>Ms. Elżbieta Światopełk-Czetwertyńska graduated from University of Reading, England, U.K. as Bachelor of Science in Food Science, Food Economics &amp; Marketing. She was Awarded First Class Honors Degree.</p>

<b>Member of the Management Board</b>	<b>Scope of responsibility</b>
<b>Natalia Bożek</b> <i>Vice President of the Management Board</i>	<p>Vice President responsible for Finance:</p> <ul style="list-style-type: none"> <li>• supervises the areas of accounting and financial reporting, including financial control;</li> <li>• management accounting;</li> <li>• bookkeeping;</li> <li>• preparation of accounting policies;</li> <li>• coordination of activities connected with implementation at the Bank of requirements resulting from laws and regulations, as well as resolutions and recommendations of the financial supervision authority, with respect to capital adequacy;</li> <li>• ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities;</li> <li>• as part of the external matrix structure, it covers the external functional bond of designated persons from Bank's subsidiaries responsible for the area corresponding to the scope of competence of the Vice President of the Management Board responsible for Finance.</li> </ul>

<b>Experience</b>
<p>Ms. Natalia Bożek has been the Vice President of the Management Board of Bank Handlowy w Warszawie S.A. since March 21, 2018.</p> <p>Ms. Natalia Bożek has extensive experience in the area of banking and finance.</p> <p>In September 2017 she returned to Bank Handlowy w Warszawie S.A. as Director for Financial Planning Process Coordination and Strategic Projects supporting CFO of the Bank.</p> <p>In the years 2014-2017 Ms. Natalia Bożek pursued her career within Citi Group in the Polish branch of Citibank Europe PLC as Financial Planning and Analysis Head for Europe.</p> <p>In the years 1999-2014 she worked at Bank Handlowy w Warszawie S.A., first as Business Planning and Analysis Expert for the Consumer Bank and then as Financial Planning and Analysis Head for Bank Handlowy covering both Consumer and Corporate Bank.</p> <p>Ms. Natalia Bożek holds a Master's degree from the Business and Administration University in Warsaw.</p>

<b>Member of the Management Board</b>	<b>Scope of responsibility</b>
<b>Maciej Kropidłowski</b> <i>Vice President of the Management Board</i>	<p>Vice President responsible for Financial Markets and Corporate Banking:</p> <ul style="list-style-type: none"> <li>• responsible for financial market operations, including money market transactions as well as FX market, securities and derivative transactions;</li> </ul>

Member of the Management Board	Scope of responsibility
	<ul style="list-style-type: none"> <li>• responsible for activities related to securitization;</li> <li>• responsible for activities related to organizing financing for investment plans, mergers and acquisitions in the scope of: <ul style="list-style-type: none"> <li>– syndicated loans;</li> <li>– bridge financing;</li> <li>– debt securities;</li> <li>– project finance;</li> <li>– off-balance sheet financing;</li> </ul> </li> <li>• responsible for custody activities;</li> <li>• ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities</li> <li>• responsible for ongoing cooperation with and supervision over corporate bank and commercial bank, including supervision over services provided to clients from the financial institution sector;</li> <li>• supervises the brokerage activities, also is responsible for the current functioning of the procedures of anonymous reporting of violations at the Brokerage Department of Bank Handlowy and accepting anonymous reports of violation of law or violation of procedures and ethical standards in the Brokerage Department.</li> </ul>
	<b>Experience</b>
	<p>Mr. Maciej Kropidłowski has been the Vice President of the Management Board of Bank Handlowy w Warszawie S.A. since March 19, 2014.</p>
	<p>Mr. Maciej Kropidłowski is a graduate of the University of Lodz, the Faculty of Management.</p>
	<p>Mr. Maciej Kropidłowski has been the Financial Markets Sub-Sector Head at Bank Handlowy w Warszawie S.A. since January 2014. In February 2014 he was appointed Member of the Supervisory Board of Dom Maklerski Banku Handlowego S.A. (Brokerage House of Bank Handlowy S.A.). At Bank Handlowy w Warszawie S.A. he is responsible for Treasury operations in the area of financing of the Bank's assets, money market financial services, FX services, trading in securities and derivatives.</p>
	<p>Mr. Maciej Kropidłowski started his career in 1995 in Citibank (Poland) S.A. in the Corporate Bank. Four years later he became an RM in the International Corporate Clients unit at Citibank N.A. in Switzerland. In 2001 he returned to Poland and joined Bank Handlowy w Warszawie S.A. as Head of Treasury Sales. In his new role he was responsible for managing the Structuring and Treasury Products Sales Unit.</p>
	<p>In 2008 he was appointed Head of Treasury Sales for Central and Eastern Europe, Middle East and Africa at Citibank N.A. in London and he was responsible for Treasury products sales to corporate clients. He also played an important role in developing the best e-Commerce platform for corporate clients and a global CRM system for Global Markets.</p>
Member of the Management Board	Scope of responsibility
<p><b>Andrzej Wilk</b> <i>Vice President of the Management Board</i></p>	<p>Vice President responsible for Consumer Banking:</p> <ul style="list-style-type: none"> <li>• responsible for consumer banking, including the quality standard of banking services in supervised organizational units,</li> <li>• ensures that principles of their business-related operational risk management are implemented in such supervised organizational units,</li> <li>• as part of the matrix structure, it supervises brokerage activities implemented in relation to individual clients to the extent specified in the organizational regulations of the bank's relevant organizational units to perform such activities.</li> </ul>
	<b>Experience</b>
	<p>Mr. Andrzej Wilk has been the Vice President of the Management Board of Bank</p>

Member of the Management Board	Scope of responsibility
	<p>Handlowy w Warszawie S.A. since July 1, 2022.</p> <p>Mr. Andrzej Wilk has an extensive professional experience in banking. Mr. Andrzej Wilk joined Bank Handlowy w Warszawie S.A. in 1997 as Planning and Business Analysis Specialist. Then, he held a number of managerial roles, including the CFO of Citifinancial Central Europe, supervising the development of over 200 branches and points of sale. He was also the Head of Retail Bank in Hungary, the Czech Republic and Romania. Between 2014 and 2018 he worked outside of Citi, at Moneygram Polska as the Company CEO. Then, Mr. Andrzej Wilk returned to Citi and from 2019 he served as the Head of Retail Products, Brokerage Services, Segments and Branch Network Management Division.</p> <p>Mr. Andrzej holds a Master's degree in Management and Marketing from the Wrocław University of Science and Technology.</p>

Member of the Management Board	Scope of responsibility
<p><b>Barbara Sobala</b> <i>Vice President of the Management Board</i></p>	<p>Vice President responsible for of significant risks management:</p> <ul style="list-style-type: none"> <li>• supervises management of risks significant to activities of the bank credit policy of the Bank;</li> <li>• responsible for risk management system including: <ul style="list-style-type: none"> <li>– credit policy;</li> <li>– quality of the Bank's credit portfolio;</li> <li>– credit risk;</li> <li>– market risk;</li> <li>– operational risk;</li> </ul> </li> <li>• responsible for coordination of activities connected with implementation at the Bank of requirements resulting from risk management regulations, including recommendations issued by supervisory authorities.</li> <li>• responsible for supervision of risk management at second level, by employees in specially appointed positions or organizational units;</li> <li>• provides the Bank's Management Board and Supervisory Board with comprehensive information on risk.</li> <li>• responsible for adjustments of the organizational structure of the Bank to the amount and profile of risks to which the Bank is exposed;</li> <li>• accepts anonymous reports of infringements of law or procedures and ethical standards applicable at the Bank;</li> <li>• responsible for the ongoing functioning of the anonymous infringement reporting procedures, including for reporting to the Supervisory Board, at least semi-annually, any substantial ethical issues arising at the Bank.</li> </ul>

**Experience**

Ms. Barbara Sobala assumed the position of Vice President of the Management Board of Bank Handlowy w Warszawie S.A. on October 15, 2013.

Ms. Barbara Sobala has a university degree. She graduated from the Cracow University of Economics. She has extensive (over twenty years) experience in banking, especially in risk management and corporate restructuring.

She joined Bank Handlowy in 2005 as Head of IRM. In the years 2012-2015 she was the Head of Risk for the Institutional and Corporate Bank. She is the Chairperson of the Risk and Capital Management Committee, Vice Chairperson of the Equity Investments Committee and a member of the Assets and Liabilities Management Committee (ALCO) in the Bank.

Before joining Bank Handlowy's team, she served 13 years for Bank BPH where she held various roles including Head of the Restructuring Department Head. She was also a member of the Bank's Credit Committee.

Member of the Management Board	Scope of responsibility
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Member of the Management Board	Scope of responsibility
<p><b>Ivan Vrhel</b> <i>Member of The Management Board</i></p>	<p>Vice President responsible for transaction service,.</p> <ul style="list-style-type: none"> <li>• responsible for:                             <ul style="list-style-type: none"> <li>– finance management products;</li> <li>– trade finance products;</li> <li>– cash products;</li> <li>– liquidity management products;</li> </ul> </li> <li>• responsible for supervision of EU programmes</li> <li>• responsible for supervision within the internal functional relationship over services for the public sector;</li> <li>• ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities;</li> <li>• as part of the external matrix structure, it covers the external functional bond of designated persons from Bank's subsidiaries responsible for the area corresponding to the scope of competence of a member of the management board responsible for transactional banking.</li> </ul>

**Experience**

Mr. Ivan Vrhel has been the Member of the Management Board of Bank Handlowy w Warszawie S.A. since September 29, 2022.

Mr. Ivan Vrhel has 17 years of experience in banking and management gained in many markets where entities from the Citi group operate. Mr. Ivan Vrhel started his career in 2004 at Citibank Prague in the corporate banking division, where he worked as a customer relationship manager (RM) and held a number of managerial positions, including being the Head of Emerging Corporate, a unit dealing with acquiring and developing relationships with the largest entities from the Small and Medium Enterprises segment in the Czech Republic. In 2014, Mr. Ivan Vrhel moved to Romania, where he took the position of the Head of Corporate Banking. He held this position in 2014-2021. In 2017, Mr. Ivan Vrhel was promoted to the position of the Citi Country Officer in Romania, which he held until 2021. At the same time, he was also the Director of Citibank Europe plc Branch in Romania. In this role, he was responsible for the implementation of the country's business strategy. From January 1, 2022 to July 31, 2022, Mr. Ivan Vrhel was the Head of Transaction Banking in Russia.

Mr. Ivan Vrhel holds a bachelor's and master's degree from the Charles University in Prague from the Faculty of Social Sciences (specialization: banking and capital market).

