



2024

Semi-annual Report of the
Capital Group of Bank
Handlowy w Warszawie S.A.

SELECTED FINANCIAL DATA	In PLN '000		In EUR '000***	
	First half of 2024	First half of 2023	First half of 2024	First half of 2023
	01.01. - 30.06. 2024	01.01. - 30.06. 2023	01.01. - 30.06. 2024	01.01. - 30.06. 2023
condensed interim consolidated financial statements data				
Interest income and similar income	2,207,017	2,270,702	511,962	492,240
Fee and commission income	347,975	334,850	80,720	72,588
Profit before tax	1,105,428	1,539,622	256,426	333,757
Net profit	848,150	1,215,290	196,745	263,449
Comprehensive income	899,370	1,571,235	208,627	340,610
Changes in net cash	(732,113)	2,125,402	(169,828)	460,742
Total assets*	73,073,551	73,392,520	16,942,627	16,879,604
Amounts due to banks*	3,621,453	3,375,687	839,660	776,377
Amounts due to customers*	53,806,343	55,008,001	12,475,387	12,651,334
Equity*	9,214,496	9,729,491	2,136,447	2,237,693
Share capital*	522,638	522,638	121,177	120,202
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	70.52	74.46	16.35	17.13
Total capital ratio (in %)*	23.6	23.6	23.6	23.6
Earnings per ordinary share (PLN/EUR)	6.49	9.30	1.51	2.02
Diluted earnings per share (PLN/EUR)	6.49	9.30	1.51	2.02
condensed interim standalone financial statements data				
Interest income and similar income	2,207,017	2,270,702	511,962	492,240
Fee and commission income	347,995	335,071	80,724	72,636
Profit before tax	1,137,743	1,540,044	263,922	333,849
Net profit	880,841	1,216,173	204,329	263,640
Comprehensive income	932,095	1,572,347	216,218	340,851
Changes in net cash	(732,113)	2,125,402	(169,828)	460,742
Total assets*	73,216,252	73,483,969	16,975,713	16,900,637
Amounts due to banks*	3,621,453	3,375,687	839,660	776,377
Amounts due to customers*	53,962,683	55,162,586	12,511,635	12,686,887
Equity*	9,202,577	9,668,020	2,133,684	2,223,556
Share capital*	522,638	522,638	121,177	120,202
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	70.43	73.99	16.33	17.02
Total capital ratio (in %)*	23.2	23.2	22.7	23.2
Earnings per ordinary share (PLN/EUR)	6.74	9.31	1.56	2.02
Diluted earnings per share (PLN/EUR)	6.74	9.31	1.56	2.02
Declared dividends per share (PLN/EUR)**	11.15	9.00	2.59	1.95

Explanations to the table:

1) Comparative data according to balance sheet and total capital ratio as at 31 December 2023.

2) Additional information on capital ratio is included in the supplementary note no. 5 in the section "Capital Adequacy" and "Information on capital adequacy of Bank Handlowy w Warszawie S.A. as at 30 June 2024" subject to publication on the Bank's website. Calculation of TCR as of 30.06.2024 was not subject to a separate review or audit by an auditor.

3) On the June 19, 2024 the Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. (hereinafter GM) adopted a resolution on distribution of the net profit for 2023. Additional information concerning dividend payout was presented in Note 30.

4) The following exchange rates were applied to convert PLN to EUR: for the statement of financial position items - average NBP exchange rate as at 30 June 2024 4.3130 (as at 31 December 2023: PLN 4.3480 and as at 30 June 2023: PLN 4.4503); for the income statement, the statement of comprehensive income and the cash flow statement items - the rate is calculated as the arithmetic mean of NBP exchange rates prevailing as at the last day of each month of the first half of 2024: EUR 1 = PLN 4.3109 (in the first half of 2023: PLN 4.6130).



Condensed Interim Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the 6 month period ended 30 June 2024

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

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Condensed consolidated income statement

	For the period	II quarter	I half of the year	II quarter	I half of the year
		01.04. – 30.06. 2024	01.01. – 30.06. 2024	01.04. – 30.06. 2023	01.01. – 30.06. 2023
PLN '000	Note				
Interest income	6	1,028,230	2,063,763	1,109,702	2,181,152
Similar income	6	73,148	143,254	45,914	89,550
Interest expense and similar charges	6	(296,674)	(604,398)	(323,678)	(591,460)
Net interest income	6	804,704	1,602,619	831,938	1,679,242
Fee and commission income	7	175,750	347,975	166,878	334,850
Fee and commission expense	7	(27,927)	(55,854)	(24,832)	(52,136)
Net fee and commission income	7	147,823	292,121	142,046	282,714
Dividend income		10,612	10,705	9,769	9,773
Net income on trading financial instruments and revaluation	8	143,963	279,421	183,589	415,432
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	26	20,537	14,414	(28,179)	(3,923)
Net gain/(loss) on equity and other instruments measured at fair value through income statement		(9,621)	(6,660)	14,166	15,474
Net gain/(loss) on hedge accounting	27	1,807	9,560	(2,421)	(5,023)
Other operating income	9	6,223	12,474	5,864	11,921
Other operating expense	9	(23,122)	(31,113)	(6,748)	(13,208)
Net other operating income and expense	9	(16,899)	(18,639)	(884)	(1,287)
General administrative expenses	10	(326,269)	(767,014)	(312,127)	(700,862)
Depreciation and amortization		(28,626)	(58,153)	(27,800)	(54,106)
Net impairment on non-financial assets	18	(180,064)	(180,064)	-	-
Profit on sale of other assets		(131)	1,716	(57)	(78)
Provision for expected credit losses on financial assets and provisions for contingent commitments	11	8,635	19,073	5,700	(6,150)
Operating profit		576,471	1,199,099	815,740	1,631,206
Tax on some financial institutions		(48,454)	(93,671)	(44,540)	(91,584)
Profit before tax		528,017	1,105,428	771,200	1,539,622
Income tax expense	12	(133,894)	(257,278)	(159,672)	(324,332)
Net profit		394,123	848,150	611,528	1,215,290
Including:					
Net profit attributable to Bank's shareholders (in PLN)			848,150		1,215,290
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			6.49		9.30
Diluted net earnings per share (in PLN)			6.49		9.30

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

Financial data presented on quarterly basis for the period of 1 April 2024 to 30 June 2024, as well as comparative data for this period, was not subject to a separate review or audit by an auditor.

Condensed consolidated statement of comprehensive income

		II quarter I half of the year		II quarter I half of the year	
	For the period	01.04. - 30.06. 2024	01.01. - 30.06. 2024	01.04. - 30.06. 2023	01.01. - 30.06. 2023
PLN '000	Note				
Net profit		394,123	848,150	611,528	1,215,290
Other comprehensive income, that is or might be reclassified to the income statement		(63,510)	51,220	136,309	360,175
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	13	(46,887)	62,929	113,700	357,226
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	13	(16,635)	(11,675)	22,825	3,178
Currency translation differences		12	(34)	(216)	(229)
Other comprehensive income, that cannot be subsequently reclassified to profit or loss		-	-	(4,230)	(4,230)
Net actuarial profits on specific services program valuation		-	-	(4,230)	(4,230)
Other comprehensive income net of tax		(63,510)	51,220	132,079	355,945
Total comprehensive income		330,613	899,370	743,607	1,571,235
Including:					
Comprehensive income attributable to Bank's shareholders		330,613	899,370	743,607	1,571,235

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

Financial data presented on quarterly basis for the period of 1 April 2024 to 30 June 2024, as well as comparative data for this period, was not subject to a separate review or audit by an auditor.

Condensed consolidated statement of financial position

PLN '000	As at Note	30.06.2024	31.12.2023
ASSETS			
Cash and cash equivalents		509,716	1,241,724
Amounts due from banks	14	4,215,076	15,371,552
Financial assets held-for-trading, including:	15	5,573,748	4,880,332
<i>Assets pledged as collateral</i>		9,870	-
Hedging derivatives	27	70,983	6,731
Debt financial assets measured at fair value through other comprehensive income, including:	16	39,213,829	29,560,292
<i>Assets pledged as collateral</i>		1,224,697	697,771
Equity and other instruments measured at fair value through income statement		134,835	141,495
Amounts due from customers	17	21,245,636	20,054,454
Tangible fixed assets		536,712	508,403
Intangible assets	18	1,087,865	1,285,314
Current income tax receivables		-	9
Deferred income tax asset	19	153,766	115,413
Other assets		331,385	217,535
Non-current assets held-for-sale	20	-	9,266
Total assets		73,073,551	73,392,520
LIABILITIES			
Amounts due to banks	21	3,621,453	3,375,687
Financial liabilities held-for-trading	15	3,152,358	3,522,203
Hedging derivatives	27	98,484	92,869
Amounts due to customers	22	53,806,343	55,008,001
Provisions		122,945	111,689
Current income tax liabilities		134,731	457,871
Deferred tax liabilities	19	36	94
Other liabilities	23	2,922,705	1,094,615
Total liabilities		63,859,055	63,663,029
EQUITY			
Share capital		522,638	522,638
Supplementary capital		3,001,260	3,001,260
Treasury shares		(18,812)	-
Revaluation reserve		179,660	128,406
Other reserves		4,051,006	3,190,659
Retained earnings		1,478,744	2,886,528
Total equity		9,214,496	9,729,491
Total liabilities and equity		73,073,551	73,392,520

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

Condensed consolidated statement of changes in equity

PLN '000	Share capital	Supplementary capital	Own shares	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2024	522,638	3,001,260	-	128,406	3,190,659	2,886,528	9,729,491
Total comprehensive income, including:	-	-	-	51,254	(34)	848,150	899,370
Net profit	-	-	-	-	-	848,150	848,150
Other comprehensive income	-	-	-	51,254	(34)	-	51,220
Currency translation differences from the foreign operations' conversion	-	-	-	-	(34)	-	(34)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	-	51,254	-	-	51,254
Capital rewards program	-	-	(18,812)	-	59,377	-	40,565
Dividends paid	-	-	-	-	-	(1,454,930)	(1,454,930)
Transfer to capital	-	-	-	-	801,004	(801,004)	-
Balance as at 30 June 2024	522,638	3,001,260	(18,812)	179,660	4,051,006	1,478,744	9,214,496

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

PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2023	522,638	3,001,259	(573,528)	2,833,345	2,176,531	7,960,245
Total comprehensive income, including:	-	-	360,404	(4,459)	1,215,290	1,571,235
Net profit	-	-	-	-	1,215,290	1,215,290
Other comprehensive income	-	-	360,404	(4,459)	-	355,945
Currency translation differences from the foreign operations' conversion	-	-	-	(229)	-	(229)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	360,404	-	-	360,404
Net actuarial profits/(losses) on specific services program valuation	-	-	-	(4,230)	-	(4,230)
Dividends paid	-	-	-	-	(1,175,937)	(1,175,937)
Transfer to capital	-	1	-	370,318	(370,319)	-
Balance as at 30 June 2023	522,638	3,001,260	(213,124)	3,199,204	1,845,565	8,355,543

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

Condensed consolidated statement of cash flows

PLN '000	For the period	01.01. - 30.06. 2024	01.01. - 30.06. 2023
A. OPERATING ACTIVITIES			
I. Net profit		848,150	1,215,290
II. Adjustments:		(1,851,581)	1,266,067
Current and deferred income tax recognized in income statement		257,278	324,332
Depreciation and amortization		58,153	54,106
Net impairment due to expected credit losses		(15,131)	17,734
Net impairment due to nonfinancial assets value loss		180,064	-
Net provisions		17,437	(6,566)
Net interest income		(1,602,619)	(1,679,242)
Dividend income		(10,705)	(9,773)
Profit/loss on sale of fixed assets		(1,716)	78
Net unrealized exchange differences		(384)	20,852
Net gain/(loss) on equity and other instruments measured at fair value through income statement		6,660	(15,474)
Other adjustments		29,452	11,907
Change in amounts due from banks		11,109,797	(9,360,145)
Change in amounts due from customers		(1,168,385)	(1,196,681)
Change in debt securities measured at fair value through other comprehensive income		(8,956,611)	10,989,034
Change in financial assets held-for-trading		(666,989)	862,650
Change in derivative securities		(64,252)	623
Change in other assets		(105,266)	(82,484)
Change in amounts due to banks		245,222	(1,468,911)
Change in amounts due to customers		(1,200,862)	1,521,936
Change in liabilities held-for-trading		(369,845)	(273,494)
Change in amounts due to hedging derivatives		5,615	64,402
Change in other liabilities		401,506	1,491,183
Interest received		1,583,933	1,814,942
Interest paid		(606,390)	(586,586)
Income tax paid		(630,845)	(308,834)
III. Net cash flows from operating activities		(656,733)	3,400,879
B. INVESTING ACTIVITIES			
Inflows		15,164	2,493
Disposal of tangible fixed assets		1,273	499
Disposal of fixed assets/liabilities held-for-sale		11,368	-
Dividends received		2,523	1,994
Outflows		(65,141)	(72,740)
Purchase of tangible fixed assets		(43,629)	(42,810)
Purchase of intangible assets		(21,512)	(29,930)
Net cash flows from investing activities		(49,977)	(70,247)
C. FINANCING ACTIVITIES			
Inflows		-	-
Outflows		(25,474)	(1,181,954)
Paid dividends		-	(1,175,937)
Outflows for own shares purchase		(18,812)	-
Outflows from lease payments		(6,662)	(6,017)
Net cash flows from financing activities		(25,474)	(1,181,954)
D. Exchange rates differences resulting from cash and cash equivalent calculation		71	(23,276)
E. Net increase/(decrease) in cash and cash equivalent		(732,113)	2,125,402
F. Cash and cash equivalent at the beginning of reporting period		1,241,873	658,777
G. Cash and cash equivalent at the end of reporting period		509,760	2,784,179

The comparison data for the period of the first half-year of 2023 have been transformed due to the Bank's adjustment of classification of cash and cash equivalents in line with the position of IFRS Interpretations Committee and IAS 7 "Statement of cash

flows” requirements, additional information can be found in the Capital Group of Bank Handlowy w Warszawie S.A Annual Report for the fiscal year ending 31 December 2023.

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

Supplementary notes to the condensed interim consolidated financial statements

1. General information about the Bank and the Capital Group of Bank Handlowy w Warszawie S.A. (“The Group”)

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

The parent entity was granted a statistical REGON No. 000013037 and tax identification No. (NIP) 526-030-02-91.

