



**Information on capital adequacy  
of the Capital Group of  
Bank Handlowy w Warszawie S.A.  
as of 31 December 2022**



*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.*

<b>INTRODUCTION .....</b>	<b>3</b>
<b>I. RISK MANAGEMENT OBJECTIVES AND POLICIES.....</b>	<b>5</b>
<b>II. INFORMATION RELATED TO THE USE OF PRUDENTIAL NORMS .....</b>	<b>11</b>
<b>III. INFORMATION REGARDING OWN FUNDS.....</b>	<b>15</b>
<b>IV. CAPITAL ADEQUACY.....</b>	<b>22</b>
<b>V. CAPITAL BUFFERS .....</b>	<b>25</b>
<b>VI. INFORMATION REGARDING RISK .....</b>	<b>27</b>
<b>1. CREDIT RISK.....</b>	<b>27</b>
<b>2. COUNTERPARTY CREDIT RISK.....</b>	<b>48</b>
<b>3. INFORMATION REGARDING CREDIT RISK MITIGATION TECHNIQUES .....</b>	<b>55</b>
<b>4. INFORMATION REGARDING APPLICATION OF STANDARDISED APPROACH TO CALCULATE RISK-WEIGHTED EXPOSURE AMOUNTS</b>	
<b>56</b>	
<b>5. INFORMATION REGARDING EXPOSURE TO SECURITISATION POSITIONS.....</b>	<b>56</b>
<b>6. MARKET RISK.....</b>	<b>60</b>
<b>7. OPERATIONAL RISK.....</b>	<b>63</b>
<b>VII. INFORMATION RELATED TO THE LIQUIDITY.....</b>	<b>67</b>
<b>VIII. INTERNAL CAPITAL ADEQUACY ASSESSMENT.....</b>	<b>73</b>
<b>IX. UNENCUMBERED ASSETS.....</b>	<b>75</b>
<b>X. LEVERAGE RATIO.....</b>	<b>78</b>
<b>XI. INFORMATION REGARDING THE REMUNERATION POLICY.....</b>	<b>83</b>
<b>XII. ESG RISKS .....</b>	<b>93</b>
<b>XIII. DECLARATION OF THE MANAGEMENT BOARD OF BANK .....</b>	<b>101</b>

## Introduction

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

- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 with amendments (Regulation (EU) No. 575/2013),
- Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No. 575/2013 and (EU) 2019/876
- as regards certain adjustments in response to the COVID-19 pandemic,
- as well as of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (“CRD”)
- and on the basis of other EU Commission regulations imposing regulatory and implementing technical standards in the area of information disclosure.

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

- the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A for the financial year ended 31 December 2022,
- and in the Report on Activities of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. in 2022 and refers to them wherever it is relevant .

Pursuant to the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Bank publishes disclosures on capital adequacy on the basis of consolidated data as of 31 December 2020 the Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. for 2020.

When the disclosures required by the Regulation (EU) No. 575/2013 of the European Parliament and of the Council are published in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A for the financial year ended 31 December 2020, this document refers to the number of explanatory note, which discloses required information.

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

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

The terms used in the document shall mean the following:

**Regulation No. 575/2013 / CRR** - Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 with amendments;

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

---

<sup>1</sup> The Disclosure Policy of Bank Handlowy w Warszawie S.A. on capital adequacy laid down by the Management Board and approved by the Supervisory Board are available at the Bank’s website [www.citihandlowy.pl](http://www.citihandlowy.pl) in the “Investor Relations” section.

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

**Commission Delegated Regulation (EU) No. 604/2014** of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile;

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

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

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

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

**Regulation (EU) 2019/630 of the European Parliament and of the Council** of 17 April 2019 amending Regulation (EU) No. 575/2013 as regards minimum loss coverage for non-performing exposures,

**Regulation (EU) 2019/876 of the European Parliament and of the Council** of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012,

**Regulation (EU) 2020/873 of the European Parliament and of the Council** of 24 June 2020 amending Regulations (EU) No. 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic,

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

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

## I. Risk management objectives and policies

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

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

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

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

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

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

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

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

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

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

Risk management strategies, policies and procedures are regularly reviewed to ensure compliance with applicable laws, regulations, supervisory institutions and regulatory recommendations, internal regulations, business and market practices and the adequacy of the scale, nature and complexity of the Group's operations. Strategies and processes of risk management, as well as the structure and organization of units managing the appropriate risks and solutions used by the Group on measurement and reporting of those risks, are presented in details in the note 3 „Risk management” to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2022.