Member of the Management Board	Scope of responsibility
<p><b>Katarzyna Majewska</b> <i>Vice President of the Management Board</i></p>	<p>Vice President responsible for Operation and Technology.</p> <ul style="list-style-type: none"> <li>• responsible for operations and technology,</li> <li>• responsible for real estate management,</li> <li>• responsible for administration,</li> <li>• supervises the field of occupational health and safety,</li> <li>• ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities.</li> </ul>
	<p><b>Experience</b></p>
	<p>Ms. Katarzyna Majewska assumed the position of a Member of the Management Board in charge of Operations and Technology as well as the Banking Product Research and Development Center in January 2016. She joined Citi Handlowy team from PZU Group, where she had acted as Managing Director for administration and logistics for 7 years. Before, between 1999 and 2008 Katarzyna worked in Bank Handlowy.</p> <p>In the years 2017 and 2021 she was the Vice Chair of the Cybersecurity Forum</p>

Member of the Management Board	Scope of responsibility
	at the Polish Bank Association.
	She graduated from the Warsaw School of Economics and Harvard Business School and holds an MBA from the Rotterdam School of Management. Katarzyna has many years of experience in banking.

### Changes in the composition of the Management Board in 2022

On November 30, 2021, the Bank received information that Mr. James Foley would not apply for the next term of office for the position of a Member of the Management Board and until February 28, 2022 he would be a Member of the Board. On April 4, 2022, Mr. Dennis Hussey resigned from the function of a Member of the Bank's Management Board with effect on June 30, 2022.

Due to above vacancies, Mr. Andrzej Wilk was appointed to the Management Board on July 1, 2022 and Mr. Ivan Vrhel on September 29, 2022.

The Management Board operates on the basis of generally applicable laws, the Articles of Association and the Management Board Regulations. The Management Board Regulations define the scope and mode of operations of the Management Board as well as the procedure for adopting resolutions.

During 2022, the following committees consisting of Management Board Members were active:

- 1) Risk and Capital Management Committee,
- 2) Assets & Liabilities Committee (ALCO) of the Bank,
- 3) Business Risk, Control System and Compliance Committee for Bank Handlowy w Warszawie S.A.;
- 4) Bonus Committee,
- 5) New Products Committee,

President of the Management Board convenes and chairs meetings of the Management Board. President of the Management Board may set fixed dates for holding meetings.

Work organization at the Management Board is ensured by the Corporate Services Office.

Management Board members have an obligation to attend Management Board meetings. An anticipated absence of a Management Board member at a meeting should be reported to the Corporate Services Office and must be excused.

In 2022, there were no long-term absences of the Management Board members.

In addition to members, meetings of the Management Board are attended by: Director of the Corporate Services Office or his designee, Head of the Compliance Division, Head of the Legal Division, Director of the Audit Department.

Resolutions of the Committee are valid provided that at least one half of the permanent members of the Committee are present. Resolutions of the Management are adopted by an absolute majority of votes.

The Management Board adopts resolutions in an open vote. Chairman of the meeting may order voting by ballot at his own initiative or at the request of a Board member. Member of the Management Board who disagrees with the wording of the adopted resolution may present a different position to be recorded in the minutes. A resolution of the Management Board is effective as of the date of its adoption unless it provides for a different effective date.

In justified cases, a resolution of the Management Board may be adopted through circulation (in writing) based on a decision of the President of the Management Board or the member substituting for the Management Board President. Draft resolutions to be adopted through circulation are submitted for approval to all members of the Management Board and become legally binding after being signed by an absolute majority of Management Board members, including the President of the Management Board or the member substituting for the Management Board President. The effective date of a resolution is the date it is signed by the Management Board member who signs the resolution already signed by at least half of all members of the Management Board. If even one of the Management Board members raises an objection to adoption of a resolution through circulation, the draft resolution should be presented at the next Management Board meeting. A resolution may be adopted through circulation provided that all members of the Management Board have been given a notice of its adoption. Resolutions adopted through circulation shall be added to the minutes of the next meeting of the Management Board.

With the consent of the President of the Management Board, members of the Management Board who are absent may participate in the meeting and vote through means of direct remote communication in a manner which enables simultaneous real-time communication and mutual identification among all Management Board members participating in the meeting or voting (e.g. videoconference, teleconference).

Minutes are drafted of each Management Board meeting. Drafting of the minutes is the responsibility of the Corporate Services Office. The minutes include elements indicated in the Regulations of the Management Board.

The minutes must be signed by at least the Member of the Management Board chairing the meeting or ordering the voting.

The Management Board provides the Supervisory Board with the following financial information:

- 1) quarterly financial information with its comparison to the budget adopted in the annual plan and to the previous year data,
- 2) immediately upon compilation but no later than 120 (one hundred and twenty) days after the end of each accounting year, standalone and consolidated annual financial statements prepared in accordance with International Accounting Standards and International Financial Reporting Standards, audited by the Bank's auditor;
- 3) immediately upon compilation but in any case no later than before the end of each year, a draft annual plan for the next accounting year, and
- 4) immediately, other available financial data related to the Bank's operations and its financial condition, as well as the operations and financial condition of the Bank's subsidiaries, which a member of the Supervisory Board may reasonably request.

## 11.2 Supervisory Board

The Supervisory Board consists of five to twelve members, each appointed by the General Meeting for a three-year joint term. By Resolution No. 31 of 17 June 2021, the Ordinary General Meeting of the Bank, on the basis of Article 14.2 of the Articles of Association, established the number of Supervisory Board members to a maximum of 8. In addition, at least half of the Supervisory Board members, including its Chairman, must be Polish citizens. The Supervisory Board consists of independent members.

As at the December 31, 2022, the Company's Supervisory Board consisted of:

<b>Member of Supervisory Board</b>	<b>Professional experience</b>
<p><b>Slawomir Sikora</b> <i>Chairman of the Supervisory Board</i></p>	<p>Mr. Slawomir Sikora has many years of professional experience in banking industry. He was Chief Executive Officer of Bank Handlowy w Warszawie S.A. from 2003 to 2021.</p> <p>In 2005-2008 he was a Member of Citigroup Management Committee in New York.</p> <p>In the years 2001-2003 he was President of the Management Board of America Bank in Poland S.A.</p> <p>From 1994 to 2001 he was Corporate and Investment Banking Head at PBK Bank in Warsaw in the rank of Vice President of the Management Board.</p> <p>Between 1989-1994 he held senior positions at the Ministry of Finance in Poland (incl. Head of the Banking and Financial Institutions).</p> <p>Mr. Slawomir Sikora is a graduate of the Warsaw School of Economics (SGH)</p>
<p><b>Kristine Braden</b> <i>Vice-Chairman of the Supervisory Board</i></p>	<p>Ms. Kristine Braden serves as Citi's Europe Cluster Head leading the firm's businesses across 22 markets and non-presence countries. She has also been named the CEO of Citigroup Global Markets Europe AG. Ms. Kristine Braden is based in Frankfurt, Germany.</p> <p>Ms. Kristine Braden has enjoyed a 22-year career with Citi working across the US, EMEA, Asia and Latin America. From 2018 to 2020, she was Chief of Staff to CEO Mike Corbat and chaired the North America Business Council and the State Leadership Councils, located in New York. From 2015 to 2018, she was the Citi Country Officer and Corporate &amp; Investment Banking Head for Switzerland, Monaco and Liechtenstein based in Zurich. Before moving to Switzerland, Ms. Kristine Braden was Head of the Global Subsidiaries Group for Europe, posted in London. She also has 14 years of experience in Asia in banking, capital markets and transaction services based in Hong Kong and Manila. Ms. Kristine Braden started her career as a Global Emerging Market Management Associate with postings in the Dominican Republic, Hong Kong, the Philippines and Egypt.</p> <p>Ms. Kristine Braden is a keen advocate of advancing women's diversity. She was named as one of the top 100 women in EMEA finance by Financial News, among the top 100 bankers in Switzerland by Bilanz Magazine and among the top 100 Women in Swiss business by Women in Business Magazine. Ms. Kristine Braden also served as the President of Advance Women, a non-profit organization promoting gender equality in Switzerland. She currently serves as the Families Matter Affinity Co-Lead at Citi.</p> <p>Ms. Kristine Braden has also served as President of the Association of Foreign Banks in Switzerland and member of the Board of the Swiss Bankers Association, the first female in both positions. She was also a member of the Swiss-American Chamber of Commerce and served on the Chapter Board Doing Business in Switzerland.</p>

Member of Supervisory Board	Professional experience
	<p>In her personal capacity, Ms. Kristine Braden served as a Trustee of Opportunity International UK, a global microfinance charity from 2013 to 2017.</p> <p>Ms. Kristine Braden holds a B.A. Political Science from the University of California, Berkeley, CA. She also completed Accounting and Corporate Finance summer school in masters-level program at Johns Hopkins University, School of Advanced International Studies in Washington, D.C.</p> <p>Since 2 December 2020, she has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.</p>
<p><b>Silvia Carpitella</b> <i>Member of Supervisory Board</i></p>	<p>Ms. Silvia Carpitella serves as CFO and is a Board Member of Citibank Europe plc, Dublin Ireland at the same time she serves also as Europe CFO. From 2015 to 2019 Ms. Carpitella was CFO in Citi Germany and Cluster CFO for Continental Europe, she was also a Board Member of Citigroup Global Markets Europe (CGME). Earlier from 2010 to 2015 she served as CFO for South Europe Cluster in Milan at the same time double hatting CFO Italy and Spain, at this time she was also Board Member of Citibank Espana SA. From 1999 to 2003 Ms. Carpitella performed several managerial functions in Citi, she was among others Italy ICG CFO, Southern Europe Audit Cluster head. Ms. Silvia Carpitella started her professional career in 1987 in ING. Olivetti &amp; C. S.P.A., Turin in the internal audit.</p> <p>Ms. Silvia Carpitella graduated from University of Florence in Italy, with a degree in Business Administration.</p>
<p><b>Marek Kapuściński</b> <i>Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)</i></p>	<p>Mr. Marek Kapuściński graduated from the Faculty of Foreign Trade at the Main School of Planning and Statistics in Warsaw (currently, the Warsaw School of Economics) and completed postgraduate studies at SEHNAP / Stern School of Business at New York University. He had been associated with the Procter &amp; Gamble company for 25 years till September 2016. He is co-creator of company's success on the Polish and Central European market, including numerous standards of the way the Polish market has functioned since the time of transformation. They encompass standards for the cosmetics industry, business ethics, social responsibility, or self-regulation in the field of advertising. Since July 2011, he has performed the function of General Director and Vice President (i.e. CEO) for 9 Central Europe markets which are of key importance for P&amp;G, and since January 2007 for Poland and the Baltic States. He is the first Pole and a person from Central Europe at the managerial level in this global corporation, as well as an active member of the company's regional management and its Global Business Leadership Council, which unites all 250 top executive managers. An experienced CEO and leader, an expert in strategy, innovation and management, an active creator of standards constantly adapting to the new challenges of brand management, a shopper of marketing, sales and communication in the age of digitization and omni-channel. The first Pole and Central European to be promoted at P&amp;G to the positions of Brand Manager, Marketing Manager and Marketing Director; also for 5 years, responsible for developing a number of brands in the Region of Central and Eastern Europe, Middle East and Africa. Co-author of the strategy and leading market position of numerous well-known brands in the P&amp;G portfolio. . In recognition of his contribution to building brands and Polish advertising standards and practices, he was awarded the title of "20 Year Marketer" by Media Marketing Polska. Lecturer and speaker, juror, participant of discussion panels. Currently, he sits on Supervisory Boards of companies and public benefit organizations, and advises their managements. Privately, he invests in start-ups and donates for the development of young Polish culture and art.</p> <p>Since 29 September 2016, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.</p>
<p><b>Helen Hale</b> <i>Member of Supervisory Board</i></p>	<p>Ms. Helen Hale serves as EMEA Senior Human Resources Officer. Ms. Helen Hale has 20 years' experience in human resources at Citi having completed assignments within graduate recruitment for the Investment Bank, HR for HR, Citi Private Bank, Global Functions and Operations and Technology. Between 2016 and 2018, Ms. Hale was also Cluster CHRO for Russia, Ukraine, Kazakhstan (RUK), Turkey, Israel including Poland based Bank Handlowy. Prior to her recent appointment Helen was the Senior HR Advisor for Markets and Securities Services in EMEA. Helen joined Citi in August 2000 after completing</p>