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

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

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

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

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

Bank Handlowy w Warszawie S.A. is a universal commercial bank that offers a wide range of banking services for individuals and corporate clients. The Group consists of the Bank and the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.06.2024	31.12.2023
Entities fully consolidated			
Handlowy Financial Services Spółka z ograniczoną odpowiedzialnością	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o. (apart from indirect shareholding via Handlowy-Inwestycje Sp. z o.o. where the share in equity equals 2.53%)	Warsaw	97.47	97.47
Handlowy Investments S.A.	Luxembourg	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	100.00

2. Declaration of conformity

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2024 to 30 June 2024 and for the consolidated statement of financial position as at 30 June 2023. Comparative financial data are presented for the period from 1 January 2023 to 30 June 2023 and for the consolidated statement of financial position as at 31 December 2023.

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

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 ‘Interim Financial Reporting’, adopted by European Union.

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

In accordance with the Decree of the Ministry of Finance dated 29 March 2018, regarding current and periodic information provided by issuers of securities, and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, No. 757) the Bank is obliged to publish its financial results for the six-month period ended 30 June 2024 which is deemed to be the current interim financial reporting period.

These condensed consolidated interim financial statements were approved by the Management Board on 29 August 2024.

This interim condensed consolidated financial statement of the Group has been prepared with the assumption of going concern in the period of at least 12 months since the date of publication. As of the day of signing the consolidated financial statement, the Bank's Management does not identify the existence of facts and circumstances that would indicate threats to the Group's ability to go concern in the period of 12 months since the balance sheet date due to omission or significant limitation of the Group's current activities.

3. Significant accounting policies

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

Due to implementation of the incentive programs referred to in the resolutions adopted by the Extraordinary General Meeting of the Bank on December 16, 2022, in the first half of 2024, the Group converted a specific part of the awards settled in cash into awards settled in equity instruments of Bank Handlowy S.A., which resulted in a change of method of recognizing certain equity awards in accordance with IFRS 2 "Share-based payments". The conversion of awards involved the transfer of part of liabilities to employees previously included in the statement of financial position in the item *Other liabilities* to the equity item *Other reserves*. Awards are recognized as costs in the period of acquiring rights by the awarded employees in correspondence with equity. The value of the award is determined according to the fair value of the shares determined on the date of granting and is not subject to revaluation thereafter. As described in Note 29 *Issue, redemption and repayment of debt and equity securities*, in order to implement the program, the Bank started purchasing its own shares, which until they are issued as rewards are presented in the statement of financial position in the item *Own shares* and in the statement of cash flows in cash flows from financial activities.

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

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

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

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

Standards and interpretations applicable from 1 January 2024:

- IAS 1 "Presentation of financial statements" amendment, issued on 31 October 2022, concerns the area of classification of liabilities as current or non-current and clarifies that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current on a given reporting date;
- IFRS 16 "Leases" amendment, issued on 22 September 2022, concerns the accounting treatment of a transaction, where an entity sold an asset and concurrently said asset became the subject of a lease agreement concluded with a new owner (leaseback);
- IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: disclosures", issued on May 25, 2023, introduce the requirement for additional disclosures targeting the improvement of transparency of the presentation of supplier financing arrangements, their impact on the entity's liabilities, cash flows and exposure to liquidity risk;

will not have significant impact on the financial statements.

Standards and interpretations European Union's approval:

- IAS 21 "Effects of changes in foreign exchange rates", issued August 15, 2023, clarifies when a currency is convertible into other currencies, how an entity determines the exchange rate when a currency is non-convertible,

and specifies the scope of disclosures that will help the financial statements' users to understand the impact of the lack of convertibility of currency on entity's financial position, financial performance and cash flows. The amendment will be applicable from January 1, 2025. The Group believes that the change in the standard will not have a significant impact on the financial statements

- On 9 April 2024, the IASB issued IFRS 18 "Presentation and Disclosure in Financial Statements". The standard will be effective for annual reporting periods beginning on January 1, 2027. The new standard is intended to replace IAS 1 – "Presentation of Financial Statements" and will help to achieve comparability of the financial performance of similar entities. The new standard:
 - ✓ introduces a defined structure for the statement of profit or loss. Items in the statement of profit or loss will be classified into one of five categories: operating, investing, financing, income taxes and discontinued operations. The standard requires also to present totals and subtotals, including mandatory inclusion of "Operating profit or loss";
 - ✓ introduces an additional note presenting management-defined performance measures which are subtotals of income and expenses an entity uses in public communications outside financial statements, an entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole. The disclosure will have to contain a description of the aspect of financial performance that in management's view, is communicated by the management-defined performance measures, how the management-defined performance measure is calculated and reconciliation between the management-defined performance measure and the position from financial statement measured in accordance with other standards;
 - ✓ clarifies the guidelines for data aggregation and disaggregation which focus on grouping items based on their shared characteristics enabling entities to decide which items are presented in the primary financial statements and what information is disclosed in the notes.

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

- On May 9, 2024, the IASB issued IFRS 19 "Subsidiaries without Public Accountability: Disclosures", which allows eligible subsidiaries to apply reduced information disclosure requirements, instead of the requirements of other IFRS Accounting Standards. The new standard will be applicable to the annual reporting periods beginning January 1, 2027 and the Group believes it will not have a significant impact on the financial statements.
- The amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" issued May 30, 2024 clarify:
 - ✓ The timing of discontinuation of recognition of financial liabilities from the balance sheet, introducing an option for early derecognition of financial liabilities that are settled through an electronic payment system that meets certain criteria
 - ✓ How to assess the characteristics of contractual cash flows from "non-recourse" financial assets and financial assets in cases where contractual provisions refer to contingent events, including, for example, related to ESG objectives (for the purpose of classifying financial assets)

The amendments to the aforementioned standards also introduce additional disclosure requirements for financial assets and liabilities whose contractual terms make cash flows contingent on contingent events and for equity instruments designated at fair value through other comprehensive income. The amendments will be applicable from January 1, 2026. The Group is in the process of assessing the impact of the new standard on the financial statements.

Income tax in interim financial statements

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

Foreign currency

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

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

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

the Net income on trading financial instruments and revaluation.

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

PLN		30 June 2024	31 December 2023	30 June 2023
1	USD	4.0320	3.9350	4.1066
1	CHF	4.4813	4.6828	4.5562
1	EUR	4.3130	4.3480	4.4503

4. Segment reporting

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

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

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

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

Institutional Banking

Within the Institutional Banking segment, the Group offers products and provides services to commercial entities, municipalities and public sector. The offer in the Institutional Banking segment includes among others:

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

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

A shared characteristic of the institutional banking clients is that they need advanced financing products and advice relating to financial services. In this area, the Group ensures a coordinated offer of investment banking, treasury and cash management products and prepares loan proposals that cover differentiated forms of financing.

Consumer Banking

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

- Current and savings accounts,
- Cash loans,
- Mortgage loans,
- Credit cards,
- Asset management services,
- Acting as an agent in investment and insurance products sale.

Consolidated income statement by business segment

For the period PLN '000	01.01 – 30.06.2024			01.01 – 30.06.2023		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	1,055,360	547,259	1,602,619	1,140,562	538,680	1,679,242
Internal interest income, including:	(337,660)	337,660	-	(258,084)	258,084	-
Internal income	-	337,660	337,660	-	258,084	258,084
Internal expenses	(337,660)	-	(337,660)	(258,084)	-	(258,084)
Net fee and commission income	217,242	74,879	292,121	201,174	81,540	282,714
Dividend income	2,106	8,599	10,705	1,691	8,082	9,773
Net income on financial instruments and revaluation	262,925	16,496	279,421	397,768	17,664	415,432
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	14,414	-	14,414	(3,923)	-	(3,923)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	413	(7,073)	(6,660)	2,247	13,227	15,474
Net gain/(loss) on hedge accounting	9,560	-	9,560	(5,023)	-	(5,023)
Net other operating income	5,712	(24,351)	(18,639)	7,987	(9,274)	(1,287)
General administrative expenses	(385,106)	(381,908)	(767,014)	(356,160)	(344,702)	(700,862)
Depreciation and amortization	(13,128)	(45,025)	(58,153)	(12,278)	(41,828)	(54,106)
Profit on sale of other assets	1,789	(73)	1,716	(52)	(26)	(78)
Net impairment loss on financial assets and provisions for contingent commitments	(14,208)	33,281	19,073	20,769	(26,919)	(6,150)
Operating income	1,157,079	222,084	1,379,163	1,394,762	236,444	1,631,206
Tax on some financial institutions	(63,843)	(29,828)	(93,671)	(65,268)	(26,316)	(91,584)
Profit before tax	1,093,236	192,256	1,105,428	1,329,494	210,128	1,539,622
Income tax expense			(257,278)			(324,332)
Net profit			848,150			1,215,290

As at PLN '000	30.06.2024			31.12.2023		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	66,345,824	6,727,727	73,073,551	66,582,596	6,809,924	73,392,520
Total liabilities and shareholders' equity, including:	50,721,736	22,351,815	73,073,551	50,960,855	22,431,665	73,392,520
Liabilities	43,036,681	20,822,374	63,859,055	42,895,722	20,767,307	63,663,029

5. Risk Management

Credit Risk

The main purpose of risk management in the Group is to support a long-term plan for the stable development of the credit portfolio while maintaining its proper quality. Credit risk management is executed based on the policies and procedures that consistently and clearly define and communicate standards for risk identification, measurement, acceptance, control, monitoring and reporting.

In the current reporting period, the Group continued to perform activities related to credit risk management in light of the external environment situation development, including in particular the impact of war between Russia and Ukraine, energy and commodity price volatility. In terms of Corporate Banking and Retail Banking, in the current reporting period, the Group did not observe a significant impact of the above factors on the credit portfolio quality. 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 insignificant. Higher costs of credit risk in the institutional banking segment was mainly due to changes in the model for estimating expected credit losses, including changes in the methodology for estimating cash flows for impaired exposures. Net result on provisions for expected credit losses regarding receivables from Consumer Banking customers was driven by a stable portfolio.

Due to persistent economic uncertainty and and historically observed performance results, despite good quality of portfolio, impact on expected credit losses due to financial assets might not be fully reflected in impairment models. Therefore, similarly to 31 December 2023, the Group maintains additional provisions for expected credit losses for this purpose. These provisions concern both the receivables from Institutional and Consumer Banking customers.

The Group manages its exposure by identifying and monitoring of limits, set within the capital limits and liquidity norms, taking into account the constraints of external regulations.

The Group monitors the concentration of credit exposures on an ongoing basis, in order to avoid a situation where the portfolio depends on a small number of clients. In the first half of 2024, the Group's credit exposure to non-bank entities did not exceed the limit of concentration required by law.

In the practice of credit risk management in the Bank, grouping of financial assets takes place within groups representing the level of credit risk of a given instrument. For receivables without impairment, in the area of retail banking, grouping takes place according to the periods of delinquent days, while in the area of institutional banking, the Bank groups financial assets into risk rating ranges.

Concentration of exposures – non-bank clients*

PLN '000	30 Jun 2024			31 Dec 2023		
	Balance sheet exposure**	Exposure due to granted financial commitments and guarantees	Total exposure	Balance sheet exposure**	Exposure due to granted financial commitments and guarantees	Total exposure
CLIENT 1	1,304,918	-	1,304,918	942,297	-	942,297
GROUP 2	950,670	184,729	1,135,399	953,852	86,478	1,040,330
GROUP 3	1,002,540	-	1,002,540	1,002,530	-	1,002,530
CLIENT 4	372,369	404,233	776,602	592,486	405,827	998,313
GROUP 5	87,693	618,866	706,559	118,433	582,488	700,921
GROUP 6	198,693	339,391	538,084	305,976	230,451	536,427
CLIENT 7	435,516	101,208	536,724	177,419	98,785	276,204
GROUP 8	370,754	147,067	517,821	334,735	208,114	542,849
GROUP 9	405,278	80,683	485,961	361,008	681	361,689
GROUP 10	452,661	22,230	474,891	351,031	23,940	374,971
Total 10	5,581,092	1,898,407	7,479,499	5,139,767	1,636,764	6,776,531

*As at 30.06.2024; data from 31.12.2023 are comparative and do not illustrate concentration of exposures as at 31.12.2023.

**Excludes exposures due to shares and other securities.

"The Group" is understood as a capital group composed of entities in relation to which the Capital Group of Bank Handlowy w Warszawie S.A. has involvement.

Concentration of exposure to industries*

Industry according to NACE*	30 Jun 2024		31 Dec 2023	
	PLN'000	%	PLN'000	%
Wholesale trade, except motor vehicles	8,806,676	26.20%	18,591,026	44.30%
Financial service activities, except insurance and pension funds	3,663,291	10.9%	3,864,447	9.20%
Activities supporting financial services and insurance and pension funds	2,651,801	7.9%	1,866,373	4.40%
Generation and supply of electricity, gas, steam, hot water and air for air conditioning systems	1,452,441	4.3%	1,589,826	3.80%
Food production	1,438,086	4.3%	1,213,314	2.90%
Activities of head offices; management consulting	1,355,962	4.0%	1,721,912	4.10%
Manufacture of electrical equipment	1,325,099	3.9%	1,048,675	2.50%
Retail trade, except motor vehicles	979,753	2.9%	1,259,723	3.00%
Manufacture of motor vehicles, trailers and semi-trailers, except motorcycles	801,321	2.4%	674,491	1.61%
Beverage production	683,439	2.0%	697,810	1.70%
First „10" industries total	23,157,869	68.8%	32,527,597	77.5%
Other industries	10,496,533	31.2%	9,440,181	22.5%
Total	33,654,402	100.0%	41,967,778	100.00%

**Gross balance sheet and off-balance-sheet exposure to institutional customers (including banks) as of the day 30.06.2024 based on NACE Revision 2 (The Statistical Classification of Economic Activities in the European Community); data as at 31.12.2023 are comparative and do not illustrate concentration of exposures as at 31.12.2023.*

The process of active portfolio quality management includes, depending on client type, assigning appropriate risk ratings and internal classification, monitoring days past due as well as application of the relevant remedial or debt collection actions. The Group has put in place a uniform internal system for classification of receivables based on predetermined criteria. Risk rating assignment and classification system are crucial in defining the level of impairment allowances.

The Group creates provisions for expected credit losses, for all financial assets, according to developed internal rules and methodologies. These provisions are created on an aggregated basis for each of 3 stages:

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

Assignment of the exposure to Stages takes place, depending on the approach to management over the client (individual vs. group approach), taking into account:

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

Stage 1

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

Stage 2

In the area of Retail Banking for the Stage 2 classification, apart from the 30 days past due criterion and forbore categories, the quantitative measure is applied – analysis of the change in PD level since the initial recognition. In accordance with the IFRS 9 standard, the Group does not use a fixed threshold above which an increase in risk would automatically be considered significant. It results from the fact that the same increase of PD in absolute terms would be more significant for exposures with lower initial risk than for those with the higher initial risk. Therefore the Group applies a designed model that sets a threshold above which an increase in risk is considered significant. In order to determine the relative growth, the Group uses a variable being the quotient of the probability of default on the current reporting date and the contingent probability calculated for the same period at the time of initial recognition. A threshold is defined as the cut-off point, where the probability of a default event occurring when the value of an explanatory variable increases is maximised.