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

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

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

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

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

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

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

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

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

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

- Credit risk - risk of potential losses arising from a client event of default or insolvency taking into account risk mitigation techniques applied to a product or individual credit;
- Counterparty Credit Risk - the risk of potential losses arising from changes in market prices that occur, when the client is unable to meet its contractual obligations. This risk is part of credit risk generated on such activities as derivative transactions;
- Market Risk in trading book - risk of loss resulting from potential fluctuations in the market value of the exposure as a result of the changes in underlying market risk factors. The key factors are: interest rates, FX rates, securities' prices, commodities' prices and their volatilities;

- 
- Interest rate risk in banking book - risk of potential negative impact of the changes in market risk factors on the Group's interest income;
  - Liquidity Risk - risk of a Group inability to meet its obligations in due time and without incurring financial losses, which occurs due to cash flow mismatches (cash flow gap), limited asset marketability or systematic market changes;
  - Operational Risk - is the possibility of loss resulting from inadequate or failed internal processes, people, or technical systems, or from external events;
  - Compliance risk - a risk of negative effects of a failure to observe the law, supervisory regulations, internal Group's normative acts and market standards, notably:
    - a) imposition of legal or regulatory sanctions, including the imposition of financial penalties by competent authorities and regulators or of recommendations requiring the Bank to comply with them, which in turn may involve financial outlays and resources dedicated to those actions;
    - b) financial or reputational losses (loss of credibility in the eyes of trade partners) to which the Bank is exposed as a result of non-compliance with the laws, supervisory regulations, regulatory recommendations, the Bank's internal normative acts and market standards within the Bank's operations;
    - c) potential risk of the Bank incurring additional costs arising, for instance, from imposed penalties, sustained losses and cancelled contracts;
  - Technology risk and information security risk (including business continuity (CoB) and cyber risk) - risk of disruption of entity's activity or financial loss due to technical solutions' implementation, utilization or development;
  - Outsourcing risk/VM risk – risk of negative impact of external party on continuation, integrity and quality of entity's activity, its property or employees;
  - Fraud risk - risk connected with willful act to the detriment of entity by its employees or third parties;
  - Staffing Risk (human capital)- risk connected with recruitment, availability and professional qualification of employees, their fluctuation, ability to adapt to changes in work environment, work culture, absenteeism, tiredness, overtime, lack of utilization of annual leave for a long time, inadequate or not adjusted to the scale and complexity organizational structures, connections of personnel whose responsibilities is crucial from the perspective of the risk occurring in the Group and similar factors, which may lead to operational losses connected with human factor, it also includes the specificity and diversity of conditions related to the management of human resources in different areas of activity.

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

Additionally the Group manages inter alia the following risks:

- Money Laundering risk - risk of losses due to involvement in money laundering activity conducted by customers, intermediaries or employees;
- Tax and Accounting risk - risk of negative economic effects due to improper accountancy records, reporting, mistaken calculation of tax obligations or their delayed payments;
- Product risk - risk connected with the sale of product (service), which does not meet customers' requirements and needs, is not compliant with the law and regulations, generates additional risks (for an entity and its customers), does not have adequate support of the employees and processes;
- Legal risk - risk of losses occurring due to instability of legal regulations, changes of law and regulations, improper structure of legal relationships, quality of legal documentation, unfavourable conclusions of courts or other bodies in disputed cases, conducted with other entities;
- Models risk - potential loss, which Group may be exposed at, following decision based on data generated by models utilized by the Group, as a result of errors in models' development, implementation or utilization. Models risk includes risk of reputation loss as a result of errors in Group's financial statement or other officially published documents by Bank due to incorrect output data from a model;
- Concentration Risk - risk arising from excessive concentration from exposures to clients, groups of connected clients, customers operating in the same economic sector, geographic region, carrying out the same economic activity or trading with similar commodities, entities belonging to Group capital's group (both cross-border and local), exposures denominated in the same currency or indexed to the same currency, used credit risk mitigation techniques as well as large indirect credit exposures such as a single issuer of the security, with the potential to generate losses large enough to imperil Group's financial condition or financial ability to maintain its core operations or lead to a significant change in the risk Group's profile;
- Conduct Risk - risk that the Bank's employees or persons who are not employees of the Bank – intentionally or through negligence – will cause damage to clients or to the integrity of financial markets, and consequently, the integrity of the Bank.