Member of Supervisory Board	Professional experience
	<p>two years on a graduate programme at GlaxoSmithKline following her undergraduate studies.</p> <p>Ms. Helen Hale has a BSc (Hons) degree in Pharmacology from King's College, London (University of London) and a Postgraduate Diploma in International Human Resource Management from Cranfield University.</p> <p>Since 24 June 2022, she has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.</p>
<b>Andras Reiniger</b> <i>Member of Supervisory Board</i>	<p>Mr. Andras Reiniger is the new Chief Operating Officer (COO) for Legacy Franchises. Mr. Reiniger will partner closely with the Legacy Franchises Management Team to lead day-to-day business operations for the organization. He will be responsible for Business Management including Business Planning, Strategic Planning, Financial Management and Risk Management, playing an integral role in the execution of Citi Legacy Franchises divestiture strategy and strategic priorities.</p> <p>Most recently, Andras served as Head of Corporate Mergers &amp; Acquisitions (M&amp;A) for Citi, overseeing the team responsible for executing strategic acquisitions and divestitures for the firm globally. Since joining the team in 2008, Andras has led M&amp;A activities for Citigroup's exits from international consumer businesses, as well as selected acquisitions.</p> <p>Over the past year, he led the divestiture efforts across Legacy Franchises working closely with our local, regional and global management teams.</p> <p>In the years 2008-2012 as Senior Transactor in Corporate M&amp;A he managed the Citi Holdings divestiture programme across the regions, including the Nordics, Portugal, Italy, Spain, Benelux, UK. In 2009 he was promoted to EMEA M&amp;A Head, and then to Managing Director in 2010. On the buy-side, he involved in smaller acquisitions in Russia, CEE, as well as selected partner card portfolios in the US.</p> <p>Prior to joining Citi he worked for Schroders in UK M&amp;A and then moved to European Financial Institutions Group in 1999 where he was involved in a broad range of transactions in the UK &amp; EMEA across banking, asset management and insurance.</p> <p>He started his professional career as analyst at NatWest Markets, working within the M&amp;A team, focused primarily on transactions in the UK.</p> <p>Mr. Andras Reiniger has a BA (Hons) (Cantab) in Economics from Trinity College, Cambridge.</p> <p>Since 24 June 2022, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.</p>
<b>Anna Rulkiewicz</b> <i>Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)</i>	<p>Since 2007, Ms. Anna Rulkiewicz has been the President of the Management Board of the LUX MED Group, which she joined in 2002 as a Member of the Management Board and Sales and Marketing Director. Since the end of 2011 she has also performed duties of the Managing Director of LMG Försäkrings AB, whose branch operates in Poland under the business name LUX MED Ubezpieczenia (Insurance). Since 2011, Ms. Anna Rulkiewicz has been the President of Private Medicine Employers (Pracodawcy Medycyny Prywatnej) and since 2016 she has been the Vice President of Employers of Poland (Pracodawcy RP).</p> <p>Ms. Anna Rulkiewicz gained professional experience by, among others, managing the Sales and Marketing Department at Credit Suisse Life &amp; Pensions Towarzystwo Ubezpieczeń na Życie S.A. and at Powszechne Towarzystwo Emerytalne (General Pension Company)/Winterthur in the years 2001-2002, where she supervised the departments of internal and external sales, group insurance, marketing and communication. In the years 1998-2001, Ms. Rulkiewicz worked for Zurich Towarzystwo Ubezpieczeń na Życie S.A. and Zurich Powszechne Towarzystwo Emerytalne S.A. In her capacity as the Group Insurance and Training Director, she was responsible for, i.a. the group insurance segment, including development of services, recruitment system and training management. After becoming the Corporate Client Segment Head and being appointed a member of the Management Board of Zurich Towarzystwo Ubezpieczeń na Życie S.A., she was responsible for the Small Business and</p>

Member of Supervisory Board	Professional experience
	<p>Corporate Client Segment. Between 1995-1998, she worked for Commercial Union Towarzystwo Ubezpieczeń na Życie S.A., where she was responsible, among others, for developing sales of group and individual insurance under bancassurance.</p> <p>Ms. Anna Rulkiewicz is a graduate of Nicolaus Copernicus University in Toruń (Uniwersytet Mikołaja Kopernika w Toruniu), where in 1994 she was awarded a Master's degree. Ms. Rulkiewicz is also a graduate of the University of Hamburg. In 1998, she completed postgraduate studies at the Polish and French Institute of Insurance (Polsko-Francuski Instytut Ubezpieczeń) and a range of training courses in, among other fields, management, sales, communication, and marketing organized under the certified insurance industry program LIMRA "Marketing Strategies for Executive Advancement" (LIMRA Executive Development Group). In 2018, she also completed the Stanford Executive Program at the Stanford University's Graduate School of Business.</p> <p>Between 2013-2017, Ms. Rulkiewicz was also a member of the Supervisory Board of Bank Handlowy w Warszawie S.A., and was again appointed to the Supervisory Board on June 5, 2019.</p>
<p><b>Barbara Smalska</b> <i>Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)</i></p>	<p>In the years 2015-2017, Ms. Barbara Smalska held the function of the Vice President of the Management Board of Alior Bank S.A., responsible for strategy, mergers (specifically for legal and operational integration with separated operations of Bank BPH S.A. and for merger-related synergies), remote channels (online sales and online and mobile banking development), and for other development and IT projects.</p> <p>Since 2008 she has worked for PZU Group: as the Director of the Product Management Office (2008-2010) and the Managing Director for Mass Market (2010-2012), she was in charge of various aspects of PZU Group's individual client and SME segment management, notably she has been responsible for product management, marketing and sales, and for analytical CRM. In the years 2013-2014, as a member of PZU SA and PZU Życie SA Management Board, she was responsible for PZU Group's individual client and SME segment as a whole. As the Chairperson, and then as an independent member of Link4 TU S.A.'s Supervisory Board (2014-2016), she was in charge of the supervision of the process of incorporating Link4 to PZU Group. Ms. Barbara Smalska also joined PTE PZU SA's Supervisory Board (2013-2014).</p> <p>Ms. Barbara Smalska began her professional career in 2002 at the Boston Consulting Group's Warsaw Office. As Associate, Senior Associate, and Consultant in the years 2002-2006, she was involved in many projects conducted for financial and telecommunications sectors in Poland and in Central and Eastern Europe in, among other fields, business strategy, operational model, sales network organization and activation, costs reorganization and optimization. In the years 2006-2008, as the Project Leader and next as the Principal, she managed strategic projects for the largest Polish banks, insurance companies and telecom companies, mainly in business strategy and distribution strategy in the retail client segment.</p> <p>Ms. Barbara Smalska is a graduate of the University of Warsaw (Uniwersytet Warszawski), where in 1997 she was awarded a Master's degree in physics and in 2001 a PhD's degree in high energy experimental physics.</p> <p>Since 05 June 2019, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.</p>

#### Changes in the composition of the Supervisory Board in 2022

On March 9, 2022, Mr. Frank Mannion resigned from the function of a Member of the Supervisory Board effective on March 31, 2022. On April 20, 2022, Mrs. Jenny Gray resigned from performing the function of a Member of the Supervisory Board with effect as at the day of the Annual General Meeting (June 23, 2022). In addition, on the day of the Annual General Meeting of the Bank, i.e. on June 23, 2022, the mandate of a Member of the Supervisory Board Mr. Gonzao Luchetti expired.

In the reporting period, on June 24, 2022 the following Members of the Supervisory Board of the Bank were appointed: Mrs. Silvia Carpitella, Mrs. Helen Hale and Mr. Andras Reiniger.

The Supervisory Board operates on the basis of generally applicable laws, the Articles of Association and the Supervisory Board Regulations.

As at the date of signing this Report on activity the powers of the Supervisory Board, in addition to the rights and obligations provided for by law, include resolutions on the following matters:

- 1) appointing and recalling the President of the Management Board in secret voting,
- 2) appointing and removing, in secret voting, Vice Presidents and other members of the Management Board of the Bank.”
- 3) setting the terms of contracts governing employment relationships or other legal relationships between Management Board members and the Bank,
- 4) authorization for opening or closing branch offices abroad,
- 5) adoption of the Supervisory Board Regulations and approval of the following documents drafted by the Management Board:
  - a. regulations of the Management Board of the Bank,
  - b. rules for managing special funds set up with net profits,
- 6) prior authorization for transactions disposing of the Bank's fixed assets worth more than 1/10 of the Bank's share capital,
- 7) selection of an audit firm to audit or review financial statements,
- 8) authorization for recruitment and dismissal (after prior hearing) of the person heading the Audit Department and the person heading the compliance unit, at the request of the Bank's Management Board,
- 9) authorization for the Bank to enter into a material contract with a shareholder holding at least 5% of the total votes at the Bank or a related party of the Bank. Before granting its consent, the Supervisory Board must assess the impact of such a transaction on the Bank's interests, as well as whether there is a need to first seek the opinion of an external entity, which will prepare a valuation of the transaction and an analysis of its economic effects,
- 10) supervision over implementation of the Bank's management system and assessment of the adequacy and effectiveness of that system, including supervision over adoption of the risk management system and annual assessment of the adequacy and effectiveness of that system, and supervision over adoption of the internal control system and annual assessment of the adequacy and effectiveness of that system, including assessment of the adequacy and effectiveness of the control function, compliance unit and the Audit Department, and assessment of the effectiveness of compliance risk management at the Bank,
- 11) approval of the Bank's strategy as well as the rules of prudent and stable management of the Bank,
- 12) approval of the basic organizational structure of the Bank, aligned with the size and profile of the risk involved, and determined by the Bank's Management Board,
- 13) approval of the acceptable general risk level of the Bank,
- 14) approval of the Bank's compliance policy,
- 15) approval of the Bank's internal procedures for internal capital assessment, capital management and capital planning,
- 16) approval of the Bank's information policy,
- 17) approval of the internal control procedure,
- 18) approval of the remuneration policy,
- 19) approval of the risk management strategy and determination of the rules for reporting to the Supervisory Board on the types and volumes of risk in Bank's operations,
- 20) approval of the regulations for the compliance unit and the Audit Department,
- 21) approval of the criteria developed by the Management Board for assessing adequacy and effectiveness of internal control,
- 22) approval of the rules for classifying irregularities detected by internal control,
- 23) approval of the compliance unit's annual action plan,
- 24) approval of the principles of cooperation between the compliance unit and the Audit Department with corresponding units at the parent entity and subsidiaries,
- 25) approval of the rules for the annual reporting by the compliance unit on the fulfillment of its tasks to the Bank's Management Board and the Supervisory Board,
- 26) approval of the rules of cooperation between the Audit Department and the statutory auditor,
- 27) approval of the Audit Department's business strategy,
- 28) approval of the audit rules prepared by the Head of the Audit Department, which ensure objective performance of responsibilities by the Audit Department, and the rules for transferring employees from other organizational units to the