In case of credit exposures from the retail banking area, the overdue criterion of over 30 days is a direct trigger for identifying a significant increase in credit risk. In addition, qualitative premises are included on the modification without impairment activities carried out and the fact that information about the probability of default is not available.

For credit exposures in the area of institutional banking, overdue by more than 30 days is taken into account when assessing the potential occurrence of a significant increase in credit risk, and the Group periodically, as per internal classification process and ongoing monitoring process, analyses changes in risk of default by comparing the current assessment of default with the assessment of default in the initial recognition.

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

- Qualitative indicators (including Early Warning System),
- Quantitative information (change of the Lifetime PD at the reporting date with the Lifetime PD at initial recognition above the relative and absolute threshold for a given sensitivity class, financial data),
- Expected exposure life period,
- Occurrence of economic or legal reasons related to the borrower's financial difficulties and granting to the borrower a concession to financial conditions that the lender would not otherwise consider (assuming that those changes does not imply deterioration in future payment flows).

Stage 3

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

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

At each balance sheet date, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets.

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

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

- obtaining information on significant financial difficulties of the client;
- reduction of the client credit rating by an accepted by the Group External Credit Assessment Institution¹;
- occurrence of economic or legal reasons related to the borrower's financial difficulties and granting to the borrower a concession to financial conditions that the lender would not otherwise consider, when it results in impairment (forborne non-performing exposure), including granting permission for emergency restructuring of credit exposure, if it might result in decreasing financial requirements, reduction of financial liabilities by redeeming a significant part of the principal, interest or, where applicable, fees or deferring their repayment ;
- high likelihood of bankruptcy, gaining information on:
 - declaration of bankruptcy;
 - commencing bankruptcy proceedings or submitting a bankruptcy petition / petition for bankruptcy proceedings
 - putting the debtor into bankruptcy or liquidation;
 - dismissing the bankruptcy petition because the debtor's assets are insufficient or only sufficient to cover the costs of bankruptcy proceedings;
 - dissolution or liquidation or annulment of the company;
 - appointing a guardian;
 - establishing a trustee (bankruptcy administrator);
 - submitting an application for restructuring proceedings within the meaning of the Restructuring Law;
 - or granting to the obligor a similar protection if it would allow him to avoid or delay repayment of credit obligations;
- Group initiates procedure to obtain an enforcement title,
- delay in payment equal to 90 days or more (where days past due are calculated in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure),
- default contagion in line with EBA/GL/2016/07 guidance,
- obtaining information from an external database about the delay in payment of debtor's financial liabilities in other financial institutions by 90 days or more in line with the materiality thresholds;
- status of exposure has been changed from "accrual" / "performing" to "non-accrual" / "non-performing",
- exposure has been classified (as per internal classification) to category: "Substandard-non-performing" / "non-accrual" and "Loss",
- Obligor Risk Rating (ORR) is worse than 7- which is applied for Obligors that are defaulted,
- justified suspicion of extorting a credit exposure, or identifying cases of a probable criminal act related to a credit exposure, documented by submitting a notification of suspected crime to the competent state authority,
- termination of the loan agreement due to high credit risk,
- obtaining information on the execution of a court judgment process against the debtor in an amount which, in the opinion of the Group, may result in the loss of creditworthiness,
- lack of payment by the debtor the amount of the realized Government guarantee,
- death, permanent disability or serious illness of the debtor (in the case of debtors running a company in the form of entrepreneurship), resulting in the inability to continue the activity,
- staying in custody or prison of the debtor (in the case of debtors running a company in the form of entrepreneurship), resulting in the inability to continue the activity
- obtaining information about a customer's default under agreements with other Citi group entities,
- in case the Economic Loss (L) resulting from the sale of credit obligations is higher than 5%, all other remaining client exposures should be considered defaulted

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

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

- occurrence of delays in repayment of principal and interest, the minimum amount to be paid, commission or exceeding the permitted limit. For the purpose of default identification it is assumed that the delay in repayment is equal to or exceeds 90 days at the moment of calculating the write-down (where days past due are calculated in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure);
- granting modifications to the terms of the agreement (restructuring), as a result of which the current value of cash

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

- flows falls below the book value before the modification;
- termination of the contract for reasons other than a delay in the repayment of mortgage products;
 - default contagion in line with EBA/GL/2016/07 guidance; occurrence of qualitative circumstances:
 - death,
 - bankruptcy,
 - permanent disability or serious illness,
 - fraud,
 - obtaining information about initiating bankruptcy proceedings of the client or announcing bankruptcy by the client,
 - impairment or threat of collateral impairment,
 - obtaining information about significant financial problems of the client,
 - justified suspicion of extortion of credit exposure or identifying cases of the substantiated criminal offense concerning credit exposure,
 - obtaining information about the execution of the debtor in the amount, which in the bank's opinion may result in the loss of creditworthiness,
 - the client's stay in custody or prison,
 - partial capital write-off,
 - agreement termination,
 - the Group's request to initiate enforcement proceedings against the client.

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

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

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

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

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

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

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

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

- The rate of impairment is derived from the client's rating determined based on internal rating models. The ECL methodology describes the process of applying existing migration ratings, expected in a given macroeconomic scenario, to migration schedules. In this way, in the following forecast periods, the probability of migration to a given rating range is obtained.
- The value of the LGD parameter results directly from the dedicated model for impaired clients.
- The exposure value for subsequent forecast periods is based on available repayment schedules as well as (for renewable products) on the expected change in exposure described by the value of the CCF parameter. The basis for estimating this parameter was internal data on amounts used by customers before the Group identified impairment of value.

- The assignment to the stage is based on the customer assessment process used in the Group to manage the client. This process includes both quantitative factors (e.g. customer rating) and a number of qualitative factors (e.g. Early Warning Signals).
- The maturity dates adopted by the Group result directly from agreements with customers and periods in which the Group is exposed to possible risks.

In the area of retail banking, the basis of parameters included in the ECL methodology are the existing internal models of the client's creditworthiness assessment in the Bank, information about the stage of debt collection proceedings and information from the Bank's data warehouse.

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

The Group takes into account macroeconomic information about the future in determining the expected credit losses. Scenarios are prepared by the Chief Economist of the Bank at least once a quarter in the three years horizon in division into quarters (based scenario with 60% weight and positive and negative variation from scenario with 20% weight).

In the area of institutional banking, the Group divided the loan portfolio into industries in terms of their sensitivity to macroeconomic conditions, identified macroeconomic variables that best explained the historical changes in credit quality and analyzed the dependence on macroeconomic factors using statistical methods. Finally, the Group has built a model for two classes with a higher level of industry sensitivity allowing for the dependence of the coefficient determining the level of client migration between ratings from these factors. For the class with low sensitivity, the Group did not make the level of migration dependent on macroeconomic factors.

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

Macroeconomic scenarios in the area of institutional banking comprise the following variables:

- annual amendment of index WIG,
- NBP reference rate

However retail banking uses two variables in modeling the expected credit losses:

- unemployment rate „BAEL”,
- annual amendment of index WIG.

The scenarios for the variables used to estimate ECL as at 30 June 2024 are presented below

Base economic scenario	2q24	3q24	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27
NBP Reference rate	5.75	5.75	5.75	5.75	5.75	5.00	4.75	4.25	4.00	3.75	3.75	3.75	3.75
Unemployment rate „BAEL”	2.6	2.6	2.6	3.0	2.9	2.8	2.7	3.0	2.9	2.8	2.8	3.0	2.8
WIG (end of the period)	84261	84519	84777	86221	87665	89109	90554	92019	93483	94948	96413	97721	99203

Pessimistic economic scenario	2q24	3q24	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27
NBP reference rate	5,75	5,50	5,25	5,00	4,75	3,75	3,50	3,00	2,75	2,50	2,50	2,50	2,50
Unemployment rate „BAEL”	2,6	2,6	2,8	3,4	3,3	3,3	3,4	3,8	3,7	3,7	3,7	3,9	3,7
WIG (end of the period)	80815	77696	74698	72859	74080	75300	76520	77758	78996	80234	81472	82577	83830

Optimistic economic scenario	2q24	3q24	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27
NBP reference rate	5,75	6,25	6,75	7,00	7,25	7,00	6,75	6,00	5,50	5,00	4,75	4,50	4,50
Unemployment rate „BAEL”	2,5	2,4	2,4	2,7	2,4	2,2	2,1	2,3	2,1	2,0	1,9	2,0	1,8
WIG (end of the period)	87707	91628	95724	101341	103039	104736	106434	108156	109877	111599	113321	114858	116601

As part of the assessment of the adequacy of the methodology used to determine expected credit losses, the Group regularly, on quarterly basis, carries out an analysis to verify to what extent the expected credit losses provisions were reflected in actual losses. In addition, the models used for determining reserves are subject to evaluation by an independent Model Risk Management and Validation Department.

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

Change of expected credit losses for stage 1 and 2 assuming 100% scenario weight as at 30.06.2024	Optimistic scenario	Pessimistic scenario
Consumer Bank	(2,079)	1,636
Institutional Bank	(724)	1,044
	(2,803)	2,680

Change of expected credit losses for stage 1 and 2 assuming 100% scenario weight as at 31.12.2023	Optimistic scenario	Pessimistic scenario
Consumer Bank	(2,046)	1,634
Institutional Bank	(947)	1,411
	(2,993)	3,045

The Group identifies and manages counterparty credit risk in financial instruments transactions based on internal limits for pre-settlement and settlement commitment. These exposures are also assigned credit ratings.

The maximum Group’s credit risk exposure is presented below.

PLN ‘000	Note	30.06.2024	31.12.2023
Gross receivables due from the Central Bank		509,716	1,241,873
Gross receivables due from banks	14	4,215,493	15,372,457
Gross receivables due from institutional customers*	(below)	15,387,639	14,436,772
Gross receivables due from individual customers*	(below)	6,394,774	6,354,874
Debt securities held-for-trading	15	2,352,630	791,112
Derivative instruments	15	3,187,074	4,081,822
Debt investment financial assets measured at fair value through other comprehensive income	16	39,213,829	29,560,292
Other financial assets	20	260,618	159,201
Contingent liabilities granted	33	19,384,871	17,342,302
		90,908,539	89,340,705

* As at June 30, 2024, the value of collateral reducing the maximum exposure to credit risk for receivables from institutional clients amounted to PLN 2,275,783 thousand (31 December 2023: PLN 2,408,596 thousand) and for receivables from individual clients amounted to PLN 2,356,823 thousand (31 December 2023: PLN 2,225,502 thousand).

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

PLN ‘000	30.06.2024	31.12.2023
Less than 50%	1,148,460	1,006,584
51 - 80%	1,124,725	1,134,579
81 - 100%	63,193	56,112
	2,336,377	2,197,275

The Group's portfolio is presented below, grouped into impaired receivables (stage 3) and receivables without impairment (stages 1 and 2).

The structure of the portfolio of exposures to banks and clients from the point of view of credit risk as at 30 June 2024:

PLN '000	Receivables from institutional customers	Receivables from individual customers*	Receivables from banks	Total
Receivables without recognized impairment (Stage 1)				
By risk rating				
Risk rating 1-4-	10,778,620	-	4,206,037	14,984,657
Risk rating +5-6-	3,195,530	-	3	3,195,533
By delinquency				
No delinquency	-	4,911,634	-	4,911,634
1-30 days	-	57,595	-	57,595
31-90 days	-	376	-	376
Gross amount	13,974,150	4,969,605	4,206,040	23,149,795
Provision for expected for credit losses	(21,562)	(20,583)	(91)	(42,236)
Net amount	13,952,588	4,949,022	4,205,949	23,107,559
Receivables without recognized impairment (Stage 2)				
By risk rating				
Risk rating 1-4-	163,352	-	-	163,352
Risk rating +5-6-	780,092	-	9,453	789,545
Risk rating +7 and greater	211,635	-	-	211,635
By delinquency				
No delinquency	-	977,234	-	977,234
1-30 days	-	89,816	-	89,816
31-90 days	-	10,247	-	10,247
Gross amount	1,155,079	1,077,297	9,453	2,241,829
Provision for expected for credit losses	(42,094)	(47,587)	(326)	(90,007)
Net amount	1,112,985	1,029,710	9,127	2,151,822
Receivables with recognized impairment (Stage 3)				
By delinquency	-	329,175	-	329,175
By risk rating				
Risk rating +7 and greater	256,427	-	-	257,938
Gross amount	256,427	329,175	-	587,113
Provision for expected for credit losses	(157,947)	(248,828)	-	(408,670)
Net amount	98,480	80,347	-	178,443
Receivables with recognized impairment (Stage 4)				
By delinquency	-	18,697	-	18,697
By risk rating				
Risk rating +7 and greater	1,983	-	-	2,367
Gross amount	1,983	18,697	-	21,064
Provision for expected for credit losses	(22)	1,846	-	1,824
Net amount	1,961	20,543	-	22,888
Total gross value	15,387,639	6,394,774	4,215,493	25,999,801
Provision for expected for credit losses	(221,625)	(315,152)	(417)	(539,089)
Total net value	15,166,014	6,079,622	4,215,076	25,460,712

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

Impaired receivables are characterized by a relatively lower and, in some circumstances, positive allowance for expected credit losses. Upon initial recognition, POCI assets are recognized at fair value and the fair value adjustment, which primarily reflects credit risk, is included in the gross carrying amount of the receivable. As a consequence, the net carrying amount, in the event of a change in the estimate of expected credit losses, may be higher than the gross carrying amount, and the difference representing the allowance for expected credit losses may be positive.