Risks identified as significant, including quantitative indicators, current trends, and the utilization of capital limits, are monitored as a part of the regular, quarterly information provided to the Risk and Capital Management Committee of the Bank's Management Board and to the Risk and Capital Committee of the Supervisory Board. In 2022, 4 meetings of the Committee at the Bank's Board of Executives and 4 meetings of the Supervisory Board Committee took place, during which the above elements were analysed.

The Group's goal is to maintain current capital structure in order to address requirements of CRR/CRD on Common Equity Tier 1 regulatory capital. Group, as it is stated in the strategy, will continue to be adequately capitalized with diversified sources of income. Considering approved level of Overall Risk Appetite, the Group will maintain a target regulatory capital adequacy ratio at the level of minimum 12,75%. In 2022 total TCR amounted to 17.6%.

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

- effective management of compliance risk at the Bank;



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

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

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

- oversees the observance of the Bank’s internal normative acts, including in the area of the internal control system;
- approves the Compliance Policy;
- approves the Rules and Regulations of Operation of the Compliance Unit;
- assesses, at least once a year, the degree of effectiveness of management of compliance risk by the Bank.

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

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

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

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

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

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

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

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

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

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

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

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

The aim of the Policy is to define the Bank's diversity management strategy to promote diversity in the selection of Board Members so as to ensure that a wide range of properties and competencies is reached in both external and internal recruitment, succession planning and to assure board members of different gender, age, educational and professional backgrounds are elected in order to acquire different perspectives and experiences and to enable independent judgment issuing and sound decision making in the performance of functions support implementation of the Bank's strategic objectives by ensuring high quality of performance of the function. Recognizing that the diversity and non-discrimination among all Employees may, i.a., facilitate the creation of an appropriately diversified pool of candidates for positions in the Management Board and support the diversity of the composition of the Management Board, the Bank promotes them in separate internal regulations.

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

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

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

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

As at December 31, 2022, the number of members of the Bank's Management Board was 7, while the Supervisory Board of the Bank was composed of 8 members.

## **II. Information related to the use of prudential norms**

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

Group is composed of Bank Handlowy w Warszawie S.A. ("Bank") as the parent company, as well as the following subsidiary companies: Dom Maklerski Banku Handlowego S.A. ("DMBH"), Handlowy Leasing Sp. z o.o., Handlowy Investments S.A., Handlowy-Inwestycje Sp. z o.o.

The following entities are fully consolidated:

- Dom Maklerski Banku Handlowego S.A.,
- Handlowy Leasing Sp. z o.o.,
- Handlowy Investments S.A.,
- Handlowy Inwestycje Sp. z o.o.

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

In December 2021, the Bank completed the procedure for obtaining an extended brokerage license from the Polish Financial Supervision Authority (PFSA). This made it possible to complete the process of establishing a brokerage house within the Bank's structures. On April 29, 2022, within the organizational structure of the Bank, the Brokerage Department of Bank Handlowy was launched, which in the first months of its operation operated to a very limited extent.

In connection with the authorization to conduct brokerage activities, clients' financial instruments and cash as well as documents related to the activity were transferred to the Bank's Brokerage Department on the basis of the Decision of the PFSA of July 14, 2022.

On July 29, 2022, the Bank concluded an "Enterprise Transfer Agreement" with DMBH, on the basis of which, on August 1, 2022, the DMBH enterprise was transferred to the Bank. As a result, from August 1, 2022, brokerage services are concentrated and conducted in the Brokerage Department of Bank Handlowy.

As a result of the completed integration, the Management Board of DMBH decided to cease conducting brokerage activities as of August 1, 2022 and on September 19, 2022, submitted applications to the PFSA to revoke the decision on the authorization to conduct brokerage activities.

As a result of the proceedings, on December 7, 2022, the PFSA issued a decision to revoke the decision on the authorization to conduct brokerage activities by DMBH. The decision became final after 14 days.

The Capital Group of Bank Handlowy w Warszawie S.A. provides leasing portfolio services until April 30th, 2013 through Handlowy Leasing Sp. z o.o. After this date, Handlowy Leasing Sp. z o.o. – due to reducing its activity solely to execution of lease agreements signed before April 30th, 2013 - did not sign new contracts, continuing existing contracts service providing maintaining the quality of services and cost-efficiency of its operations. Leasing product remained in the Bank's offer and is offered in a form of so-called "open architecture", i.e. co-operation with the European Leasing Fund S.A. and CorpoFlota Sp. z o.o. In 2017. The Company's active leasing portfolio was sold to the Bank; the Company is currently servicing a non-performing portfolio (NPL).