Audit Department, improving qualifications, identifying the number of internal auditors with professional certification and periodic performance assessment of internal auditors,

- 29) approval of the remuneration of the Head of the Audit Department,
- 30) approval of the strategic (long-term) and operational (annual) audit plans and their revisions,
- 31) approval of the remuneration of the Head of the Compliance Department, the authority which may be assigned, by a resolution, to the Audit Committee,
- 32) authorization for every cooperation in audits between the Audit Department with the corresponding unit at the parent entity, the authority which may be assigned, by a resolution, to the Audit Committee,
- 33) approval of the rules for reporting by the Audit Department to the Management Board and the Supervisory Board,
- 34) approving the general rules for introducing changes to the organizational structure adopted by the Management Board,
- 35) approving the policy of identifying key functions in the Bank developed by the Management Board including the rules of appointment and dismissal of persons performing these functions,
- 36) approving the ethical principles adopted by the Management Board, defining norms and ethical standards of conduct of members of bodies and employees of the Bank, as well as other persons through whom the Bank conducts its business,
- 37) approving the conflict of interest management policy developed by the Management Board,
- 38) approving the principles of remuneration in the Bank developed by the Management Board,
- 39) approving the dividend policy of the Bank developed by the Management Board and specifying the conditions enabling the payment of dividends from the profit generated by the Bank within a specified period of time, taking into account the maintenance of capital at a level adequate to the risk incurred,
- 40) approving the risk culture principles developed by the Management Board, unless they are included in the risk management strategy, covering the whole Bank, based on a full understanding of the risk which the Bank is exposed to and the method of managing this risk, taking into account the adopted risk appetite,
- 41) approving a new product approval policy, developed by the Management Board, covering the development of new products, services and markets, and significant changes to the existing products, services and markets.

Based on the Banking Law Act, the Supervisory Board approves the internal division of responsibilities within the Management Board as well as the remuneration policy in effect at the Company.

The Supervisory Board also has the authority to suspend, for important reasons, individual or all members of the Management Board, as well as second Supervisory Board members to serve, temporarily for not more than three months, in the capacity of those Management Board members who have been recalled, submitted resignation or for other reasons are unable to serve.

Members of the Supervisory Board carry out their responsibilities in person. The Supervisory Board carries out its activities collegially, with each member of the Supervisory Board being entitled to receive information necessary to perform his/her responsibilities from the Management Board. The meetings of the Supervisory Board are held on a quarterly basis, as a minimum. The meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board or, in his/her absence, by Vice Chairman of the Supervisory Board, on his own initiative or at a request of another Supervisory Board member or at a request of the Management Board of the Company. The Chairman of the Supervisory Board may set fixed dates for holding meetings of the Supervisory Board. The notice convening a meeting of the Supervisory Board (or its Committee), containing the date, time and place of the meeting, the agenda and materials to be discussed, as well as the method of using means of direct remote communication during the meeting, is sent by the Secretary to the Supervisory Board to its members (or members of the Board's Committees) by encrypted email or by courier or by registered mail, return receipt requested, at least 7 (seven) days before the date of the meeting.

The Supervisory Board meets on the day of the General Meeting which approves the Management Board's report on Company operations and the financial statements for the last full accounting year of service of the Management Board member, during which mandates of Management Board members expire, in order to elect new members of the Management Board.

The Supervisory Board adopts an annual resolution on the report on Supervisory Board operations, in which the Supervisory Board assesses the situation of the Company, the work of the Supervisory Board, the internal control system and the management of significant risks at the Bank, as well as the results of assessment of the Company's financial statements, including Management Board's proposals as to profit distribution. The Supervisory Board submits that document to the General Meeting for approval.

Members of the Supervisory Board may participate in the adoption of resolutions by casting their votes in writing through another member of the Supervisory Board. The Supervisory Board may adopt resolutions in writing or by means of direct remote communication.

Meetings of the Supervisory Board are chaired by its Chairman, and in his absence, the Vice Chairmen of the Supervisory Board, and in the absence of both, the Supervisory Board member elected by the other members.

Resolutions of the Supervisory Board are valid provided that at least one half of the members of the Supervisory Board are present at the meeting. Resolutions of the Supervisory Board are adopted by an absolute majority of votes. Without the consent

of the majority of independent Supervisory Board members, no resolutions may be adopted on the following matters:

- 1) authorization for the Company to enter into any significant agreement with a shareholder holding at least 5% of the total number of votes in the Company or an entity related to the Company;
- 2) selection of an auditor company to audit or review the Company's financial statements.

Each member of the Supervisory Board has an obligation to immediately advise the remaining members of any existing conflict of interests and to refrain from taking part in a discussion and voting on a resolution on the matter involving such conflict.

The Supervisory Board adopts resolutions in an open vote, with the exception of appointment and recall, by a secret ballot, of the President of the Management Board, and appointment and recall, by a secret ballot, of Vice Presidents and other members of the Company Management Board. Chairman of the meeting may order voting by ballot on other matters, at his own initiative or at the request of a Supervisory Board member.

A resolution of the Supervisory Board is effective as of the date of its adoption unless it provides for a different effective date.

Minutes of Supervisory Board meetings will be drawn up, containing the elements indicated in the Regulations of the Supervisory Board. A list of Supervisory Board members present at the meeting and other persons participating in the meeting forms an attachment to the minutes. The minutes are signed by at least a Member of the Supervisory Board conducting the meeting or voting manager. Minutes of Supervisory Board meetings for the duration of its term are collected in a separate folder kept by the Company.

Supervisory Board meetings, except for those directly related to the Management Board, are attended by members of the Management Board. At the request of Supervisory Board Chairman or at the request of the Management Board of the Company, meetings may be attended by Company employees or persons from outside the Company relevant to the issue considered. During the Supervisory Board's consideration of issues related to the operation of internal control at the Company, the person heading the Audit Department may also take part in Supervisory Board meetings. In particularly justified circumstances, the Chairman of the Supervisory Board may order a meeting without the participation of persons who are not members of the Supervisory Board, even if the above provisions allow otherwise.

The independence criteria for members of the Supervisory Board indicated in § 14 sec. 4 of the Bank's Articles of Association, i.e. the independent Supervisory Board member shall be deemed the Supervisory Board member who:

- 1) is not the member of management board of the Bank, the Bank's dominant company or associated company with the Bank or with the Bank's dominant company with the meaning of the Commercial Companies Code (hereinafter: an associated company), and has not been in such a position for the previous five years;
- 2) is not an employee of the Bank or an associated company, and has not been in such a position for the previous three years;
- 3) is not receiving, or has not been receiving any additional remuneration from the Bank or an associated company apart from the pay received as the Supervisory Board member. Such additional remuneration covers in particular any participation in a share option or any other performance-related pay scheme; it does not cover the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Bank (provided that such compensation is not contingent in any way on continued service);
- 4) is not or does not represent in any way the dominant company;
- 5) does not have, or has not had within the last twelve months, a significant business relationship with the Bank or an associated company, either directly or as a partner, shareholder, director or senior employee of a body having such a relationship. Business relationships include the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organizations that receive significant contributions from the Bank or its group;
- 6) is not, or has not been within the last three years, a partner or employee of the present or former entity authorized to audit financial statements of the Bank or an associated company;
- 7) is not a member of the management board in another company in which the Management Board member of the Bank is a management board member or supervisory board member, and does not have other significant links with the Management Board members of the Bank through involvement in other companies or bodies;
- 8) has not served on the Supervisory Board for more than 12 years however, this period shall be calculated no earlier than from January 1, 2008;
- 9) is not a close family member of the Management Board member, or of persons in the situations referred to in points (1) to (8).

Three of out of eight members of the Supervisory Board meet the above-mentioned certain criteria of independence. Independence is confirmed on the basis of submitted statements.

In 2022, 6 meetings of the Supervisory Board were held. The following attendance was recorded at the meetings:

- 1) January 13, 2022 - 100%,
- 2) February 10, 2022 - 100%,
- 3) March 23-24, 2022 - 100%,
- 4) May 11, 2022 - 100%,

- 5) September 29, 2022 - 100%,
- 6) December 2, 2022 - 100%.

### **Supervisory Board Committees**

Supervisory Board Permanent Committees are:

- 1) Audit Committee;
- 2) Nomination and Remuneration Committee;
- 3) Risk and Capital Committee.

The Supervisory Board has the right to adopt a resolution on the appointment of committees other than those specified above and composed exclusively of members of the Supervisory Board.

In 2003 the Supervisory Board appointed the **Strategy and Management Committee** responsible mainly for ongoing analyses of all issues related to the activities performed by the Bank's governing bodies as well as the streamlining of their functioning. The Committee is composed of: Kristine Braden acting as Chair, Marek Kapuściński acting as Vice-Chair, Silvia Carpitella, Helen Hale, Andras Reiniger, Anna Rulkiewicz, Sławomir S. Sikora and Barbara Smalska acting as Committee members. On December 3, 2021, the Regulations of the Strategy and Management Committee were adopted. The competences of the Committee include the following matters:

- 1) conducting ongoing analysis of issues related to the work of the Bank's bodies and the improvement of their functioning,
- 2) submitting recommendations to the Supervisory Board in the area of the Bank's operating strategy, including the analysis of events and circumstances relevant to the assessment of the Bank's situation and management of the Bank,
- 3) periodic monitoring of the implementation of the Bank's operating strategy (at least once a year) and the most important related issues,
- 4) monitoring whether the Bank's operating strategy is implemented in a coherent manner, and the achievement of strategic goals is in line with the Bank's long-term financial interest, including the need to meet prudential requirements in terms of own funds and liquidity,
- 5) indicating the areas of the Bank's operations, the monitoring of which will be of particular interest to the Committee,
- 6) supervising the implementation of the adopted strategy of the Bank's operations and recommending to the Management Board of the Bank the directions of activities aimed at its implementation in the event of any deviations from the adopted strategy of the Bank's operations,
- 7) recommending approval or refusal to approve the Bank's operating strategy by the Supervisory Board or presenting proposals to amend the binding strategy,
- 8) analysis of the assumptions for the financial plan and getting acquainted with periodic information on the implementation of the financial plan.

In 2022, 3 meetings of the Committee were held. The following attendance was recorded at the meetings:

- 1) May 10, 2022 – 87,5%,
- 2) September 28, 2022 – 100%,
- 3) December 1, 2022 – 100%.