The structure of the portfolio of exposures to banks and clients from the point of view of credit risk as at 31 December 2023:

PLN '000	Receivables from institutional customers	Receivables from individual customers*	Receivables from banks	Total
Receivables without recognized impairment (Stage 1)				
By risk rating				
Risk rating 1-4-	10,280,827	-	15,331,662	25,612,489
Risk rating +5-6-	2,692,480	-	5,385	2,697,865
By delinquency				
No delinquency	-	4,631,658	-	4,631,658
1-30 days	-	-	-	78,408
31-90 days	-	-	-	331
Gross amount	12,973,307	4,710,397	15,337,047	33,020,751
Provision for expected for credit losses	(20,582)	(31,893)	(316)	(52,791)
Net amount	12,952,725	4,678,504	15,336,731	32,967,960
Receivables without recognized impairment (Stage 2)				
By risk rating				
Risk rating 1-4-	443,774	-	5,343	449,117
Risk rating +5-6-	328,656	-	30,067	358,723
Risk rating +7 and greater	302,783	-	-	302,783
By delinquency				
No delinquency	-	1,086,026	-	1,086,026
1-30 days	-	109,786	-	109,786
31-90 days	-	15,831	-	15,831
Gross amount	1,075,213	1,211,643	35,410	2,322,266
Provision for expected for credit losses	(29,898)	(69,853)	(589)	(100,340)
Net amount	1,045,315	1,141,790	34,821	2,221,926
Receivables with recognized impairment (Stage 3)				
By delinquency	-	414,565	-	414,565
By risk rating				
Risk rating +7 and greater	379,316	-	-	379,316
Gross amount	379,316	414,565	-	793,881
Provision for expected for credit losses	(260,474)	(324,962)	-	(585,436)
Net amount	118,842	89,603	-	208,445
Purchased or originated credit-impaired receivables				
By delinquency	-	18,269	-	18,269
By risk rating				
Risk rating +7 and greater	8,936	-	-	8,936
Gross amount	8,936	18,269	-	27,205
Provision for expected for credit losses	646	(176)	-	470
Net amount	9,581	18,093	-	27,674
Total gross value	14,436,772	6,354,874	15,372,457	36,164,103
Provision for expected for credit losses	(310,308)	(426,884)	(905)	(738,097)
Total net value	14,126,464	5,927,990	15,371,552	35,426,006

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

Impaired receivables are characterized by a relatively lower and, in some circumstances, positive allowance for expected credit losses. Upon initial recognition, POCI assets are recognized at fair value and the fair value adjustment, which primarily reflects credit risk, is included in the gross carrying amount of the receivable. As a consequence, the net carrying amount, in the event of a change in the estimate of expected credit losses, may be higher than the gross carrying amount, and the difference representing the allowance for expected credit losses may be positive.

Structure of derivatives in terms of credit risk:

PLN '000	30.06.2024			31.12.2023		
	Transactions with institutional customers	Transactions with individual customers	Transactions with banks	Transactions with institutional customers	Transactions with individual customers	Transactions with banks
Derivatives by risk rating						
Risk rating 1-4-	1,522,240	-	1,651,483	2,370,564	-	1,652,238
Risk rating +5-6-	8,560	-	4,785	58,325	-	541
Risk rating +7 and	6	-	-	154	-	-
Total	1,530,806	-	1,656,268	2,429,043	-	1,652,779

The breakdown of the exposures in the portfolio of debt securities held for trading in the portfolio of debt securities measured at fair value through other comprehensive income according to Fitch agency ratings is presented below.

PLN '000	30.06.2024		31.12.2023	
	Debt securities held-for-trading	Debt securities at fair value through other comprehensive income	Debt securities held-for-trading	Debt securities at fair value through other comprehensive income
Issuer rating by Fitch agency				
A (including: from A- to AAA)	2,352,630	39,213,829	791,112	29,560,292
Total	2,352,630	39,213,829	791,112	29,560,292

Structure of the granted contingent liabilities from the credit risk point of view as at June 30, 2024:

PLN '000	Liabilities due to institutional customers	Liabilities due to individual customers	Liabilities due to banks
Contingent liabilities granted (Stage 1)	12,451,553	3,640,172	998,181
by risk rating			
Risk rating 1-4-	10,338,750	-	998,181
Risk rating +5-6-	2,112,803	-	-
Contingent liabilities granted (Stage 2)	674,207	1,599,638	-
by risk rating			
Risk rating 1-4-	146,473	-	-
Risk rating +5-6-	419,479	-	-
Risk rating +7 and greater	108,255	-	-
Contingent liabilities granted (Stage 3)	1,831	6,240	-
by risk rating			
Risk rating +7 and greater	1,831	-	-
Contingent liabilities granted	13,049	-	-
by risk rating			
Risk rating +7 and greater	13,049	-	-
Total	13,140,640	5,246,050	998,181

Structure of the granted contingent liabilities from the credit risk point of view as at December 31, 2023:

PLN '000	Liabilities due to institutional customers	Liabilities due to individual customers	Liabilities due to banks
Contingent liabilities granted (Stage 1)	10,744,060	3,754,304	300,512
by risk rating			
Risk rating 1-4-	8,716,458	-	300,512
Risk rating +5-6-	2,027,602	-	-

PLN '000	Liabilities due to institutional customers	Liabilities due to individual customers	Liabilities due to banks
Contingent liabilities granted (Stage 2)	1,052,158	1,465,679	-
by risk rating	-	-	-
Risk rating 1-4-	86,642	-	-
Risk rating +5-6-	814,083	-	-
Risk rating +7 and greater	151,433	-	-
Contingent liabilities granted (Stage 3)	1,873	5,995	-
by risk rating	-	-	-
Risk rating +7 and greater	1,873	5,995	-
Contingent liabilities granted	17,721	-	-
by risk rating	-	-	-
Risk rating +7 and greater	17,721	-	-
Total	11,815,812	5,225,978	300,512

In addition to general principles of credit risk mitigation, the Group has defined specific rules for institutional and retail for acceptance, assessment, establishment and monitoring of various types of collaterals, including warranties, guarantees and similar instruments of support (hereinafter called jointly: collaterals). These principles are used to minimize residual risk associated with taking collaterals.

Forborne exposures are identified in the Group within the credit risk management. The Group takes into account "forborne" exposures according to the reporting requirements under the EBA/ITS/2013/03 Technical Standards and document 2012/852 issued by the ESMA. For non-performing and restructured exposures, the Group applies the EBA guidelines EBA/GL/2018/06

As "forborne" the Group considers exposures that are in the process of troubled debt restructuring. This is a situation when the debtor is experiencing financial difficulties and BHW grants preferential financing conditions to the debtor that it would not otherwise consider (i.e., off-market terms). Preferential financing conditions are considered situations in which for example the yield of the modified facility is lower than the contractual yield prior to the restructuring and/or the yield on the modified loan is below a market yield for the relevant tenor and credit risk.

The extent to which financing conditions are changed is set individually for each debtor affected by the situation. In particular, such activities include:

- modification of the conditions of the existing commitment, including changes to the repayment schedule (e.g. extension of the loan period), change in the interest rate on the receivable or repayment method, or reduction of the repayment amount (principal amount or accrued interest),
- providing new, restructured commitment to partially or fully repay the existing exposure,
- repossessioning of assets.

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

The "forborne" status may refer to both the exposures from the impaired portfolio and the portfolio without impairment. The Group treats exposures as "forborne" without impairment when restructuring activities were carried out, while the change in financing conditions did not imply a deterioration of future payment streams. In such cases, the change in the status of the "forborne" exposure is not evidence of impairment.

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

In the area of retail banking the Group assumes that the exposures remain in the "forborne" status until they are fully repaid.

Exposure values in the "forborne" status:

PLN '000	As of 30.06.2024	31.12.2023
Receivables without recognized impairment	21,176,131	19,970,559
Receivables without recognized impairment (Stage 1), including	18,943,755	17,683,703
non-financial sector entities	13,607,141	13,505,522
Institutional customers	8,637,535	8,795,125

PLN '000	As of	
	30.06.2024	31.12.2023
Individual customers	4,969,606	4,710,397
Receivables without recognized impairment (Stage 2), including:	2,232,376	2,286,856
non-financial sector entities	2,232,141	2,286,831
Institutional customers, including:	1,154,844	1,075,188
„forborne”	402,312	225,616
Individual customers, including:	1,077,297	1,211,643
„forborne”	-	46
Receivables with recognized impairment (Stage 3), including:	585,602	793,882
non-financial sector entities	585,602	793,882
Institutional customers, including:	256,427	379,303
„forborne”	79,040	82,347
Individual customers, including:	329,175	414,579
„forborne”	24,707	30,062
Purchased or originated credit-impaired receivables	20,680	27,205
non-financial sector entities	20,680	27,205
Institutional customers, including:	1,983	8,936
„forborne”	1,983	8,936
Individual customers, including:	18,697	18,269
„forborne”	12,951	12,666
Total gross amount, including:	21,782,413	20,791,646
non-financial sector entities	16,445,564	16,613,440
Institutional customers, including:	10,050,789	10,258,552
„forborne”	483,335	316,899
Individual customers, including:	6,394,775	6,354,888
„forborne”	37,658	42,774
Provision for expected credit losses	(536,777)	(737,192)
On „forborne” receivables	(71,141)	(61,930)
Total net amounts due from customers, including:	21,245,636	20,054,454
„forborne” receivables	449,852	297,743

The “forborne” exposures identification process has not undergone significant changes relative to the rules described in the Group’s consolidated financial statements for the year 2023.

Liquidity Risk

Liquidity risk is defined as the risk of Group’s lack of ability to meet its financial commitments to customers or counterparties when due.

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

In the first half of 2024 the Bank has maintained the foregoing mechanisms of liquidity risk management in the Group, i.e., no significant changes in liquidity risk management processes, procedures, systems and policies have been implemented.

The supervisory liquidity measures LCR and NSFR were as follows:

	30.06.2024	31.12.2023*	Change
LCR	189%	191%	-2 p.p.
NSFR	231%	235%	-4 p.p.

*The value of the net stable funding ratio in comparative data was recalculated taking into account the amount of recognized result in common Tier I equity. The impact of the recalculation is immaterial and totals +4p.p.

The level of modified cash flow gap and the level of liquid assets as at 30 June 2024 and 31 December 2023 are shown below.

The cumulated liquidity gap as at 30 June 2024 in real terms:

PLN '000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	40,108,026	3,137,424	762,754	-	29,359,319
Liabilities and equity	9,830,205	5,006,021	3,714	-	58,527,583
Balance-sheet gap in the period	30,277,821	(1,868,597)	759,040	-	(29,168,264)
Conditional derivative transactions – inflows	25,043,774	12,204,366	42,279,654	34,450,925	17,537,928
Conditional derivative transactions – outflows	25,124,689	12,089,165	41,494,786	34,402,630	17,816,834
Off-balance-sheet gap in the period	(80,915)	115,201	784,868	48,295	(278,906)
Potential utilization of credit lines granted	808,101	538,734	(1,346,835)	-	-
Cumulative gap	29,388,805	27,096,675	29,987,418	30,035,713	588,543

The cumulated liquidity gap as at 31 December 2023 in real terms:

PLN '000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	40,433,270	2,702,444	821,791	-	29,513,126
Liabilities and equity	10,668,501	5,483,299	47,030	-	57,271,801
Balance sheet gap in the period	29,764,769	(2,780,855)	774,761	-	(27,758,675)
Conditional derivative transactions – inflows	37,963,542	17,887,414	20,613,688	25,339,909	19,199,180
Conditional derivative transactions – outflows	37,853,954	17,707,092	20,679,168	24,715,879	19,298,149
Off-balance-sheet gap in the period	109,588	180,322	(65,480)	624,030	(98,969)
Potential utilization of credit lines granted	479,020	319,346	(798,366)	-	-
Cumulative gap	29,395,337	26,475,458	27,983,105	28,607,135	749,491

Liquid assets and cumulated liquidity gap up to 1 year:

PLN '000	30.06.2024	31.12.2023	Change
Liquid assets, including:	41,767,485	30,621,030	11,146,455
nostro account in NBP and stable part of cash	201,026	269,626	(68,600)
debt securities held-for-trading	2,352,630	791,112	1,561,518
debt financial assets measured at fair value through other comprehensive income	39,213,829	29,560,292	9,653,537
Cumulative liquidity gap up to 1 year	29,987,418	27,983,105	2,004,313
Coverage of the gap with liquid assets	Positive gap	Positive gap	

Market risk

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

The objective of market risk management is to ensure that the extent of risk accepted within the Group corresponds to the level acceptable to the shareholders and banking supervision authorities and to ensure that all exposures to market risk are properly reflected in the calculated risk measures, communicated to relevant persons and bodies responsible for the management of the Group.

In the first half of 2024 the Group has not made any changes in market risk management processes, procedures, systems and policies.

In market risk management there are two types of portfolios: trading and bank portfolios.

The following risk measures are applied to bank portfolios:

- Interest rate gap analysis;
- Value-at-Close and Total Return methods;
- Interest Rate Exposure (IRE);

- Stress testing.

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

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

It is assumed that:

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

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

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

Group's IRE measures as at 30 June 2024 and 31 December 2023 are presented below. The list is shown in the main currencies, i.e. PLN, USD and EUR which jointly account to over 90% of Group's balance sheet.

IRE – gap method

PLN '000	30.06.2024		31.12.2023	
	IRE 12M	IRE 5Y	IRE 12M	IRE 5Y
PLN	109,385	154,459	16,066	10,710
USD	56,352	88,141	30,248	54,031
EUR	41,802	75,640	(7,350)	(2,747)

IRE – cashflow method

PLN '000	30.06.2024		31.12.2023	
	IRE 12M		IRE 12M	
	+100 bp	-100 bp	+100 bp	-100 bp
Total for All currencies	216,962	(218,913)	232,952	(235,707)

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

The Group runs stress tests of predefined interest rate movement scenarios, which represent combinations of market factor movements defined as large moves and stress moves occurring both in Poland and abroad. Values of the assumed market factor movements are revised at least once a year and adjusted as appropriate to changes in the market conditions of the Group's operation.

Activities relating to securities at fair value through other comprehensive income are the responsibility of the Assets and Liabilities Management Department within the Financial Markets and Corporate Banking Sector. Three basic goals of activities in the portfolio of securities at fair value through other comprehensive income have been defined as follows:

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

In order to avoid excessive fluctuations in the Bank's capital funds, caused by the revaluation of assets measured at fair value through other comprehensive income, the Bank sets the maximum limits of DV01 (Dollar Value of 1 basis point), that specify potential change of risk position's value for specific curve of interest rate in its specific node (into which are brought all of cash flows in set time interval), caused by movement of market's interest rate up by one basic point for this kind of portfolio. The limits also concern the open positions in derivatives (i.e. interest rate swap transactions), carried out to hedge the fair value of the portfolio.

The table below presents the risk measured with DV01 for the portfolio of securities at fair value through other comprehensive income, including the economic collateral contained in the hedge program (Fair Value Hedge Accounting Program), broken down by currency:

PLN '000	30.06.2024			Total in the period 01.01.2024 – 30.06.2024		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(1,902)	(5,378)	3,376	(1,767)	(1,140)	(2,980)
USD	-	-	-	(6)	-	(11)
EUR	(224)	(224)	-	(284)	(224)	(365)

PLN '000	30.06.2023			Total in the period 01.01.2023 – 30.06.2023		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(2,724)	(3,081)	357	(1,795)	(1,321)	(2,786)
USD	(146)	(146)	-	(157)	(142)	(174)
EUR	(489)	(489)	-	(588)	(489)	(689)

Both base risk and option risk of Bank's portfolio were considered as immaterial.