Handlowy Investments S.A. seated in Luxembourg, belongs to special purpose investment entities, through which the Bank and the Capital Group conduct capital transactions. The entity is a wholly-owned subsidiary of the Bank and its activities are financed with refundable additional capital contributions net profits earned. Due to intention to

---

reduce the investment activities, Handlowy - Investments S.A. and similar holdings will be gradually sold or liquidated. As at 31 December 2022 Handlowy Investments S.A. had the portfolio composed of the following shares: Pol-Mot Holding S.A. in bankruptcy.

Detailed information on how the Group's equity investment portfolio is broken down based on purchase reasons are described in chapter V point No. 7 „Equity investments” of the Report on Activities of Bank Handlowy w Warszawie S.A. and of the Capital Group of Bank Handlowy w Warszawie S.A. in 2022.

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

There are no proportionally consolidated entities within the Group.

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

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

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

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

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

	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items					
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds	
<b>Breakdown by asset classes according to the balance sheet in the published financial statements</b>								
1	Cash and balances with the Central Bank	595,969	595,969	595,969	-	-	-	-
2	Amounts due from banks	1,043,968	1,043,968	796,223	247,745	-	-	-
3	Financial assets held-for-trading	7,029,163	7,029,163	163,841	4,730,752	-	7,029,163	-
4	Hedging derivatives	623	623	623	-	-	-	-
5	Debt securities available-for-sale	37,180,808	37,180,808	37,180,808	-	-	-	-
7	Equity investments available-for-sale	106,144	106,144	106,144	-	-	-	-
8	Amounts due from customers	21,620,507	21,620,507	20,251,934	141,961	1,226,612	-	-
9	Tangible fixed assets	455,418	455,418	455,418	-	-	-	-
10	Intangible assets	1,263,863	1,263,863	65,660	-	-	-	1,198,203
11	Current income tax receivables	-	-	-	-	-	-	-
12	Deferred income tax asset	287,368	287,368	287,368	-	-	-	-
13	Other assets	217,571	217,571	217,571	-	-	-	-
14	Non-current assets held-for-sale	-	-	-	-	-	-	-
<b>15</b>	<b>Total assets</b>	<b>69,801,402</b>	<b>69,801,402</b>	<b>60,121,559</b>	<b>5,120,458</b>	<b>1,226,612</b>	<b>7,029,163</b>	<b>1,198,203</b>
<b>Breakdown by liability classes according to the balance sheet in the published financial statements</b>								
1	Amounts due to banks	4 794 671	4 794 671	62,320	62,338	-	-	4,670,013
2	Financial liabilities held-for-trading	4 896 099	4 896 099	815,703	4,661,896	-	4,896,099	-
3	Hedging derivatives	6 917	6 917	6,917	-	-	-	-
4	Amounts due to customers	50 512 860	50 512 860	-	1,388,969	-	-	49,123,891
5	Provisions	112 507	112 507	-	-	-	-	112,507
6	Current income tax liabilities	245 937	245 937	-	-	-	-	245,937
7	Deferred tax provision	-	-	-	-	-	-	-
8	Other liabilities	1 272 001	1 272 001	-	-	-	-	1,272,001
<b>9</b>	<b>Total liabilities</b>	<b>61 841 157</b>	<b>61 841 157</b>	<b>884,940</b>	<b>6,113,202</b>	<b>-</b>	<b>4,896,099</b>	<b>55,424,515</b>
<b>10</b>	<b>EQUITY</b>	<b>7 960 245</b>	<b>7 960 245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>11</b>	<b>Total liabilities and equity</b>	<b>69 801 402</b>	<b>69 801 402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
<b>1 Assets carrying value amount under the scope of prudential consolidation (as per template LI1)</b>	<b>69,801,402</b>	<b>60,121,559</b>	<b>5,120,458</b>	<b>1,226,612</b>	<b>7,029,163</b>
<b>2 Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)</b>	<b>61,841,157</b>	<b>884,940</b>	<b>6,113,202</b>	<b>-</b>	<b>4,896,099</b>
<b>3 Total net amount under the scope of prudential consolidation</b>	<b>7,960,245</b>	<b>59,236,619</b>	<b>(992,744)</b>	<b>1,226,612</b>	<b>2,133,064</b>
<b>4 Off-balance-sheet amounts</b>	<b>16,275,538</b>	<b>16,275,538</b>	<b>-</b>	<b>-</b>	
5 Differences in valuations	(56,735)	(37,287)	(16,916)	-	
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7 Differences due to consideration of provisions	-	-	-	-	
8 Differences due to the use of credit risk mitigation techniques (CRMs)	(1,389,438)	(1,010,902)	(378,536)	-	
9 Differences due to credit conversion factors	(12,617,380)	(12,617,380)	-	-	
10 Differences due to Securitisation with risk transfer	-	-	-	-	
11 Other differences*	(283,691)	(129,828)	(153,864)	-	
<b>12 Exposure amounts considered for regulatory purposes</b>	<b>70,411,584</b>	<b>62,577,019</b>	<b>4,309,542</b>	<b>1,226,612</b>	<b>2,298,411</b>