### **Audit Committee**

The Audit Committee is composed of the following members:

- 1) Barbara Smalska - Chairman of the Committee;
- 2) Silvia Carpitella – Vice Chairman of the Committee;
- 3) Anna Rulkiewicz – Member of the Committee;

The Audit Committee is a permanent committee of the Supervisory Board that met four times in 2021. In 2022, 4 meetings of the Committee were held. The following attendance was recorded at the meetings:

- 1) March 23-24, 2022 – 100%,
- 2) May 11, 2022 – 100%,
- 3) September 29, 2022 – 100%
- 4) December 2, 2022 – 66.7%.

The authority and responsibilities of the Audit Committee include among others monitoring of financial reporting process, monitoring of the effectiveness of: internal control and risk management systems and internal audit, monitoring of audit activities and controlling and monitoring of the independence of the statutory auditor and the entity authorized to audit financial statements.

The Audit Committee also develops a policy for the selection of an audit firm to audit and review financial statements and a policy for the provision by the audit firm conducting the audit and review of the financial statements, by entities related to this audit firm and by a member of the audit firm's network of permitted non-audit services, as well as procedures for selecting an audit firm by the Bank. The Audit Committee also presents to the Supervisory Board recommendations indicating the audit company to which it proposes to entrust the audit and review of the financial statements in accordance with the policies referred to above.

In exercising its powers and duties, the Committee also follows the guidelines contained in the "Recommendations on the functioning of the Audit Committee" issued by the Office of the Polish Financial Supervision Authority.

The competences of the Committee in the scope of monitoring the performance of financial audit activities, in particular the audit and review of the financial statements by the audit firm, taking into account all conclusions and findings of the Audit Oversight Commission resulting from the control carried out in the audit firm, include in particular:

- 1) recommending the Supervisory Board of the audit company to audit and review the Bank's financial statements,
- 2) monitoring the independence of the audit firm and the independence of the statutory auditor performing financial audit activities, as well as confirming with the management of the Bank (the Management Board, Audit Department or Compliance Division) that no information has been identified that would indicate the lack of independence of the audit firm, the key statutory auditor and persons participating in a research,
- 3) recommending the termination of the contract with the audit firm, in situations justified by extraordinary circumstances, as well as examining the issues that constitute the reason for resignation from the services of the audit firm (statutory auditor).

Members of the Committee exercise their powers on the basis of Article 390 of the Code of Commercial Companies and Act of statutory auditors, audit firms and public supervision dated 11 May 2017. The Committee submits annual reports on its activities to the Supervisory Board. A report for each successive calendar year is submitted by the end of the first quarter of the following year. The reports are made available to shareholders through publication on the Bank's website. At the next following meeting of the Supervisory Board, the Committee reports to the Supervisory Board on each of the Committee meetings and the Committee's recommendations discussed at its meetings.

The Audit Committee is composed of three or more Supervisory Board members appointed by the Supervisory Board. The majority of members of the Audit Committee, including its Chairman, are independent within the meaning of Article 129(3) of the Act of May 11, 2017 on auditors, audit firms and public supervision. The Chairman of the Audit Committee also meets independence criteria set out in § 14(4) of the Charter. Members of the Audit Committee have knowledge and skills related to the financial sector. This condition is considered met if at least one member of the Audit Committee has knowledge and skills related to that sector or particular members have knowledge and skills related to that sector in determined scopes. At least one member of the Audit Committee has knowledge and skills related to accounting or audit of financial statements.

Members of the Audit Committee who meet the statutory independence criteria are: Barbara Smalska and Anna Rulkiewicz.

The following members of the Audit Committee have knowledge and skills related to accounting or audit of financial statements:

- 1) Barbara Smalska – has practical professional experience gained over many years at managerial positions in the PZU Group, including: Vice President of the Management Board of Alior Bank S.A., Chairperson, and previously an independent member of the Supervisory Board of Link4 TU S.A., a Member of the Supervisory Board of PTE PZU S.A., a Member of the Management Board of PZU S.A. and PZU Życie S.A. and recently a Principal at The Boston Consulting Group's Warsaw offices,
- 2) Silvia Carpitella - has many years of practical professional experience gained in various managerial positions in Citi group, e.g. she is the Chief Financial Officer (CFO) as a Board Member of Citibank Europe plc in Dublin. Ms Carpitella holds a degree in management from the University of Florence, Italy.
- 3) Anna Rulkiewicz - completed the Stanford Executive Program at the Stanford University's Graduate School of Business.

The following members of the Audit Committee have the knowledge and skills in the field of banking and finance in which the Company operates:

- 1) Barbara Smalska – due to her practical professional experience gained over many years at managerial positions in the PZU Group, including: Vice President of the Management Board of Alior Bank S.A., Chairperson, and previously an independent member of the Supervisory Board of Link4 TU S.A., a Member of the Supervisory Board of PTE PZU S.A., a Member of the Management Board of PZU S.A. and PZU Życie S.A. and recently a Principal at The Boston Consulting Group's Warsaw offices,
- 2) Silvia Carpitella - due to her education and many years of practical professional experience gathered in managerial positions in Citi;
- 3) Anna Rulkiewicz – due to her educational training and practical professional experience gained over many years at managerial positions at the Lux Med Group, where she began as a Member of the Management Board, Sales and Marketing Director, and in 2007 she was appointed as the President of the LUX MED Group, and at her position as the Managing Director of LMG Försäkrings AB, whose branch operates in Poland under the name LUX MED Ubezpieczenia (insurance), and President of the Management Board of the Association of Private Medicine Employers (Związek Pracodawców Medycyny Prywatnej).

Meetings of the Audit Committee are convened by the Committee Chairman at his own initiative, at the request of a Committee member or Supervisory Board Chairman. If for any reason the Committee Chairman is unable to convene a meeting, it will be convened by the Deputy Chairman. Meetings are also convened at the request of a Committee member or the Supervisory Board Chairman.

A notice convening a meeting, setting out the agenda and materials for the meeting, are sent to members of the Audit Committee by the Committee Secretary who is the Secretary of the Supervisory Board. Meetings of the Audit Committee are held at least four times a year, on the dates set by the Chairman in consultation with the Deputy Chairman of the Committee.

The Audit Committee meets:

- 1) with the Head of the Audit Department without participation of the Company's management;
- 2) with the certified auditor of the Company without participation of the Company's management;

The Audit Committee may also meet:

- 1) by its own.
- 2) at its discretion, with individual members of the Company's management.

The agenda of the Audit Committee's meeting includes fixed items as well as matters considered on request. The list of fixed items considered at Committee meetings is determined by a resolution of the Committee. The Supervisory Board and individual members of the Committee and other members of the Supervisory Board, Management Board of the Company and Members of the Management Board of the Company have the right to put forward matters at Committee meetings.

The Secretary of the Audit Committee, on the basis of materials received, prepares a draft agenda of the meeting together with a list of invitees, and forwards it to the Committee Chairman and Deputy Chairman for approval. The draft agenda accepted by the Committee Chairman and Deputy Chairman is then forwarded, along with the materials, to Committee members.

All members of the Audit Committee are obliged to participate in the meeting of the Committee. The Committee member who is unable to attend a meeting should notify the Committee Secretary seven days before the fixed date of the meeting. The Committee may seek the advice of advisers and invite Company employees or other persons to its meetings to discuss or examine matters raised by the Committee. Persons invited by the Committee Chairman and, in particular, the persons who refer individual items on the agenda take part in the Committee meeting or its relevant part. When issues related to the internal control system are the subject of the meeting, the Head of the Compliance Unit and the Head of the Audit Department shall participate.

The Chairman of the Audit Committee chairs Committee meetings. If the Chairman of the Committee is not present, the meeting is chaired by the Deputy Chairman of the Committee. The Committee Chairman may, in consultation with the Deputy Chairman, decide to remove an item from the agenda, in particular in order to rectify a motion or to obtain an opinion.

Resolutions of the Audit Committee are adopted by the absolute majority of votes of the members of the Committee present at the meeting.

The Chairman of the Audit Committee may, in consultation with the Deputy Chairman, decide to consider a matter in writing.

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is composed of:

- 1) Anna Rulkiewicz – Chairman of the Committee;
- 2) Helen Hale – Vice Chairperson 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.

The Nomination and Remuneration Committee is a permanent committee of the Supervisory Board.

In 2022, 6 meetings of the Committee were held. The following attendance was recorded at the meetings:

- 1) January 13, 2022 – 100%
- 2) February 10, 2022 - 100%
- 3) March 24, 2022 - 100%
- 4) May 11, 2022 - 100%
- 5) September 29, 2022 – 100%
- 6) December 2, 2022 – 100%

The Nomination and Remuneration Committee is the Supervisory Board's advisory body, and its members exercise their authority on the basis of Article 390 of the Code of Commercial Companies, Articles 9cb and 9cd of the Act of 29 August 1997 – Banking Law and Regulation of the Minister of Finance of 7 May 2018 on the specific scope of tasks of the nomination

committee at significant banks. The Committee submits annual reports on its activities to the Supervisory Board. A report for each successive calendar year is submitted by the end of the first quarter of the following year. The reports are made available to shareholders through publication on the Bank's website. At the next following meeting of the Supervisory Board, the Committee reports to the Supervisory Board on each of the Committee meetings and the Committee's recommendations discussed at its meetings.

The Nomination and Remuneration Committee has, among others, the authority to:

- 1) review and monitor the remuneration policies adopted at the Bank and support the Bank authorities in supervising, shaping and implementing those policies, their validity, consistency with the practice and processes in place at the Bank and their impact on the Bank's risk profile,
- 2) assess the mechanisms and systems in place at the Bank in order to ensure that the remuneration policy adopted at the Bank takes into account all types of risk, and liquidity and capital levels, complies with the principles of, and supports sound and effective risk management, and is consistent with the Bank's strategy, objectives, corporate culture and values as well as long-term interests of the Bank, including assessment of the need to adjust remunerations for ex-post risk,
- 3) analyze possible scenarios to examine how the remuneration policies adopted at the Bank and the remuneration practice respond to external and internal events, and perform back-testing of the criteria used to determine remuneration levels and to adjust remunerations for ex-ante risk on the basis of actual risk-based results,
- 4) recommend candidates for the Management Board, taking into account the necessary knowledge, competence and experience of the Management Board as a whole, that are necessary to manage the Bank, and ensuring diversity on the Management Board,
- 5) identify the scope of duties for a candidate to the Management Board, as well as the requirements in terms of knowledge and competence, and the expected time commitment necessary to serve in that capacity,
- 6) identify the target representation of the gender underrepresented on the Management Board and develop a policy of diversity on the Management Board with the aim of achieving that target,
- 7) make periodic evaluation, at least once a year, of the structure, size, composition and effectiveness of the Management Board and recommend changes in that regard to the Supervisory Board,
- 8) make periodic evaluation, at least once a year, of the knowledge, competence and experience of the Management Board as a whole and of individual Management Board members, and inform the Management Board of the evaluation results,
- 9) review periodically the Management Board's policy on selection and appointment of Bank managers and present recommendations in that regard to the Management Board,
- 10) assess, based on market conditions, the remunerations received by members of the Management Board,
- 11) assess the remuneration paid to members of the Bank's Management Board as compared to their duties and performance;
- 12) submit recommendations for remuneration of Management Board members to the Supervisory Board, each time prior to its determination or revision,
- 13) review and monitor variable remuneration components of the persons whose professional activities have a significant impact on the Bank's risk profile, including in particular those responsible for risk management, management of the compliance unit, management of the internal audit unit, and key persons, as identified in the Employee Remuneration Policy of Bank Handlowy w Warszawie S.A.,
- 14) make a preliminary assessment of the qualifications of candidates for members of the Supervisory Board selected from among a sufficiently wide group of potential candidates, taking into account diversity in the composition of the Supervisory Board, the necessary knowledge, competences and experience of individual candidates and the Supervisory Board as a whole, and prepare recommendations for their selection,
- 15) perform a preliminary assessment of the qualifications of members of the Supervisory Board taking into account diversity in the composition of the Supervisory Board, the necessary knowledge, competences and experience of individual Supervisory Board members and the Supervisory Board as a whole, and make recommendations when a reassessment is required. The Committee adopts the Management Board diversity policy, taking into account a wide range of characteristics and competences required from persons serving as members of the Management Board.