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

- Factor Sensitivity,
- Value at Risk (VaR),
- Stress testing.

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

In the case of interest rates, the applicable sensitivity measure is DV01 (Dollar Value of 1 basis point), which determines the potential change in the value of risk positions on a given interest rate curve at a specific nodal point (which brings together all the cash flows in a given time horizon), caused by a shift in the market interest rate by 1 basis point upwards, is established for this kind of portfolio

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

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

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

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

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

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

The values of significant exposures of the bank portfolios to the interest rates risk in terms of DV01 in the first half of 2024 are listed in the table below:

PLN '000	30.06.2024	31.12.2023	In the period 01.01.2024 - 30.06.2024			In the period 01.01.2023 - 30.06.2023		
			Average	Maximum	Minimum	Average	Maximum	Minimum
PLN	(229)	(20)	(317)	186	(843)	(255)	470	(661)
EUR	183	195	(34)	237	(264)	86	911	(246)
USD	(108)	(23)	(44)	10	(125)	(20)	29	(151)

The currency structure of the positions in the first half of 2024 has not changed in comparison with the year 2023, as positions in domestic currency USD and EUR were still the majority. The average exposure to PLN, EUR, and USD interest rates risk has remained at the similar level. The average risk level for instruments denominated in PLN amounted to PLN -317 thousand and in EUR it was PLN -34 thousand. The largest exposures in absolute value were taken in PLN and EUR and were respectively PLN 843 thousand and PLN 264 thousand.

The table below shows the level of risk measured using VaR (excluding resulting from securities at fair value through other comprehensive income portfolio's economic), divided into currency risk and interest rate risk positions in the first half of 2024:

PLN '000	30.06.2024	31.12.2023	In the period 01.01.2024 - 30.06.2024			In the period 1.01.2023 - 30.06.2023		
			Average	Maximum	Minimum	Average	Maximum	Minimum
FX risk	404	240	879	6,008	137	523	3,297	99
Interest rate risk	9,532	10,252	10,857	20,396	6,121	13,532	20,647	4,405
Spread risk	25,419	16,158	21,032	26,608	9,456	12,930	17,749	4,117
Overall risk	24,191	18,267	21,781	28,316	10,781	19,718	29,287	7,380

The main risk factor was the spread risk, followed by the interest rate risk, where the credit spread risk determines the impact on the valuation of the instrument / portfolio resulting from changes in the market perception of the credit quality of certain instruments, such as "cross currency swap", "asset swap" or a portfolio of securities denominated in a foreign currency.

The overall average price risk (currency, interest rate, spread) of trade portfolios in the first half of 2024 increased by 10% comparing to the average price risk in the I half of 2023 and reached the level of PLN 21.8 million, mainly because of the spread risk and interest rate risk exposure. Considering maximum risk levels, in case spread risk and price risk of the currency portfolio they also decreased in comparison with the previous year. Maximum price risk expressed as Total VaR (Overall risk) amounted to PLN 28.3 million, while in the I half 2023 it settled at PLN 29.3 million.

Equity instruments risk

The Group is active in the field of trading in equity instruments through the Brokerage Department of Bank Handlowy (DMBH). In accordance with its core scope of activity, DMBH is entitled to take the price risk of the trading book of shares, rights to shares listed or to be traded on the Warsaw Stock Exchange (WSE) or BondSpot, Futures contracts on the WIG20 index and Indexed Equity Units, as well as shares on foreign exchanges of these companies that are listed simultaneously on the WSE. The price risk of a portfolio of DMBH instruments is limited by volume limits for individual types of financial instruments and concentration warning thresholds for individual issuers. DMBH is also subject to warning thresholds of potential loss for stress scenarios and cumulative realised loss on the trading book.

Among the equity instruments measured at fair value through profit and loss which are not subject to the Group's active trading are, i.a., Visa Inc. shares, the valuation method of which is presented in the note no. 25.

Currency exposure

Currency exposure of Group's assets and liabilities is presented in main currencies in the following table:

30 June 2024

PLN '000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	6,485,805	10,402,562	40,608,719	36,735,527	(43,565)
USD	4,311,239	7,886,661	24,235,804	20,629,382	31,000
GBP	53,129	519,401	531,610	69,937	(4,599)

PLN '000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
CHF	36,980	342,167	315,202	12,977	(2,962)
Other currencies	388,550	200,276	1,954,476	2,112,845	29,905
	11,275,703	19,351,067	67,645,811	59,560,668	9,779

31 December 2023

PLN '000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	16,386,115	9,607,146	33,629,060	40,362,787	45,242
USD	7,501,227	7,443,335	18,061,886	18,129,997	(10,219)
GBP	35,712	602,923	646,689	84,788	(5,310)
CHF	41,183	340,313	475,907	180,216	(3,439)
Other currencies	594,754	207,138	659,862	1,037,517	9,961
	24,558,991	18,200,855	53,473,404	59,795,305	36,235

Operational risk

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

This definition of Operational Risk includes legal risk – which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of BHW to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of Bank's business – but excludes strategic and reputation risks.

The operational risk framework enables effective management of operational risks across the Bank, by amongst other things bringing or maintaining operational risk exposures within operational risk appetite and adhering to regulatory requirements.

In the area of operational risk, the strategic objective of operational risk management is to ensure a permanent and effective approach to the identification, measurement/assessment, mitigation, control, monitoring and reporting of the risk, as well as the effective reduction of the level of exposure to operational risk and, as a consequence, to reduce the number and scale of operational risk events (policy of low tolerance to operational losses)..

In the first half of 2024 the Bank has not introduced significant changes to processes, procedures, systems and policies associated with operational risk management.

Capital adequacy

Capital ratios have been calculated in accordance with the principles set out in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 as amended ("CRR").

The table below presents financial data for the calculation of the Group's total capital ratio.

PLN '000	30.06.2024	31.12.2023
I Common capital Tier I	7,287,556	7,086,384
Common capital Tier I	7,287,556	7,086,384
II Total capital requirement of which:	2,473,891	2,401,607
Credit risk capital requirements	1,667,542	1,624,282
Counterparty capital requirements	101,215	102,614
Credit valuation adjustment capital requirements	8,297	5,533
Sum of capital requirements for market risk	132,707	105,048
Capital requirement for operational risk	564,130	564,130
Common Equity Tier 1 Capital ratio	23.6%	23.6%
Total Capital ratio	23.6%	23.6%

The data from December 31st 2023 have been processed with a consideration of retrospective acceptance of profit for the year 2023 (the result has been certified by the General Meeting of Shareholders).

On 13 December 2023 the Polish Financial Supervision Authority recommended mitigating the risk of the Bank's operations by maintaining at both standalone and consolidated level, own funds to cover a capital add-on in order to absorb potential

losses that may arise from stress conditions; the add-on should be maintained at 0.28 p.p. above the value of each own funds.

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

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

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

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

b) a non-risk-based ratio of 6.75%, representing the own funds and eligible liabilities of the institution expressed as a percentage of the total exposure measure (TLAC TEM).

In accordance with the CRR regulations, the amount of the required TLAC TREa plus the combined buffer requirement for the Bank as of June 30, 2024 is 20.83%, while TLAC TREa of the Bank on a consolidated level was 23.57%.

The Bank meets the TLAC TREa requirement after increasing the combined buffer requirement as of June 30, 2024.

6. Net interest income

PLN '000	II quarter 01.04. - 30.06. 2024	I half of the year 01.01. - 30.06. 2024	II quarter 01.04. - 30.06. 2023	I half of the year 01.01. - 30.06. 2024
Interest income from:	1,028,230	2,063,763	1,109,702	2,181,152
Financial assets measured at amortized cost	539,803	1,091,703	618,768	1,179,185
Balances with the Central Bank	51,777	102,506	35,915	74,174
Amounts due from banks	113,200	226,949	124,081	183,533
Amounts due from customers, in respect of:	374,826	762,248	458,772	921,478
financial sector entities	70,014	131,443	68,608	128,986
non-financial sector entities, including:	304,812	630,805	390,164	792,492
credit cards	72,415	147,293	89,411	182,887
Financial assets measured at fair value through other comprehensive income	488,427	972,060	490,934	1,001,967
Debt investment financial assets measured at fair value through other comprehensive income	488,427	972,060	490,934	1,001,967
Similar income from:	73,148	143,254	45,914	89,550
Debt securities held-for-trading	20,973	36,728	19,150	60,454
Liabilities with negative interest rate	21	31	6	182
Derivatives in hedge accounting	52,154	106,495	26,758	28,914
	1,101,378	2,207,017	1,155,616	2,270,702
Interest expense and similar charges for Financial liabilities measured at amortized cost	(259,694)	(522,491)	(298,604)	(566,386)
Balances with the Central Bank	(1)	(2)	(1)	(2)
Amounts due to banks	(22,258)	(56,915)	(53,138)	(104,942)
Amounts due to customers, in respect of:	(236,399)	(463,501)	(244,472)	(459,438)
amounts due to financial sector entities	(37,105)	(71,571)	(40,944)	(88,558)
amounts due to non-financial sector entities	(199,294)	(391,930)	(203,528)	(370,880)
Leasing liabilities	(1,036)	(2,073)	(993)	(2,004)
Derivatives in hedge accounting	(36,980)	(81,907)	(25,074)	(25,074)
	(296,674)	(604,398)	(323,678)	(591,460)
Net interest income	804,704	1,602,619	831,938	1,679,242

On May 2, 2024, the President of the Republic of Poland approved the amended Act amending the Act on supporting consumer borrowers who took out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers ("Act"). The amending Act introduces the criterion that only persons with a mortgage loan in PLN for a maximum amount of PLN 1.2 million can apply for installments suspension. Criteria also assume

that the installment should exceed 30% household income, calculated as the average for the previous three months or if the borrower has at least three children to support (as of the date of submitting the application). A consumer will be able to take vacation twice in the period from 1 June to 31 August and twice in the period from 1 September to 31 December. In connection with the above, the Group's results will be burdened by adjusting the gross value of mortgage loans an estimated amount of approx. PLN 14.3 million (the final estimate will be provided in the financial statements for the first half of 2024).

7. Net fee and commission income

PLN '000	II quarter 01.04. - 30.06. 2024	I half of the year 01.01. - 30.06. 2024	II quarter 01.04. - 30.06. 2023	I half of the year 01.01. - 30.06. 2023
Fee and commission income				
Credit activity (other than included in the calculation of the effective interest rate)	12,232	24,463	12,512	25,780
Maintaining bank accounts	26,778	55,989	28,342	59,174
Insurance and investment products distribution	10,578	22,764	11,050	21,410
Payment and credit cards	29,826	58,851	32,167	64,046
Payment services	29,028	57,095	26,966	53,901
Custody services	33,719	63,711	30,898	58,444
Brokerage activity	16,780	29,569	10,329	21,553
Clients' cash on account management services	5,432	13,009	4,543	11,266
Financial liabilities granted	8,442	16,646	7,144	14,137
Other	2,935	5,878	2,927	5,139
	175,750	347,975	166,878	334,850
Fee and commission expense				
Payment and credit cards	(8,771)	(18,321)	(7,646)	(17,508)
Brokerage activity	(4,278)	(8,432)	(3,368)	(6,832)
Fees paid to the National Depository for Securities (KDPW)	(9,068)	(17,378)	(7,819)	(15,291)
Brokerage fees	(877)	(2,079)	(887)	(2,197)
Other	(4,933)	(9,644)	(5,112)	(10,308)
	(27,927)	(55,854)	(24,832)	(52,136)
Net fee and commission expense	147,823	292,121	142,046	282,714

8. Net income on trading financial instruments and revaluation

PLN '000	II quarter 01.04. - 30.06. 2024	I half of the year 01.01. - 30.06. 2024	II quarter 01.04. - 30.06. 2023	I half of the year 01.01. - 30.06. 2023
Net income on financial instruments valued at fair value through profit or loss				
Debt instruments	(6,846)	(13,164)	(115,946)	(153,401)
Equity instruments	(649)	2,633	8,262	7,093
Derivative instruments, including:	(3,704)	214	(57,309)	(5,267)
Interest rate derivatives	(5,413)	253	(51,070)	(2,209)
Equity	1,676	(12)	(6,245)	(3,065)
Commodities	33	(27)	6	7
	(11,199)	(10,317)	(164,993)	(151,575)
Net income on FX operations				
Operations on FX derivative instruments	278,791	395,694	100,746	182,907
FX gains and losses (revaluation)	(123,629)	(105,956)	247,836	384,100
	155,162	289,738	348,582	567,007
Net income on trading financial instruments and revaluation	143,963	279,421	183,589	415,432

Net income on trading financial instruments and revaluation for the first half of 2024 includes net change in the adjustment of the valuation of derivatives reflecting counterparty credit risk and in the adjustment of the valuation of derivatives reflecting own credit risk in the amount of PLN (1,617) thousand (for the first half of 2023: PLN (83) thousand).

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

Net income on equity instruments includes the net result of shares in other entities.

Net income on derivative instruments comprises net income on transactions regarding interest rate swaps, options, futures and other derivatives.

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

9. Net other operating income and expense

PLN '000	II quarter I half of the year		II quarter I half of the year	
	01.04. - 30.06. 2024	01.01. - 30.06. 2024	01.04. - 30.06. 2023	01.01. - 30.06. 2023
Other operating income				
Income from provision of services for related parties outside the Group	2,400	4,408	2,259	4,379
Income from office rental	1,105	2,321	1,684	3,407
Other	2,718	5,745	1,921	4,135
	6,223	12,474	5,864	11,921
Other operating expenses				
Amicable procedure and vindication expenses	(851)	(1,657)	(1,241)	(2,320)
Net provision for litigation*	(18,650)	(21,435)	(2,355)	(5,019)
Other**	(3,621)	(8,021)	(3,152)	(5,869)
	(23,122)	(31,113)	(6,748)	(13,208)
Net other operating income	(16,899)	(18,639)	(884)	(1,287)

*The item includes the (net) costs of provisions for litigation proceedings including those related to TSUE judgements

**The item "Other" includes i.a. operating losses and donation costs

10. General administrative expenses

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2024	01.01. - 30.06. 2024	01.04. - 30.06. 2023	01.01. - 30.06. 2023
Staff expenses				
Remuneration costs, including:	(139,176)	(280,906)	(127,559)	(257,647)
Costs of retirement benefits	(9,779)	(21,046)	(9,116)	(19,499)
Bonuses and rewards	(23,700)	(48,189)	(22,237)	(46,445)
Social insurance costs	(23,615)	(51,323)	(21,294)	(46,059)
	(186,491)	(380,418)	(171,090)	(350,151)
Administrative expenses				
Telecommunication costs and hardware purchase costs	(62,386)	(122,536)	(60,568)	(120,079)
Costs of external services, including advisory, audit, consulting services	(16,100)	(32,677)	(12,711)	(26,510)
Building maintenance and rent costs	(15,666)	(38,166)	(17,546)	(32,813)
Advertising and marketing costs	(12,602)	(23,196)	(11,186)	(20,093)
Costs of cash management services, costs of clearing services and other transaction costs	(9,439)	(18,811)	(8,674)	(17,179)
Costs of external services related to distribution of banking products	(13,334)	(26,495)	(13,571)	(24,707)
Postal services, office supplies and printmaking costs	(1,219)	(2,675)	(1,340)	(3,078)
Training and education costs	(570)	(1,153)	(415)	(997)

PLN '000	II quarter 01.04. - 30.06. 2024	I half of the year 01.01. - 30.06. 2024	II quarter 01.04. - 30.06. 2023	I half of the year 01.01. - 30.06. 2023
Banking and capital supervision costs	-	(9,105)	-	(7,522)
Costs paid to Bank Guarantee Fund	-	(89,850)	-	(73,791)
Other expenses	(8,462)	(21,932)	(15,026)	(23,942)
	(139,778)	(386,596)	(141,037)	(350,711)
General administrative expenses, total	(326,269)	(767,014)	(312,127)	(700,862)

Staff expenses include costs of the following benefits paid and payable to current and former members of the Bank's Management Board:

PLN '000	01.01 - 30.06.2024	01.01 - 30.06.2023
Short-term employee benefits (services)	8,866	8,676
Long-term employee benefits (services)	84	52
Capital rewards, including:	5,706	6,639
settled in cash	32	6,639
settled in capital instruments	5,674	-
Total	14,656	15,367

11. Provision for expected credit losses on financial assets and provisions for contingent commitments

PLN '000	II quarter 01.04. - 30.06. 2024	I half of the year 01.01. - 30.06. 2024	II quarter 01.04. - 30.06. 2023	I half of the year 01.01. - 30.06. 2023
Provision for expected credit losses on amounts due from banks				
Provision creation	(398)	(1,071)	(2,092)	(2,860)
Provision reversal	144	1,657	467	1,744
	(254)	586	(1,625)	(1,116)
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	888	7,783	(14,196)	(30,820)
Provision creation	(53,840)	(109,540)	(66,421)	(134,419)
Provision reversal	57,716	123,864	55,340	109,611
Other	(2,988)	(6,541)	(3,115)	(6,012)
Recoveries from debt sold	10,266	10,276	11,100	11,107
	11,154	18,059	(3,096)	(19,713)
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(1,017)	(4,472)	(1,439)	(1,780)
Provision reversal	383	958	4,265	4,875
	(634)	(3,514)	2,826	3,095
Provision for expected credit losses on financial assets	10,266	15,131	(1,895)	(17,734)
Created provisions for granted financial and guarantee commitments	(8,625)	(13,355)	(11,023)	(21,458)
Release of provisions for granted financial and guarantee commitments	6,994	17,297	18,618	33,042
Provision for expected credit losses for contingent commitments	(1,631)	3,942	7,595	11,584
Provision for expected credit losses on financial assets and provisions for contingent commitments	8,635	19,073	5,700	(6,150)

12. Income tax

Recognized in the income statement

PLN '000	II quarter 01.04. - 30.06. 2024	I half of the year 01.01. - 30.06. 2024	II quarter 01.04. - 30.06. 2023	I half of the year 01.01. - 30.06. 2023
Current tax				
Current year CIT	(189,812)	(306,050)	(230,220)	(348,642)
Adjustments for prior years	(2,056)	(2,056)	-	(2,844)
	(191,868)	(308,106)	(230,220)	(351,486)
Deferred tax				
Net changes on temporary differences	57,974	50,828	70,548	27,154
	57,974	50,828	70,548	27,154
Total income tax expense in income statement	(133,894)	(257,278)	(159,672)	(324,332)

Reconciliation of the effective tax rate

PLN '000	II quarter 01.04. - 30.06. 2024	I half of the year 01.01. - 30.06. 2024	II quarter 01.04. - 30.06. 2023	I half of the year 01.01. - 30.06. 2023
Profit before tax	528,017	1,105,428	771,200	1,539,622
Income tax at the domestic corporate tax rate of 19%	(100,323)	(210,031)	(146,527)	(292,528)
Provisions for impairment losses not tax deductible	(1,948)	(1,785)	13	523
Taxable income not recognized in the income statement	2,126	5,889	67	5,993
Non-taxable income	2,001	2,003	1,638	1,639
Tax on some financial institutions	(9,207)	(17,798)	(8,463)	(17,401)
Costs paid for Bank Guarantee Fund	-	(17,072)	-	(14,020)
Asset from average tax rate	14,068	25,668	(5,463)	(101)
Other permanent differences, including other expenses not deductible for income	(40,611)	(44,152)	(937)	(8,437)
Income tax expense	(133,894)	(257,278)	(159,672)	(324,332)
Effective tax rate	25.36%	23.27%	20.70%	21.07%

Deferred tax recognized directly in equity

Deferred tax recognized directly in equity covering the period of condensed interim consolidated financial statements for the first half of 2024 is related to financial assets measured at fair value through other comprehensive income and valuation of defined benefit program and amounted to PLN 12,022 thousand (for the first half of 2023: PLN 83,584 thousand).

13. Statement of changes in other comprehensive income

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

PLN '000	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2024	139,871	(26,575)	113,296
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	77,690	(14,761)	62,929
(Profit) or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	(14,414)	2,739	(11,675)
Total comprehensive income connected with financial assets measured at fair value through other comprehensive income	203,147	(38,597)	164,550
Balance as at 30 June 2024	203,147	(38,597)	164,550

PLN '000	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2023	(711,063)	135,101	(575,962)
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	441,021	(83,795)	357,226
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	3,923	(745)	3,178
Total comprehensive income connected with financial assets measured at fair value through other comprehensive income	(266,119)	50,561	(215,558)
Actuarial profits/(losses) on specific services program valuation	(5,222)	992	(4,230)
Balance as at 30 June 2023	(271,341)	51,553	(219,788)

14. Amounts due from banks

PLN '000	30.06.2024	31.12.2023
Deposits	26,092	35,898
Receivables due to purchased securities under repurchase agreement	4,003,209	14,861,439
Deposits pledged as collateral for derivative transactions and stock exchange transactions	179,360	475,120
Other receivables	6,832	-
Total gross value	4,215,493	15,372,457
Provision for expected credit losses	(417)	(905)
Total net value	4,215,076	15,371,552

15. Financial assets and liabilities held-for-trading

Financial assets held-for-trading

PLN '000	30.06.2024	31.12.2023
Debt securities held-for-trading		
Bonds issued by:		
Banks and other financial entities*	1,546,211	446,280
Central governments	806,419	344,832
	2,352,630	791,112
Including:		
Listed on the active market	2,352,630	791,112
Equity instruments held-for-trading	34,044	7,398
Including:		
Listed on the active market	34,044	7,398
Derivatives	3,187,074	4,081,822
Financial assets held-for-trading, total	5,573,748	4,880,332

*As at 30 June 2024 securities (bonds) issued by banks in the amount of PLN 1,539,689 thousands are covered by the state guarantee (31 December 2023: PLN 442,075 thousand).

Financial liabilities held-for-trading

PLN '000	30.06.2024	31.12.2023
Liabilities related to short-sale of securities	536,015	132,417
Liabilities related to short-sale of equity securities	-	1,078
Derivatives	2,616,343	3,388,708
Financial liabilities held-for-trading, total	3,152,358	3,522,203

As at 30 June 2024 and 31 December 2023 the Group did not hold any financial assets and liabilities designated at fair value through profit or loss initial recognition.

Derivative financial instruments as at 30 June 2024

PLN '000	Notional value of derivatives with remaining life of				Total	Fair value	
	less than 3 months	between 3 months and 1 year	between 1 year and 5 years	more than 5 years		Assets	Liabilities
Interest rate instruments	34,360,694	44,664,042	82,037,418	26,621,095	187,683,249	942,044	1,348,228
Currency instruments	41,016,221	41,843,522	36,467,353	298,980	119,626,076	2,165,042	1,187,942
Securities transactions	786,878	-	-	-	786,878	327	449
Commodity transactions	-	259,106	-	-	259,106	79,661	79,724
Derivative instruments, total	76,163,793	86,766,670	118,504,771	26,920,075	308,355,309	3,187,074	2,616,343

Derivative financial instruments as at 31 December 2023

PLN '000	Notional value of derivatives with remaining life of				Total	Fair value	
	less than 3 months	between 3 months and 1 year	between 1 year and 5 years	more than 5 years		Assets	Liabilities
Interest rate instruments	22,610,335	55,365,613	75,978,961	22,890,070	176,844,979	1,451,882	1,461,663
Currency instruments	60,107,163	26,255,077	30,322,110	258,631	116,942,981	2,515,210	1,812,551
Securities transactions	836,420	4,191	-	-	840,611	588	360
Commodity transactions	3,494	224,523	262,416	-	490,433	114,142	114,134
Derivative instruments, total	83,557,412	81,849,404	106,563,487	23,148,701	295,119,004	4,081,822	3,388,708

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

PLN '000	30.06.2024	31.12.2023
Bonds and notes issued by:		
Central Banks	17,350,104	4,996,012
Other banks*, including:	12,064,222	10,295,147
Covered bonds in fair value hedge accounting	3,600,997	2,595,263
Other financial sector entities, including:	2,616,166	2,095,217
Covered bonds in fair value hedge accounting	496,888	236,733
Central governments, including:	7,183,337	12,173,916
Covered bonds in fair value hedge accounting	2,234,260	-
Debt securities measured at fair value through other comprehensive income, total	39,213,829	29,560,292
Including:		
Instruments listed on the active market	21,863,725	24,564,280
Instruments unlisted on the active market	17,450,104	4,996,012

*As at 30 June 2024 securities (bonds) issued by banks in the amount of PLN 12,064,222 thousand are covered by the state guarantee (31 December 2023: PLN 10,295,147 thousand).

17. Amounts due from customers

PLN '000	30.06.2024	31.12.2023
Amounts due from financial sector entities		
Loans, placements and advances	1,748,495	1,408,492
Unlisted debt financial assets	1,002,540	1,002,530
Receivables due to purchased securities with a repurchase agreement	625,335	181,616
Guarantee funds and deposits pledged as collateral	1,960,479	1,585,568
Total gross value	5,336,849	4,178,206

PLN '000	30.06.2024	31.12.2023
Provision for expected credit losses	(2,605)	(2,873)
Total net value	5,334,244	4,175,333
Amounts due from non-financial sector entities		
Loans and advances	14,392,524	14,177,379
Purchased receivables	2,009,387	2,388,441
Realized guarantees	30,608	30,709
Other receivables	13,045	16,911
Total gross value	16,445,564	16,613,440
Provision for expected credit losses	(534,172)	(734,319)
Total net value	15,911,392	15,879,121
Total net value of receivables from customers	21,245,636	20,054,454

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

PLN '000	Stage 1	Stage 2	Stage 3	Originated credit-impaired assets	Total
Provision for expected credit losses - amounts due from customers					
Provision for expected credit losses as at 1 January 2024	(52,475)	(99,751)	(585,436)	470	(737,192)
Transfer to Stage 1	(19,528)	18,910	618	-	-
Transfer to Stage 2	4,684	(6,372)	1,688	-	-
Transfer to Stage 3	447	15,116	(15,247)	(316)	-
Transfer to purchased or originated credit-impaired assets	-	-	8,370	(8,370)	-
(Creation)/Releases in the period through the income statement	24,668	(17,583)	(1,208)	7,783	24,668
Decrease in provisions due to write-offs	-	-	110,108	-	110,108
Decrease in provisions in connection with the sale of receivables	-	-	90,214	2,141	92,355
Changes in accrued interest in Stage 3 other than written off and sale of receivables	10	3	(16,612)	(2,173)	(18,772)
Decrease in provisions due to derecognition from the balance sheet as a result of significant change	-	-	-	7,968	7,968
Foreign exchange and other movements	50	(6)	730	199	973
Provision for expected credit losses as at 30 June 2024	(42,144)	(89,683)	(406,775)	1,825	(536,777)

PLN '000	Stage 1	Stage 2	Stage 3	Originated credit-impaired assets	Total
Provision for expected credit losses - amounts due from customers					
Provision for expected credit losses as at 1 January 2023	(81,235)	(108,385)	(664,801)	(1,758)	(856,179)
Transfer to Stage 1	(12,761)	11,475	1,286	-	-
Transfer to Stage 2	7,941	(10,517)	2,576	-	-
Transfer to Stage 3	2,537	24,086	(26,623)	-	-
Transfer to purchased or originated credit-impaired assets	-	-	20,688	(20,688)	-
(Creation)/Releases in the period through the income statement	31,950	(22,310)	(53,729)	3,045	(41,044)
Decrease in provisions due to write-offs	-	-	72,769	-	72,769
Decrease in provisions in connection with the sale of receivables	-	-	98,579	417	98,996

PLN '000	Stage 1	Stage 2	Stage 3	Originated credit-impaired assets	Total
Changes in accrued interest in Stage 3 other than written off and sale of receivables	(10)	8	(42,587)	(3,005)	(45,594)
Decrease in impairment losses due to removal from balance sheet as a result of a material change	-	-	-	21,321	21,321
Foreign exchange and other movements	(897)	5,892	6,406	1,138	12,539
Provision for expected credit losses as at 31 December 2023	(52,475)	(99,751)	(585,436)	470	(737,192)

Effect of minor modification on provision for expected credit losses is insignificant.

18. Intangible assets

Intangible assets in the amount of PLN 1,087,866 thousand as at 30 June 2024 (as at 31 December 2023: PLN 1,285,314 thousand) include goodwill in the amount of PLN 851,206 thousand (as at 31 December 2023: PLN 1,031,269 thousand).

Goodwill proceed from merger from 28 February 2001 between Bank Handlowy w Warszawie S.A and Citibank (Poland) S.A, and from acquisition of organized part of the banking enterprise ABN Amro Bank (Poland) S.A, which happened on 1 March 2005. Goodwill represents the difference between the cost of the acquisition and the fair value of the Group's interest in identifiable assets, liabilities and contingent liabilities acquired at the business combination date and is subject to periodic impairment testing in accordance with IAS 36 *Impairment of assets*, independently of objective evidence of impairment. As of the balance sheet day, Goodwill is stated at cost minus any accumulated impairment losses. The revaluation write-off for impairment for goodwill cannot be reversed.

For the purpose of carrying out impairment tests, goodwill has been allocated to two cash-generating units: the Institutional Bank and Consumer Bank. Assignment was made on the basis of discounted cash flows models on the basis of the strategy before the merge.