The Committee adopts the Management Board diversity policy, taking into account a wide range of characteristics and competences required from persons serving as members of the Management Board.

The Committee consists of at least three members of the Supervisory Board. Most members of the Committee, including its Chairman, meet the independence criterion set out in § 14(4) of the Articles of Association of Bank Handlowy w Warszawie S.A.

Meetings of the Nomination and Remuneration Committee are convened by the Committee Chairman at his own initiative or, if the Committee Chairman is unable to do so for any reason, by the Deputy Chairman. Meetings are also convened at the request of a Committee member or the Supervisory Board Chairman. Committee meetings are held at least twice a year, on the dates set by the Committee Chairman. The agenda of the Nomination and Remuneration Committee's meeting includes

fixed items as well as matters considered on request.

The Secretary of the Nomination and Remuneration Committee, on the basis of materials received, prepares a draft agenda of the meeting together with a list of invitees, and forwards it to the Committee Chairman for approval.

Meetings of the Nomination and Remuneration Committee must be attended by all its members. The Committee member who is unable to attend a meeting should notify the Committee Secretary seven days before the fixed date of the meeting. The Committee may make use of external experts. In case of cooperation with an external expert, the Committee shall review the appointment of such experts. A meeting of the Committee or an appropriate part of a meeting is attended by persons invited by the Chairman of the Committee and especially persons who are to present particular matters.

Resolutions of the Nomination and Remuneration Committee are adopted by the absolute majority of votes of the members of the Committee present at the meeting.

The Chairman of the Nomination and Remuneration Committee may decide that a given matter will be resolved in circulation mode.

A member of the Nomination and Remuneration Committee who votes against may request that his dissension be recorded in the minutes.

Minutes are taken of meetings of the Nomination and Remuneration Committee. The minutes of the meeting of the Committee is approved by the members of the Committee at the next meeting of the Committee.

### **Risk and Capital Committee**

The Risk and Capital Committee is composed of:

- 1) Marek Kapuściński – Chairman of the Committee;
- 2) Kristine Braden – Vice Chairman of the Committee;
- 3) Barbara Smalska - Member of the Committee;

The Risk and Capital Committee is a permanent committee of the Supervisory Board.

In 2022, 4 meetings of the Committee were held. The following attendance was recorded at the meetings:

- 1) March 24, 2022 - 100%
- 2) May 10, 2022 - 100%
- 3) September 28, 2022 – 100%
- 4) December 1, 2022 – 100%

Members of the Committee have the powers as set out in the Regulations under Article 390 of the Code of Commercial Companies and Article 9cb of the Banking Law Act of 29 August 1997. The Committee submits annual reports on its activities to the Supervisory Board. A report for each successive calendar year is submitted by the end of the first quarter of the following year. The reports are made available to shareholders through publication on the Bank's website and at the Bank's office. At the next following meeting of the Supervisory Board, the Committee reports to the Supervisory Board on each of the Committee meetings and the Committee's recommendations discussed at its meetings. The Committee's Regulations are made available on the Bank's website and at the Bank's office.

The Committee has the authority to ongoing monitoring of the risk management system and to supervise the process of estimating internal capital and capital management.

The Risk and Capital Committee consists of at least three Supervisory Board members, one of whom acts as the Committee's Chairperson. Most members of the Committee, including its Chairman, meet the independence criterion set out in § 14(4) of the Articles of Association of Bank Handlowy w Warszawie S.A. In order for the Committee's resolutions to be valid, at least three of its members must attend the meeting.

Committee meetings are convened by the Committee Chairman at his own initiative or at the request of a Committee member. If for any reason the Committee Chairman is unable to convene a meeting, it will be convened by the Deputy Chairman. Meetings are also convened at the request of the Supervisory Board Chairman.

Committee meetings are held at least every six months, on the dates set by the Chairman in consultation with the Deputy Chairman of the Committee.

A notice convening a meeting, setting out the agenda and materials for the meeting, are sent to members of the Committee by the Committee Secretary who is the Secretary of the Supervisory Board. Notice should include the agenda and materials on the topics to be discussed at the meeting. The agenda of the Committee's meeting includes fixed items as well as matters considered on request. The Supervisory Board and individual members of the Committee and other members of the Supervisory Board have the right to put forward matters at Committee meetings.

All members of the Committee are obliged to participate in the meeting of the Committee.

The Committee may seek the advice of advisers and invite Bank employees or other persons to its meetings to discuss or examine matters raised by the Committee.

Persons invited by the Committee Chairman or Deputy Chairman take part in the Committee meeting or its relevant part.

The Committee Chairman chairs Committee meetings. If the Chairman of the Committee is not present, the meeting is chaired by the Deputy Chairman of the Committee.

Resolutions of the Committee are adopted by the absolute majority of votes of the members of the Committee present at the meeting. The Committee Chairman may, in consultation with the Deputy Chairman, decide to consider a matter in writing.

The minutes of a meeting of the Committee shall be prepared.

## **12. Diversity Policy**

In its operations, Bank Handlowy w Warszawie S.A. applies solutions based on diversity which is the hallmark of Citi's corporate culture and its philosophy.

The strategy of Bank Handlowy w Warszawie S.A. for diversity integration consists in promoting a culture which attracts the best of the best, in which people are promoted for their competencies and skills, in which other people are appreciated and mutual respect is expected, and in which development opportunities are available to everyone -regardless of differences.

Our diversity initiatives apply to three levels:

- To individuals - the Bank creates space for employees and encourages to take responsibility for their own careers and personal development to achieve their full potential regardless of gender, religion, race, ethnicity, nationality or sexual orientation.
- To teams - the Bank strives to ensure an atmosphere of respect in which diverse teams utilize a wide range of perspectives, skills, experiences and approaches.
- To the organization - embracing everything that employees have to offer, the diversity strategy positions the Bank as an employer of choice.

Utilizing various perspectives and enabling employees to develop their skills, we focus on growth and innovation for our clients and employees, following the principle that each individual contributes to the value of whatever we develop together.

In its employment policy, the Bank strongly supports diversity, and being committed to talent development it takes on career and development of female employees who manage vital organizational units in Citi Handlowy. As a result of internal and external recruitment, the Bank employs a total of 61% women compared to 39% men. The ratio change in relation to 2020 is a result of the Bank's special attention to maintaining measures to support women in their development. The recruitment processes for higher level specialist and managerial positions were monitored in 2022 to ensure diversity among the candidates considered. Women were also absolutely required on panels for all recruitment processes for high level managerial positions. The Bank will continue these recruitment principles in all its recruitment processes in the coming years.

For the past two years, the Bank has seen an upward trend in the population of women in managerial positions. In 2021, women represented over 49% of the managerial staff and, simultaneously, 62% of the population of the entire Bank. In 2022, the proportion of women in managerial positions rose to 51% while representing 62% of the Bank's total employee population.

Average length of service in the Bank has continuously exceeded 10 years. In 2021, the length of service for women exceeded 11.6 years, for men 9.6 years, and the average length of service was over 10.8 years. This trend continued in 2022 among both - women, who on average have worked at the Bank for more than 11.6 years, as well as men, who on average have worked for 9.7 years.

The Bank's business variety and specific needs determine directions and requirements concerning professional knowledge necessary to preserve best quality services for, be it, an internal or external client.

The Bank ensures support for employee initiatives and commitment to others and to our organization. An example of such support are organizations which bring together the Bank's employees involved in different types of activities. In 2022, CitiWomen, CitiPride and CitiParents were very active at the Bank. The Bank also has CitiClub and CitiDisability.

In 2020, the Bank's Management Board decided to introduce additional 2 weeks of paternity leave. From January 2021, Bank Handlowy employees are entitled to four weeks of paternity leave, subject to the laws and legal requirements in force in Poland. We believe that this new minimum standard of paternity leave will bring greater benefits than the current labor market standards and will allow our employees to find time to adapt to their role and build a bond with the new family member. From January 2021, all eligible biological and adoptive fathers are entitled to paternity leave. In 2022, an additional 2 weeks of paternity leave was taken by 21 employees compared to 16 in 2021.

When building its remuneration policy, the Bank hinges it on the best market practices taking into consideration corporate governance requirements, market trends and the organization's standing and potential.

When defining remuneration the Bank refers to experience and competence required for a given job position, performance, present remuneration, and position juxtaposed with a new group of employees on the market. Based on such information a new level of remuneration is defined.

Levels of remuneration are reviewed on a regular basis annually, taking into account the employee's annual assessment, his or her skills and scope of responsibilities juxtaposed with data obtained from market research concerning the level of remuneration in the industry.

Remuneration of women employed by the Bank is comparable to the total remuneration of men and as the end of 2022 it constituted 93% of the remuneration of men (taking into account employees actively performing work, the sectors they work in and grades for full time jobs - excluding child care leave, unpaid leave and long-term sick leaves).

Concerned about the life situation of its employees, Citi Handlowy provides a wide range of additional benefits, which make up one of the richest offer on the market.

The Bank strives to be a company which draws the best talent, hires and promotes employees based on performance and makes growth opportunities widely available. The aim is to create a workplace where responsible finance is practiced, where employees treat each other with due respect and dignity, and may count on support to preserve a balance between work and private life. The Bank adheres to the principles of equality in recruitment and respects the provisions of law on fair employment practices and anti-discrimination.

The Bank takes preventive actions to counteract discrimination, consisting of a range of educational activities aimed at raising awareness as regards discrimination, unequal treatment, mobbing and actions which can bring about proper organizational climate favorable to the fair play principle at work place (primary prevention).

A dialogue with employees is an important part of the Group's activity. Every employee has access to an internal intranet network, where he or she can find the latest information concerning all the Bank's areas of operation. The most crucial information concerning the Bank and changes which take place in the organization is sent directly to the employees' inboxes.