The impairment test is conducted through the comparison of the carrying value of a given cash-generating unit with its recoverable amount. The basis of valuation of the recoverable amount for a unit is the value in use, assessed on the basis financial plan. The plan is based on rational assumptions about future facts that reflect management assessment of future economic conditions and expected results of the Bank.

The valuation used different discount rates for each year of forecast (10.9 - 12%) estimated using a beta coefficient for the banking sector, a risk premium and risk-free rate. Extrapolation of cash flows, which exceed the period covered by the financial plan, has been based on growth rates reflecting the long-term NBP inflation target that amounted to 2.5% as at 30 June 2024.

As a result of a performed test, as of June 30, 2024 the Bank's Management Board has fully written off the goodwill attributable to the Retail Banking Segment, in the amount PLN 180,063 thousand. The written off value has been presented under *Net impairment on non-financial assets*. The key factor which triggered goodwill impairment in Consumer Banking segment is due to the assumed increase in operating costs.

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

PLN'000	30.06.2024	31.12.2023
Corporate Bank	851,206	851,206
Consumer Bank	-	180,063
	851,206	1,031,269

19. Deferred income tax asset

PLN '000	30.06.2024	31.12.2023
Deferred income tax asset	964,990	1,058,275
Deferred income tax liability	(813,760)	(945,850)
Deferred income tax net asset	151,230	112,425

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

Deferred tax on the acquisition of an organized part of an enterprise in the amount of PLN 2,500 thousand as at 30 June 2024, will be settled with the liability to the Tax Office until August 2027.

20. Other assets

PLN '000	30.06.2024	31.12.2023
Interbank settlements	11,498	22,848
Settlements related to securities trade	30	26
Settlements related to brokerage activity	103,654	60,269
Income to receive	50,399	48,731
Staff loans out of the Social Fund	13,741	15,146
Sundry debtors	131,696	60,912
Prepayments	20,367	9,603
Other assets, total	331,385	217,535
Including financial assets*	260,619	159,201

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

21. Amounts due to banks

PLN '000	30.06.2024	31.12.2023
Current accounts	2,034,350	2,521,721
Time deposits	745,599	357,829
Liabilities due to sold securities under repurchase agreements	9,877	-
Other liabilities, including:	831,627	496,137
Hedge deposits	829,596	494,205
Total amounts due to banks	3,621,453	3,375,687

22. Amounts due to customers

PLN '000	30.06.2024	31.12.2023
Deposits from financial sector entities		
Current accounts	1,332,364	939,624
Time deposits	2,626,783	2,848,319
	3,959,147	3,787,943
Deposits from non-financial sector entities		
Current accounts, including:	32,566,670	35,247,407
institutional customers	18,297,991	21,561,300
individual customers	11,140,652	11,442,558
budgetary units	3,128,027	2,243,549
Time deposits, including:	15,961,428	14,157,409
institutional customers	6,594,843	6,141,613
individual customers	8,212,498	7,727,411
budgetary units	1,154,087	288,385
	48,528,098	49,404,816
Total deposits	52,487,245	53,192,759
Other liabilities		
Liabilities due to securities sold under repurchase agreements	27,940	-
Other liabilities, including:	1,291,158	1,815,242
cash collateral	453,637	503,263
hedging deposits	798,691	1,265,983
Total other liabilities	1,319,098	1,815,242
Total amounts due to customers	53,806,343	55,008,001

23. Other liabilities

PLN '000	30.06.2024	31.12.2023
Staff benefits	31,638	24,065
Interbank settlements	456,566	220,412
Inter-system settlements	3,708	4,580
Settlements related to securities trade	1,948	10
Settlements related to brokerage activity	162,754	61,621
Liabilities due to leasing assets	120,032	113,096
Sundry creditors	163,937	182,383
Accruals, including:	438,139	397,869
Provision for employee payments	84,668	161,344
Provision for employee retirement	99,165	95,546
IT services and bank operations support	68,838	49,040
Consultancy services and business support	9,508	7,310
Other	175,960	84,629
Deferred income	14,880	16,805
Settlements with Tax Office and National Insurance (ZUS)	74,172	73,774
Dividends to be paid	1,454,931	-
Other liabilities, total	2,922,705	1,094,615
Including financial liabilities*	2,833,653	1,004,036

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

24. Financial assets and liabilities by maturity date*

As at 30 June 2024

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Cash and cash equivalents		509,760	509,760	-	-	-	-
Amounts due from banks (Gross)	14	4,215,493	1,682,695	2,522,798	10,000	-	-
Financial assets held-for-trading							
Debt securities held-for-trading	15	2,352,630	5,253	-	3,528	949,060	1,394,789
Financial assets measured at fair value through other comprehensive income							
Debt securities measured at fair value through other comprehensive income	16	39,213,829	17,566,047	-	44,133	13,551,817	8,051,832
Amounts due from customers (gross)							
Amounts due from financial sector entities	17	5,336,849	2,762,742	74,107	750,000	1,750,000	-
Amounts due from non-financial sector entities	17	16,445,564	6,723,358	1,429,834	2,060,070	3,553,502	2,678,800
Amounts due to banks	21	3,621,453	3,621,453	-	-	-	-
Amounts due to customers							
Amounts due to financial sector entities:	22	4,590,175	4,497,552	87,379	5,244	-	-
Amounts due to non-financial sector entities	22	49,216,168	42,058,979	4,353,951	2,802,248	990	-

As at 31 December 2023

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Cash and balances with the Central Bank		1,241,873	1,241,873	-	-	-	-
Amounts due from banks (Gross)	14	15,372,457	13,200,518	2,151,939	20,000	-	-
Financial assets held-for-trading							
Debt securities held-for-trading	15	791,112	2,024	-	112,216	564,173	112,699
Financial assets measured at fair value through other							

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
comprehensive income							
Debt securities measured at fair value through other comprehensive income	16	29,560,292	5,842,500	2,039,965	213,764	17,118,669	4,345,394
Amounts due from customers (gross)							
Amounts due from financial sector entities	17	4,178,206	1,878,206	-	500,000	1,800,000	-
Amounts due from non-financial sector entities	17	16,613,440	6,553,319	2,091,013	1,976,646	3,530,878	2,461,584
Amounts due to banks	21	3,375,687	3,365,687	-	10,000	-	-
Amounts due to customers							
Amounts due to financial sector entities:	22	4,623,861	4,546,682	36,519	40,660	-	-
Amounts due to non-financial sector entities	22	50,384,140	44,634,301	3,468,856	2,278,024	2,959	-

*Maturity understood as the period remaining from the reporting date to the date of payment of receivables specified in the contract, for receivables repaid at one time it is the date of repayment of the entire debt specified in the contract, and for receivables repaid in installments it is the date of repayment of individual installments specified in the contract.

25. Financial instruments disclosures

Fair value of financial assets and liabilities

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

PLN '000	Note	30.06.2024		31.12.2023	
		Balance value	Fair value	Balance value	Fair value
Assets					
Amounts due from banks	14	4,215,076	4,215,096	15,371,552	15,371,619
Amounts due from customers	17	21,245,636	21,317,958	20,054,454	19,848,322
Amounts due from institutional customers		15,166,014	15,166,810	14,126,464	13,982,239
Amounts due from individual customers		6,079,622	6,151,148	5,927,990	5,866,083
Liabilities					
Amounts due to banks	21	3,621,453	3,621,551	3,375,687	3,375,960
Amounts due to customers	22	53,806,343	53,783,617	55,008,001	54,980,883

Valuation methods and assumptions used for the purposes of measurement at fair value

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

- The fair value of financial instruments not quoted on active markets is determined using valuation techniques. If valuation techniques are used to determine the fair values, these methods are periodically assessed and verified. All the models are tested and approved before application. As far as possible, only observable data are used in the models, although in some areas, the Bank's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.

The Group applies the following methods of measurement of particular types of derivative instruments:

- FX forwards: discounted cash flow model;
- options – option market-based valuation model;
- interest rate transactions – discounted cash flow model;
- futures – current quotations.
- For valuation of securities' transactions current quotations are used. In case of lack of quotations, adequate models based on discount and forward curves, including decrease of credit spread, if needed, are used for valuation.
- The fair value of other assets and financial liabilities (excluding described above) are estimated in accordance to

commonly accepted models of valuation based on discounted cash flow analysis, taking into account fluctuations in market interest rates and changes in margins during the financial period.

Fair value included in consolidated statement of financial position

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

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

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

As at 30 June 2024

PLN '000	Note	Level I	Level II	Level III	Total
Financial assets					
Financial assets held-for-trading	15	2,404,965	3,168,783	-	5,573,748
derivatives		18,291	3,168,783	-	3,187,074
debt securities		2,352,630	-	-	2,352,630
equity instruments		34,044	-	-	34,044
Hedging derivatives		-	70,983	-	70,983
Debt financial assets measured at fair value through other comprehensive income	16	21,863,725	17,350,104	-	39,213,829
Equity and other investments measured at fair value through income statement		20,737	-	114,098	134,835
Financial liabilities					
Financial liabilities held-for-trading	15	583,734	2,568,624	-	3,152,358
short sale of securities		536,015	-	-	536,015
derivatives		47,719	2,568,624	-	2,616,343
Hedging derivatives		-	98,484	-	98,484

As at 31 December 2023

PLN '000	Note	Level I	Level II	Level III	Total
Financial assets					
Financial assets held-for-trading	15	844,480	4,035,852	-	4,880,332
Derivatives		45,970	4,035,852	-	4,081,822
Debt securities		791,112	-	-	791,112
Equity instruments		7,398	-	-	7,398
Hedging derivatives		-	6,731	-	6,731
Debt investment financial assets measured at fair value through other comprehensive income	16	24,564,280	4,996,012	-	29,560,292
Equity and other instruments measured at fair value through income statement		19,739	-	121,756	141,495
Financial liabilities					
Financial liabilities held-for-trading	15	140,524	3,381,679	-	3,522,203
short sale of securities		133,495	-	-	133,495
derivatives		7,029	3,381,679	-	3,388,708

PLN '000	Note	Level I	Level II	Level III	Total
Hedging derivatives		-	92,869	-	92,869

As at June 30, 2024, the amount of financial assets classified to level III includes the value of the share in Visa Inc. (preference series C) in the amount of PLN 16,346 thousand and the value of other minority shareholding in the amount of PLN 97,752 thousand (as at December 31, 2023 respectively PLN 15,669 thousand and PLN 106,087 thousand).

The sensitivity analysis for equity instruments classified to level III as at 30 June 2024 is presented in the table below:

PLN '000	Fair Value	Scenario	Fair value in positive scenario	Fair value in negative scenario
Capital instruments compulsorily measured at fair value through profit or loss	114,098	Change of the key parameter (cost of capital by - 10% / + 10% or conversion rate by + 10% / - 10%)	129,460	101,767

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

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

PLN '000	Equity and other investments measured at fair value through income statement	
	01.01.-30.06.2024	01.01.-31.12.2023
As at the beginning of period	121,756	88,484
Revaluation	(7,658)	33,272
As at the end of period	114,098	121,756

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

In the same period, the Group did not change the classification of financial assets as a result of a change in the purpose or use of the asset.

26. Net gain/(loss) on derecognition of asset from balance sheet

The net gain/(loss) on derecognition of financial assets in Group relates to the gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income.

PLN '000	II quarter 01.04.- 30.06.2024	I half of the year 01.01. - 30.06. 2024	II quarter 01.04. - 30.06. 2023	I half of the year 01.01. - 30.06. 2023
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income				
Polish treasury bonds	20,525	14,402	110	24,294
EBI securities	12	12	(28,289)	(28,289)
Others	-	-	-	72
	20,537	14,414	(28,179)	(3,923)

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

27. Hedge accounting

The Group hedges the risk of change in fair value of fixed interest rate debt securities measured at fair value through other

comprehensive income. The hedged risk results from changes in interest rates.

IRS is the hedging instrument denominated in the same currency as hedged instruments in which the Groups receives variable inflows and pays fixed.

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

Changes in the fair value of derivatives designated as qualifying hedging instruments are recognized in result on hedge accounting in the income statement. Interest income and interest expenses related to the hedging derivatives under fair value hedge are presented in the net interest income.

As at 30 June 2024 and as at 31 December 2023, the Group had active hedging relationships. Details of the positions designated as hedging instruments and the effectiveness of the designated hedging relationships are set out in the tables below:

As at 30 June 2024:

PLN '000	Notional value	Balance value		Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
		Assets	Liabilities		
Fair value hedge accounting					
Interest rate risk					
IRS Transactions	6,807,500	70,983	98,484	Hedging derivatives	141,438

Details of hedged items as at 30 June 2024 are presented in the table below:

PLN '000	Balance value		Cumulative amount of hedging fair value in balance value of heged item corrections	Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
	Assets	Liabilities			
Fair value hedge accounting					
Interest rate risk					
Bond issued by banks	6,332,145		(20,271)	Debt investement securities measured at fair value through other comprehensive income	(131,878)

The cumulative amount of fair value hedge adjustments remaining in the statement of financial position for all hedged items for which adjustments for fair value hedge gains and losses were discontinued as at 30 June 2024 amounted to PLN (132,300) thousand.

Information on the effectiveness of designated hedging relationships as at 30 June 2024 is presented in the table below:

	Hedge ineffectiveness recognized in income statement	Listing in the statement of financial position
Fair value hedge accounting		
Interest rate risk	9,560	Net income on hedge accounting

As at 31 December 2023:

PLN '000	Notional value	Balance value		Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
		Assets	Liabilities		
Fair value hedge accounting					
Interest rate risk					
IRS Transactions	3,211,000	6,731	92,869	Hedging derivatives	(90,428)

Details of hedged items as at 31 December 2023 are presented in the table below:

PLN '000	Balance value		Cumulative amount of hedging fair value in balance value of hedged item corrections	Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
	Assets	Liabilities			
Fair value hedge accounting					
Interest rate risk					
Bond issued by banks	2,831,996	-	87,316	Debt investment securities measured at fair value through other comprehensive income	80,361

The cumulative amount of fair value hedge adjustments remaining in the statement of financial position for all hedged items for which adjustments for fair value hedge gains and losses were discontinued as at 31 December 2023 amounted to PLN (105,323) thousand.

Information on the effectiveness of designated hedging relationships as at 31 December 2023 is presented in the table below:

	Hedge ineffectiveness recognized in income statement	Listing in the statement of financial position
Fair value hedge accounting		
Interest rate risk	(10,067)	Net income on hedge accounting

28. Seasonality or periodicity of business activity

The business activity of the Group does not involve significant events that would be subject to seasonal or cyclical variations.

29. Issue, redemption and repayment of debt and equity securities

In the first half of the year 2024 no issue or pay back of debt or equity securities took place.

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

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

In the first half of 2024, the Bank purchased a total of 172,550 own shares with the face value of one purchased share being PLN 4.00 representing 0.1320607% of the Bank's share capital and authorizing to 172,550 votes at the General Meeting of Shareholders of the Bank which constitutes 0.1320607% of the total number of votes at the General Meeting of Shareholders of the Bank.

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

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

30. Paid or declared dividends

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

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

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

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

31. Changes in the Bank Capital Group's structure

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

32. Changes in granted and received financial and guarantee commitments

The detailed specification of granted and received financial and guarantee commitments as at 30 June 2024 and changes in comparison with the end of 2023 are as follows:

PLN '000	State as at		Change	
	30.06.2024	31.12.2023	PLN '000	%
Contingent commitments and guarantees granted				
Letters of credit	173,050	157,836	15,214	9.64%
Guarantees granted	3,111,269	2,999,009	112,260	3.74%
Credit lines granted	14,849,305	14,165,469	683,836	4.83%
Other financial liabilities	1,232,909	-	1,232,909	100.00%
Other guaranteed liabilities	18,338	19,988	(1,650)	(8.25%)
	19,384,871	17,342,302	2,042,569	11.78%
Letters of credit				
Import letters of credit issued	173,050	157,836	15,214	9.64%
	173,050	157,836	15,214	9.64%

The provisions of contingent commitments and guarantees granted by the Group are established. As at 30 June, 2024 the amount of provisions of granted contingent commitments and guarantees was PLN 31,023 thousand (31 December 2023: PLN 34,960 thousand).

Guarantees granted include guarantees of credit repayment for payer, other guarantees of payment, guarantees on advance payments, guarantees on properly performance, tender guarantees and endorsements on bills.

PLN '000	State as at		Change	
	30.06.2024	31.12.2023	PLN '000	%
Contingent commitments and guarantees received				
Guarantees	10,288,074	9,442,297	845,777	8.96%
	10,288,074	9,442,297	845,777	8.96%

33. Information about shareholders

In the period from the publication of the previous interim report, i.e. from 9 May 2024 to the date of publication of this half-year report for the first half of 2024, the ownership structure of significant blocks of the Bank's shares has not changed.

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

	Number of shares	% Shares	Number of votes at GM	% votes at GM
Citibank Europe PLC, Ireland	97,994,700	75,0	97,994,700	75,0
Pension funds managed by Nationale-Nederlanden PTE S.A., including:	6,876,766	5,26	6,876,766	5,26
Nationale Nederlanden OFE	6,539,514	5.01	6,539,514	5.01
Other shareholders	25,788,134	19,74	25,788,134	19,74
	130,659,600	100	130,659,600	100

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

According to the best knowledge of the Bank – the dominant entity, at the date of submission of this periodic report for the first half of 2024, the Members of the Management Board and Members of Supervisory Board did not hold shares in the Bank.

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

Name and surname	Function	Shares of Bank Handlowy w Warszawie SA	
		Numer of shares (in pcs)	Par value (PLN)
Maciej Kropidłowski	Board Member	7,517	30,068
Andrzej Wilk	Board Member	4,283	17,132
Patrycjusz Wójcik	Board Member	1,670	6,680
Sławomir Sikora	President of the Supervisory Board	11,199	44,796
Total		24,669	98,676

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

35. Contingent liabilities and litigation proceedings

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

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

The value of provisions for disputes as at June 30, 2024 and December 31, 2023 are presented in the table below:

PLN '000	30.06.2024	31.12.2023
Provisions for disputes, including:	50,829	47,028
provisions for option cases on derivative instruments	16,297	15,880
provisions for individual cases relating, including:	27,167	23,512
provisions for cases related to CHF-indexed loans	26,393	22,625
provisions for cases related to the return of a part of the commission for granting consumer loan	774	887
Provisions for disputes	50,829	47,028

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

No significant settlements occurred in the first half of 2024 due to court cases concluded with a final judgment.

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

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

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

- As at June 30, 2024, the Bank was among others a party to 13 court proceedings associated with derivative transactions. Among these, 7 proceedings have not been terminated with a legally binding conclusion, and 6 have been terminated with a legally binding conclusion, but three of these proceedings are pending in the Supreme Court cassation proceeding and in the other 2 cases there are ongoing proceedings regarding process costs. In 7 proceedings the Bank acted as a defendant and in 6 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.
- The Bank was a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The Bank was one of the addressees of the President of UOKiK's decision in the case. The proceedings have concerned alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/Eurocard/Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. The President of UOKiK's decision was the subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. On October 6, 2015 the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. As the Bank submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict and the case has been returned to the Appeal Court for a second review. The appeals proceedings has begun again. In the first quarter of 2018, the Bank received the reimbursed. By the judgment of November 23, 2020, the Appeal Court set aside the judgment of November 21, 2013 and remitted the case to the court of first instance for reconsideration.
- The Bank is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies. On 15 June 2023, the Court of Justice of the European Union (CJEU) in case C 520/21 essentially duplicated the opinion of the Advocate General from February 16, 2023 and ruled that only the consumer may demand additional benefits resulting from the cancellation of the Swiss franc loan agreement. The Bank may only demand the return of the loan capital together with statutory interest for delay without the possibility of demanding remuneration from the customer (consumer) for non-contractual use of capital. It has been held that Directive 93/13 does not directly govern the consequences of the invalidity of a contract concluded between a seller or supplier and a consumer after the unfair terms have been removed. It is for the Member States to determine the consequences of such a finding and the measures which they adopt in that regard must comply with EU law and, in particular, with the objectives of that directive. It will be for the national courts to assess, in the light of all the circumstances of the dispute, whether the acceptance of such consumer claims is compatible with the principle of proportionality.

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

As at June 30, 2024, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 31.4 million. The Bank maintained a collective provision in the amount of PLN 23.9 million (compared to PLN 10.2 million as at December 31, 2023). Estimation of the provision assumes the expected level of probability of settlement or litigation resolution and an estimate of the Bank's loss should a dispute be settled in court. This value, as well as provisions for individual litigation cases, is included in the group's consolidated semi-annual financial statement under Provisions.

As at June 30, 2024, the Bank was sued in 89 cases relating to a CHF-indexed loan for a total amount of approximately PLN 41.2 million. 30 cases were legally lost, and the Bank decided to file two cassation appeals (one appeal was rejected on formal grounds, as to the second the Supreme Court refused to accept the cassation appeals for consideration). Most of the cases are in the first instance.

- On September 11, 2019, CJEU passed a ruling in the case C 383/18, indicating the following interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers (Directive): "the right of the consumer to a reduction in the total cost of the credit in the event of early

repayment of the credit includes all the costs imposed on the consumer.” Hence, according to the provisions of the Directive, the above-mentioned right of the consumer includes costs both related and not related to the duration of the contract.

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

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

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

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

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

As of June 30, 2024, the Bank was sued in 970 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4.3 million.

- On 22 June 2021, the President of the Office of Competition and Consumer Protection initiated explanatory proceedings to initially determine whether the Bank’s actions taken after consumers reported unauthorized payment transactions may justify the initiation of proceedings regarding practices violating the collective interests of consumers or proceedings regarding to recognize the provisions of the standard contract as prohibited. On 8 February 2024, the President of the Office of Competition and Consumer Protection initiated proceedings (decision delivered on 13 February 2024) regarding practices violating the collective interests of consumers regarding unauthorized payment transactions. The charges brought are:
 - failure to refund the amount of an unauthorized payment transaction to the customer within the D+1 deadline despite the lack of premises for such refusal,
 - misleading consumers as to the Bank’s obligations and the distribution of the burden of proving the authorization of a payment transaction.

The proceedings are the result of the explanatory proceedings of the President of the Office of Competition and Consumer Protection initiated in June 2021. As at June 30, 2024, the Bank did not create any provision in this respect because it is not possible to reliably estimate its potential outcome.

- On 22 November 2023, the Polish Financial Supervision Authority (“KNF”) started administrative proceedings against the Bank that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, it is not possible to reliably estimate its potential outcome.

36. Transactions with the key management personnel

PLN '000	30.06.2024		31.12.2023	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted	65	5	69	-
Deposits				
Current accounts	10,286	9,542	8,456	3,949
Term deposits	1,340	28,506	1,566	32,916
Total Deposits	11,626	38,048	10,022	36,865

As at 30 June 2024 and 31 December 2023, no guarantees were granted to members of the Management Board and the Supervisory Board.

All transactions of the Bank with members of the Management Board and the Supervisory Board are at arm's length.

Staff expenses for current and former members of the Management Board are presented in note 10.

Changes in the composition of the Management Board of the Bank

On November 16, 2023 Ms. Natalia Bożek resigned from the role of Member of the Management Board effective January 31st, 2024 due to the acceptance of the role of Europe Cluster Chief Financial Officer (CFO) for Citi.

On January 25, 2024, the Supervisory Board of the Bank decided to appoint Mr. Patrycjusz Wójcik to the Management Board of Bank Handlowy w Warszawie S.A. with the position of the Vice President of the Management Board as of 1 February 2024 for a three-year term of office. As part of the internal division of powers in the Management Board, Mr. Patrycjusz Wójcik will be a Vice President of the Bank's Management Board responsible for finance.

Changes in the composition of the Supervisory Board of the Bank

On June 19, 2024 the Ordinary General Meeting of Bank Handlowy w Warszawie S.A. decided to appoints as members of the Bank's Supervisory Board:

for the joint, current term of office of the Bank's Supervisory Board - Natalia Monika Bożek, Ignacio Gutierrez – Orrantia and Fabio Lisanti,

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

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.

A separate non-competition agreement conducted with the Bank applies to each member of the Bank's Management Board. According to its provisions, in case of termination of employment in the Bank, in the period of 12 months (in case of one member of the Management Board – of 6 months) from the date of employment termination, the member of the Management Board is obligated to refrain from competitive activities against the Bank. Due to limitations mentioned above, the Bank will be obliged to pay the compensation to the member of the Management Board.

37. Related parties

Transactions with related parties

The Bank is a member of Citigroup Inc., which is the ultimate controlling party. The parent entity of the Bank is Citibank Europe PLC based in Ireland.

Within its normal course of business activities, the Group enters into transactions with related entities, in particular with entities of Citigroup Inc.

The transactions with related entities result from current activity of the Group, and mainly include deposits, guarantees and derivatives transactions.

Apart from the transactions described in this section, in the presented period neither the Bank nor the Bank's subsidiaries conducted any transactions with related entities, which would be individually or jointly significant. No transaction with related entities was concluded on terms other than market terms.

Transactions with Citigroup Inc. entities

The receivables and liabilities towards Citigroup Inc. companies are as follows:

PLN '000	30.06.2024	31.12.2023
Receivables	2,966,747	6,579,273
Liabilities, including:	2,897,890	2,878,689
Deposits*	1,252,478	529,486
Balance-sheet valuation of derivative transactions		
Assets held-for-trading	1,449,598	1,471,839
Liabilities held-for-trading	996,056	1,308,037
Contingent liabilities granted	271,184	276,572
Contingent liabilities received	201,916	216,832
Contingent derivative transactions (liabilities granted/received), including:	131,089,330	107,160,447
Interest rate instruments	50,345,773	37,795,253

PLN '000	30.06.2024	31.12.2023
Currency instruments	80,295,874	68,813,986
Securities transactions	318,130	305,992
Commodity transactions	129,553	245,216

*Including deposits of parent undertaking in amount of PLN 847,463 million as of 30 June 2024 (31 December 2023: PLN 1,333)

PLN '000	01.01. – 30.06. 2024	01.01. – 30.06. 2023
Interest and commission income*	97,272	40,973
Interest and commission expense*	24,355	8,648
General administrative expenses	96,836	95,349
Other operating income	4,408	4,379

*Interest and commission income in amount of PLN 8,153 thousand for the first half of 2024 (for the first half of 2023: PLN 800 thousand) refer to parent undertaking, whereas interest and commission costs refer to parent undertaking in amount of PLN 1,303 thousand for the first half of 2024 (for the first half of 2023: PLN 0)

Until 15 November 2023, the Bank's parent company was Citibank Overseas Investment Corporation with headquarters in New Castle, USA. On 15 November 2023 a change was made in the shareholding structure of the Bank as a result of the transfer by Citibank Overseas Investment Corporation of 97,994,700 shares of the Bank, representing 75% of the share capital of the Bank and 75% of the total number of votes at the general meeting of shareholders of the Bank, to Citibank Europe PLC. Within Citi group of companies, the company being the majority shareholder of the Bank changed from Citibank Overseas Investment Corporation with registered office in the USA to Citibank Europe PLC with registered office in Ireland in order to fulfil the statutory obligation under which domestic banks belonging to a group from a third country, i.e. from outside the European Union and in the case of the Bank - the United States, an EU intermediate parent undertaking. The transaction results from the obligations arising from 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 and the Act of 29 August 1997 Banking Law.

The Group receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge market risk. These are back to back derivative transactions, opposite to transactions with Group's other clients and closing Bank's own position. On 30 June 2024 net balance valuation of transactions on derivatives amounted to PLN 453 542 thousand (31 December 2023: PLN 163,802 thousand).

Furthermore the Group incurs costs and receives income from agreements between Citigroup Inc. entities and the Bank, regarding the provision of mutual services.

The costs incurred and accrued (including VAT reflected in the Bank's costs) in the first half of 2024 and also in the first half of 2023, due to the concluded agreements were concerned, in particular, with costs of services regarding maintenance of the Bank's information systems and advisory support. The income was related to data processing and other services rendered by the Bank.

In the first half of 2024, capitalization of capital expenditures related to work on modifying the functionality of the Bank's IT systems took place. The total amount of payments to Citigroup Inc. entities in this respect amounted to PLN 31,748 thousand (in the first half of 2023: PLN 61,445 thousand).

38. WIRON Reform

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

In reference to the previous communication regarding the reform of WIBOR and WIBID indicators, on March 29, 2024 the Steering Committee of the National Working Group for Reformation Indicators decided to begin reviewing and analysing the alternative indicators (type Risk Free Rate (RFR)) to WIBOR. The review includes WIRON as well as other indices and indicators. The National Working Group for Reformation Indicators ("NGR") completed the public consultation on the review of RFR (risk free rate) alternative indicators/indices to WIBOR in July 2024.

An analysis of the considered indicators is currently underway through public consultation and a decision by the NGR is expected on the selection of one of those indicators as the index that will replace WIBOR and WIBID.

This will be followed by an update of the Roadmap for the reform of the reference indicators in Poland, including the required actions for the further development of the domestic money market.

As of now, the reform is scheduled to be completed by the end of 2027, in line with previous NGR announcements.

39. The impact of the war in Ukraine

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

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

40. Significant events after the balance sheet date

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

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

Members of the Management Board

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