Senior management organizes special meetings with employees called Town Halls. At such meetings the most crucial information is provided concerning particular business areas, the Bank's financial results as well as information on new products or organizational changes. Every employee can ask directly the hosting Member of the Management Board and invited guests questions. During the pandemic, when most of our employees worked remotely from outside the office, the Bank's Management Board took special care to continue the practice of staff meetings. Staff meetings were held during that time using electronic tools and remote forms of communication, maintaining their interactive format, the ability to ask questions and receive answers during the meeting from the Management Board Member chairing the meeting. In 2022, staff meetings are being held in a hybrid format, allowing remote participation for those employees who are working from outside the office that day.

2022 Bank continued building organizational culture focused on the employees. The goal of the people-oriented strategy is to strengthen employee engagement and improve their working conditions by taking actions and implementing projects facilitating their work and communication.

Of particular significance in 2022 was the work of the People Board – a group of 9 employee representatives chosen in internal elections by employees themselves – focused on communicating with employees by regularly collecting their feedback and forwarding it to the Management Board. People Board communications also focused on communicating messages from the Bank's Management Board. People Board's mission is to be a communication bridge between employees and the Management Board. Such initiatives help to regularly influence the culture of the organization and to shape it based on a joint vision. Employees feel that the Bank is a place where they can find fulfillment and their needs are heard. In 2022 members of the People Board remained in close contact with the Bank's employees in all locations in Poland, meeting with them both electronically and directly – over morning coffee as part of the "Morning Coffee Together" initiative.

The second People Board members ended their term in December 2022. In November 2022, new candidates were able to apply for the third People Board. As late as December 2022, they were still meeting with staff as they ran their election campaigns. The election for the 3rd edition is scheduled for 2022/2023, so that at the beginning of the new year the elected representatives of the employees can start their work, continuing to implement the open dialogue between the Management Board and the employees.

## **IX. Other information about the authorities of Bank Handlowy w Warszawie S.A. and corporate governance rules**

### **1. Information regarding the remuneration policy**

The Bank Handlowy Group has in place "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.", "Employee Remuneration Policy of Bank Handlowy w Warszawie S.A." (adopted on 22 December 2017, as amended) and the and "Transaction Award Policy" (adopted on 16 June 2021, as amended), hereinafter referred to as the "Remuneration Policy", and also the "Remuneration policy for persons whose professional activity significantly influences the risk profile of Bank Handlowy w Warszawie S.A." (adopted on 22 December 2017, as amended), hereinafter referred to as the "Authorized Persons Remuneration Policy", which replaced previous policies in this area.

Remuneration policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A. defines the rules of remunerating Members of the Management Board and Supervisory Board of the Bank, supporting implementation of the Bank's strategy, effective risk management, long-term interests and stability of the Bank. The Remuneration Policy lays down the rules adopted at the Bank for remunerating other employees, including Key Personnel, and is intended, among other things, to combine remuneration practices, structures and decisions with the interests of shareholders and to effectively manage risk by encouraging prudent decision-making. The Group's philosophy of remunerating assumes differentiation of the remuneration of individual employees based on financial or non-financial criteria, such as risk-taking approach and compliance with regulations, in order to reflect their input and to complement effective risk control mechanisms by containing the incentive to take unreasonable risks to the Group and its operations, and by rewarding thoughtful balance between risks and returns.

According to that philosophy, the variable remuneration of people covered by the "Authorized Persons Remuneration Policy" depends on both short-term and long-term assessment of individual performance and financial results of the Bank or DMBH or the relevant organizational unit, respectively, while the persons serving in control roles are not evaluated for the performance of their supervised units. Work performance assessment in the Bank is made on the basis of data for three financial years,

which encompasses economic cycles and risks involved in the business activity pursued by the Group.

Eligibility for individual payments of deferred variable remuneration must be each time approved by the Supervisory Board - in relation to the Management Board and by the Management Board - in relation to other employees. At least 50% of variable remuneration should be awarded in the form of non-monetary instruments the value of which depends strictly on the financial performance of the Bank. This condition is met by the phantom shares adopted by the Group, whose value will fluctuate depending on the market value of the Bank's shares. The remaining portion of the variable remuneration is a monetary bonus, with interest accruing on the deferred portion of the bonus for the period between granting and payment of that remuneration component. The Bank has made changes to the structure of deferred variable remuneration. From the 2022 annual award onwards, all deferred variable remuneration is conditionally awarded in a financial instrument.

In 2022, the Remuneration Policy and the Eligible Persons Remuneration Policy were amended to include the possibility to pay the remuneration granted in a financial instrument in the form of existing shares in the Bank's share capital to the persons indicated in the aforementioned documents. The assumption for the amended Remuneration Policies is that the Bank transfers to the Eligible Persons its own shares previously purchased by the Bank. For the purpose of transfer of its own shares on the terms set out above, the Bank intends to buy back, over a period of 3 years (from 16 December 2022), no more than 850,000 shares of the Bank representing in total no more than 0.65% of the total number of votes at the General Shareholders Meeting of the Bank.

On 7 November 2022, the Bank's Management Board amended the remuneration policies by way of a resolution and, subsequently, on 14 November 2022, those amendments were approved by the Bank's Supervisory Board. On 16 December 2022, the Extraordinary General Meeting of Shareholders decided to implement incentive programs based on the Bank's shares and authorized the Management Board of the Bank to purchase the Bank's own shares. The Extraordinary General Meeting also established a reserve capital to finance the purchase of own shares in the amount of PLN 50 million.

The repurchase of shares from the market will be possible once the Bank has obtained the relevant authorization from the Polish Financial Supervision Authority. As at the date of publication of this Report, the process to obtain the KNF's consent is in progress.

In the event that the Bank is unable to transfer a sufficient number of treasury shares in relation to the number necessary to be issued to Eligible Persons, the adopted amendments to the Policies allow for the continued remuneration of certain Eligible Persons based on phantom shares or, depending on the situation and the Bank's decision, based on phantom shares and shares in the Bank's share capital.

The right to each tranche of a deferred award will vest depending on the Bank's results in the calendar year immediately preceding the vesting date for that tranche and other conditions specified in the Eligible Persons Remuneration Policy.

An Authorized Persons Remuneration Policy is described in more detail in the Report on capital adequacy, risk and remuneration policy of the Bank Handlowy w Warszawie S.A. Group as of 31 December 2022.

In 2022 The Supervisory Board of the Bank positively assessed functioning of the Remuneration Policy applied in Bank Handlowy w Warszawie S.A.

## **2. Salaries and awards, including bonuses from profit, paid to persons managing and supervising the Bank**

The table below presents the amount of fixed remuneration components (in PLN thousand) paid to the members of the Bank's Management Board in 2022.

		Base salary	Other benefits
Elżbieta Świątopelk-Czetwertyńska		2,100	184
Maciej Kropidłowski		2,076	335
Barbara Sobala		900	115
Natalia Bożek		900	99
Katarzyna Majewska		857	106
Ivan Vrher	- since 29 September.2022	286	130
Andrzej Wilk	- since 1 July 2022	600	59
<i>Former members of the Management Board</i>			
Dennis Hussey	- to 30 June 2022	722	690
James Foley	- to 28 February.2022	200	668
Sławomir S. Sikora	- to 17 June 2022	0	144
Czesław Piasek	- to 31 March 2018	0	2
		<b>8,641</b>	<b>2,532</b>

**Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2022**

**TRANSLATION**

The table below presents the amount of fixed remuneration components (in PLN thousand) paid to the members of the Bank's Management Board in 2021.

		<b>Base salary</b>	<b>Other benefits</b>
Elżbieta Światopełk-Czetwertyńska	- since 18 June 2021	1,125	540
Maciej Kropidłowski		1,733	305
Dennis Hussey		1,444	917
Barbara Sobala		892	119
James Foley		1,200	263
Katarzyna Majewska		867	114
Natalia Bożek		867	97
<i>Former members of the Management Board</i>			
Sławomir S. Sikora	- to 17 June 2021	1,110	3,598
David Mouille	- to 31 January 2020	0	181
Czesław Piasek	- to 31 March 2018	0	7
		<b>9,238</b>	<b>6,141</b>

The table below presents the amount of variable remuneration components in the form of cash awards (in PLN thousand) paid in 2022 to the members of the Bank's Management Board.

		<b>Cash awards for years:</b>				
		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Elżbieta Światopełk-Czetwertyńska		252	0	0	0	0
Maciej Kropidłowski		732	269	247	316	0
Barbara Sobala		204	39	41	42	0
Natalia Bożek		144	25	19	20	0
Katarzyna Majewska		180	32	32	42	0
Andrzej Wilk	- since 1 July 2022	0	15	17	0	0
<i>Former members of the Management Board</i>						
Dennis Hussey	- to 30 June 2022	609	96	0	0	0
James Foley	- to 28 February 2022	347	79	77	0	0
Sławomir S. Sikora	- to 17 June 2021	0	154	149	151	189
David Mouille	- to 31 January 2020	0	0	124	147	0
Czesław Piasek	- to 31 March 2018	0	0	0	14	0
		<b>2,467</b>	<b>710</b>	<b>705</b>	<b>732</b>	<b>189</b>

**Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2022**

**TRANSLATION**

The table below presents the amount of variable remuneration components in the form of cash awards (in PLN thousand) paid in 2021 to the members of the Bank's Management Board.

	Cash awards for years:				
	2020	2019	2018	2017	
Maciej Kropidłowski	528	242	306	259	
Dennis Hussey	423	0	0	0	
Barbara Sobala	172	40	40	41	
James Foley	347	75	0	0	
Katarzyna Majewska	142	32	41	41	
Natalia Bożek	112	19	19	0	
<i>Former members of the Management Board</i>					
Sławomir S. Sikora	- to 17 June 2021	504	146	146	210
David Mouille	- to 31 January 2020	0	121	142	147
Czesław Piasek	- to 31 March 2018	0	0	13	52
Witold Zieliński	- to 19 February 2018	0	0	0	53
		<b>2,228</b>	<b>675</b>	<b>707</b>	<b>803</b>

The table below presents the amount of the variable remuneration components in the form of capital awards (in PLN thousand) paid in 2022 to the members of the Bank's Management Board.

	Capital rewards for the years:					
	2021	2020	2019	2018	2017	
Elżbieta Świątopęk-Czetwertyńska	0	0	0	0	0	
Maciej Kropidłowski	0	476	281	272	0	
Barbara Sobala	0	69	46	36	0	
Natalia Bożek	0	45	22	17	0	
Katarzyna Majewska	0	57	37	36	0	
Andrzej Wilk	- since 1 July 2022	0	27	19	0	
<i>Former members of the Management Board</i>						
Dennis Hussey	- to 30 June 2022	0	169	0	0	
James Foley	- to 28 February 2022	0	139	87	0	
Sławomir S. Sikora	- to 17 June 2021	0	923	172	131	165
David Mouille	- to 31 January 2020	0	0	141	126	0
Czesław Piasek	- to 31 March 2018	0	0	0	12	0
		<b>0</b>	<b>1,904</b>	<b>806</b>	<b>630</b>	<b>165</b>

**Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2022**

**TRANSLATION**

The table below presents the amount of the variable remuneration components in the form of capital awards (in PLN thousand) paid in 2021 to the members of the Bank's Management Board.

	Capital rewards for the years:				
	2020	2019	2018	2017	
Maciej Kropidłowski	676	200	197	149	
Dennis Hussey	542	0	0	0	
Barbara Sobala	220	33	26	23	
James Foley	443	62	0	0	
Katarzyna Majewska	182	26	26	24	
Natalia Bożek	144	16	12	0	
<i>Former members of the Management Board</i>					
Sławomir S. Sikora	- to 17 June 2021	0	357	84	109
David Mouille	- to 31 January 2020	0	100	92	85
Czesław Piasek	- to 31 March 2018	0	0	9	30
Witold Zieliński	- to 19 February 2018	0	0	0	31
		<b>2,207</b>	<b>794</b>	<b>446</b>	<b>451</b>

The table below presents the amount of total remuneration (in PLN thousand) paid to members of the Bank's Supervisory Board in 2022.

	Remuneration for the function performed	Remuneration for participation in Supervisory Board committees	Reimbursement of social security contributions
Marek Kapuściński	96	183	5
Anna Rulkiewicz	96	197	8
Sławomir S. Sikora	192	133	0
Barbara Smalska	96	243	0
<i>Former members of the Management Board</i>			
Frank Mannion	- to 31 March 2022	0	0
Jenny Grey	- to 23 June 2022	0	0
Gonzalo Luchetti	- to 23 June 2022	0	0
	<b>480</b>	<b>756</b>	<b>13</b>

The table below presents the amount of total remuneration (in PLN thousand) paid to members of the Bank's Supervisory Board in 2021.

	Remuneration for the function performed	Remuneration for participation in Supervisory Board committees	Reimbursement of social security contributions	
Sławomir S. Sikora	- since 18 June 2021	87	68	0
Barbara Smalska		96	210	0
Marek Kapuściński		96	166	4
Anna Rulkiewicz		96	147	2
<i>Former members of the Management Board</i>				
Igor Chalupec	- to 17 June 2021	53	99	3
Andrzej Olechowski	- to 17 June 2021	105	115	0
Stanisław Soltysiński	- to 17 June 2021	53	66	0
Shirish Apte	- to 1 December 2020	0	0	0
	<b>586</b>	<b>871</b>	<b>9</b>	

### **3. Total number and nominal value of the Bank's shares and shares in affiliated companies of the Bank held by members of the Management Board and the Supervisory Board**

The total number and nominal value of the Bank's shares and shares in affiliated companies of the Bank held by members of the Management Board and the Supervisory Board as at 31 December 2021 is presented in the table below:

	Shares of Bank Handlowy w Warszawie S.A.		Shares of Citigroup Inc.	
	Number of shares (units)	Nominal value (PLN)	Number of shares (units)	Nominal value (PLN)
<b>Management Board</b>				
Elżbieta Światopelk-Czetwertyńska	-	-	3,497	154
Ivan Vrhel	-	-	767	34
Katarzyna Majewska	-	-	29	1
<b>Supervisory Board</b>				
Sławomir Sikora			13,204	581
Silvia Carpitella	-	-	1,966	87
Kristine Braden	-	-	6,395	281
Helen Hale	-	-	1,198	53
Andras Reiniger	-	-	3,078	135

The total number and nominal value of the Bank's shares and shares in affiliated companies of the Bank held by members of the Management Board and the Supervisory Board as at 31 December 2021 is presented in the table below:

	Shares of Bank Handlowy w Warszawie S.A.		Shares of Citigroup Inc.	
	Number of shares (units)	Nominal value (PLN)	Number of shares (units)	Nominal value (PLN)
<b>Management Board</b>				
Elżbieta Światopelk-Czetwertyńska	-	-	2,728	111
James Foley	-	-	6,843	278
Dennis Hussey	-	-	16	1
Katarzyna Majewska	-	-	29	1
<b>Supervisory Board</b>				
Sławomir Sikora			13,204	536
Frank Mannion	-	-	34,000	1,380
Kristine Braden	-	-	5,748	233
Jenny Grey	-	-	8,651	351

As at 31 December 2022 and 31 December 2021, no member of the Management Board and the Supervisory Board was a shareholder of a subsidiary of the Bank.

### **4. Agreements between the Bank and members of the Management Board that provide for compensation in case of their resignation or dismissal without reason or as a result of the Bank's takeover**

Among all employment contracts between the Bank and the members of the Management Board of the Bank, there is no contract that provides for financial compensation in the case of termination with prior notice or for reasons specified in Article 53 of the Labour Code.

Each of the Management Board Members signed a separate non-competition agreement with the Bank. A relevant paragraph in each of these agreements specifies that the Management Board Member must refrain from conducting business activities competitive to the Bank in the period of 12 months (6 months in case of one of the Management Board Members) following termination of the employment agreement with the Bank and that the Bank will pay relevant compensation to the Management Board Member.

## 5. Management policy

The management policy of the Bank did not change in 2022. The policy is described in the Note to the Annual Consolidated Financial Statements of the Capital Group of the Bank.

## X. Information on pending court proceedings

In 2022 there was no single proceeding regarding receivables and liabilities of the Bank or its subsidiary, pending in court, public administration authority or an arbitration authority, the value of which would be significant. A detailed description of pending court proceedings is provided in Note 40 to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended December 31, 2022.

## XI. Agreements concluded with the registered audit company

On 23 March 2022 the Supervisory Board of the Bank appointed the auditor: KPMG Audyty Spółka z ograniczoną odpowiedzialnością spółka komandytowa [KPMG Audit limited liability partnership] with its registered office in Warsaw, operating at the following address: ul. Inflancka 4A, 00-189 Warszawa entered into the list of entities authorized to audit financial statements under No. 3546, to conduct an audit and a review of the annual and the interim financial statements of the Bank and the Capital Group of the Bank for years 2022 - 2024. KPMG Audyty Spółka z ograniczoną odpowiedzialnością spółka komandytowa was selected in compliance with the applicable laws and auditing standards.

The Bank used the services of KPMG Audit Spółka z ograniczoną odpowiedzialnością sp. k. with respect to auditing and reviewing stand-alone and consolidated financial statements also for 2019-2021 and for previous years.

The Management Board of the Bank declares that the auditing company authorized to audit financial statements, auditing the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy S.A. for the financial year ended December 31, 2022 and the Stand-alone Annual Financial Statements of Bank Handlowy w Warszawie S.A. for the financial year ended December 31, 2022, it was selected in accordance with the law. In accordance with the best knowledge of the Management Board, the audit firm and members of the audit team met the conditions for drawing up an impartial and independent report on the audit of the annual consolidated and stand-alone financial statements in accordance with the applicable regulations, professional standards and professional ethics rules.

In order to meet the requirements contained in Article 130 section 1 of the Act on statutory auditors, audit firms and public supervision (Journal of Laws of 2017, item 1089, hereinafter referred to as the "Act"), the Bank, as a public interest entity, has implemented for application on the basis of resolutions of the Supervisory Board of the Bank:

- Policy for selecting an audit firm to audit financial statements of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. and
- Policy for the service by the audit firm, by entities affiliated to that audit firm and by a member of the audit firm's network of permitted non-audit services of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A.

The auditor's net fees under the agreements (paid or payable) for the years 2022 and 2021 are presented in the table below:

<i>PLN'000</i>	For the year	2022	2021
Bank (the parent company) audit fees (1)		623	516
Bank (the parent company) review fees (2)		241	199
Subsidiary companies audit fees (3)		362	225
Other assurance fees (4)		320	336
		<b>1,546</b>	<b>1,277</b>

(1) The audit fees include fees paid or payable for the audit of the annual stand-alone financial statements of the Bank and the annual consolidated financial statements of the Capital Group of the Bank.

(2) The review fees include fees paid or payable for the review of the semi-annual stand-alone financial statements of the Bank and the semi-annual consolidated financial statements of the Capital Group of the Bank.

(3) The audit fees include fees paid or payable for the audit of the financial statements of the Bank's subsidiaries.

(4) The fees for other assurance services include all other fees paid to the auditor. These fees include assurance services related to the audit and review of the financial statements not mentioned in points (1), (2) and (3) above.

## **XII. Subsequent events**

Until December 31st 2022, in accordance with Art. 500a sec. 1 of CRR, the Bank applied a 0% risk weight to exposures to central governments and central banks of Member States, where these exposures are denominated and funded in the domestic currency of another Member State. Due to the cessation of the possibility of applying a 0% risk weight to the above-mentioned exposures, since January 1, 2023 the Bank has exceeded the concentration limit regarding foreign currency denominated exposures in form of bonds issued by the State Treasury and Bank Gospodarstwa Krajowego SA guaranteed by the State Treasury. The Bank applied to the Polish Financial Supervision Authority for permission to accept exposures in these instruments up to the limits specified in section 2 of Art. 500a CRR. Potential calculation of the financial consequences for the Bank, if any, will be possible after the completion of procedure initiated by the bank, and will depend on it's outcome, and, in particular, the time horizon of possible adjustment to the limits.

After 31 December 2022 there were no other major events undisclosed in these report on activities, that could have a significant influence on the net result of the Group.

## **XIII. Statement of the Bank's Management Board**

### **Accuracy and fairness of the statements presented**

To the best knowledge of the Bank's Management Board, composed of: Ms. Elżbieta Światopełk-Czetwertyńska, President of the Management Board; Ms. Natalia Bożek, Vice-President of the Management Board; Mr. Maciej Kropidłowski, Vice-President of the Management Board; Mr. Andrzej Wilk, Vice-President of the Management Board; Ms. Barbara Sobala, Vice-President of the Management Board; Ms. Katarzyna Majewska, Vice-President of the Management Board and Ms. Ivan Vrhel, Member of the Management Board; the annual financial data and the comparative data presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the year ended 31 December 2022 were prepared consistently with the accounting standards in force and reflect the accurate, true and fair view of the assets and the financial position as well as the financial profit or loss of the Bank. The Annual Report on the Activities of Bank Handlowy w Warszawie S.A and the Capital Group of Bank Handlowy w Warszawie S.A. for 2022 contained in the annual financial statements is a true representation of the development, achievements and situation (together with a description of the main risks) of the Bank in 2022.

Other information required by the Regulation of the Minister of Finance of 29 March 2018 on current and periodical reporting by issuers of securities and on the conditions under which the legally required information originating in a non-member state can be deemed equivalent thereof (Journal of Laws No. from 2018 item 757, as amended), in particular transactions with related companies and guarantees and sureties granted are included in the Annual Consolidated Financial Statements of the Capital Group of the Bank.

Signatures of Management Board Members

20.03.2023	Elżbieta Światopełk-Czetwertyńska	President of the Management Board
..... Date	..... Name	..... Position/function
20.03.2023	Natalia Bożek	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
20.03.2023	Andrzej Wilk	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
20.03.2023	Maciej Kropidłowski	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
20.03.2023	Barbara Sobala	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
20.03.2023	Katarzyna Majewska	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
20.03.2023	Ivan Vrhel	Member of the Management Board
..... Date	..... Name	..... Position/function