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

Information on the consolidation method used for each entity within the scope of accounting and regulatory consolidation ranges is presented in Report on Activities of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. in 2022, in chapter III. " The organizational structure of the Capital Group of Bank Handlowy w Warszawie S.A ".

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

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

### III. Information regarding own funds

Information about the components of equity are presented in details in supplementary note 34 „Capital” to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2022.

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

Data are presented as at the end of December 31, 2022 in accordance with the requirements specified in Commission Implementing Regulation (EU) 2021/637 of 15 March 2022 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No. 575/2013 of the European parliament and of the Council and repealing Commission Implementing Regulation (EU) No. 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

**Table EU CC1 - Composition of regulatory own funds**

	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1 Capital instruments and the related share premium accounts	3,008,172	e
of which: Instrument type 1	3,008,172	d
of which: Instrument type 2	-	d
of which: Instrument type 3	-	d
2 Retained earnings	631,621	h
3 Accumulated other comprehensive income (and other reserves)	2,235,342	f, g
EU-3a Funds for general banking risk	540,200	g
4 Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5 Minority interests (amount allowed in consolidated CET1)	-	
EU-5a Independently reviewed interim profits net of any foreseeable charge or dividend	-	
<b>6 Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>6,415,335</b>	<b>0</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7 Additional value adjustments (negative amount)	(56,735)	0
8 Intangible assets (net of related tax liability) (negative amount)	(1,198,203)	b
27a Other regulatory adjustments	80,404	g
<b>28 Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(1,174,533)</b>	
<b>29 Common Equity Tier 1 (CET1) capital</b>	<b>5,240,801</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>		
<b>36 Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>-</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
<b>43 Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>-</b>	
<b>44 Additional Tier 1 (AT1) capital</b>	<b>-</b>	
<b>45 Tier 1 capital (T1 = CET1 + AT1)</b>	<b>5,240,801</b>	
<b>Tier 2 (T2) capital: instruments</b>		
<b>51 Tier 2 (T2) capital before regulatory adjustments</b>	<b>-</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
<b>57 Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>-</b>	
<b>58 Tier 2 (T2) capital</b>	<b>-</b>	
<b>59 Total capital (TC = T1 + T2)</b>	<b>5,240,801</b>	
<b>60 Total Risk exposure amount</b>	<b>29,710,682</b>	



### Capital ratios and requirements including buffers

61	Common Equity Tier 1 capital	17,64%
62	Tier 1 capital	17,64%
63	Total capital	17,64%
64	Institution CET1 overall capital requirements	2,79%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical capital buffer requirement	0,04%
67	of which: systemic risk buffer requirement	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,25%
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	
<b>68</b>	<b>Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements</b>	<b>9,64%</b>

### National minima (if different from Basel III)

#### Amounts below the thresholds for deduction (before risk weighting)

72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	46,328	a
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	287,368	c

### Applicable caps on the inclusion of provisions in Tier 2

76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-

---

The amount of regulatory own funds as at December 31, 2022 compared to December 31, 2021 decreased by PLN 276,635 thousand, i.e. 5.0 %, mainly as a result of an decrease in accumulated other comprehensive income in the amount PLN 254,123 thousand and an increase in deductions from Common Equity Tier 1 capital for intangible assets with opposite to that an increase of adjustment in amount of PLN 82,425 thousand for temporary treatment of unrealized profits and losses valued at fair value by other total income in connection with the Covid-19 pandemic in accordance with art. 468 of the CRR Regulation.

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

	Balance sheet as in published financial statements	Reference
	As at 31.12.2022	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published financial statements</b>		
1 Cash and balances with the Central Bank	595,969	
2 Amounts due from banks	1,043,968	
3 Financial assets held-for-trading	7,029,163	
4 Debt financial assets measured at fair value through other comprehensive income, including:	623	
5 Assets pledged as collateral	37,180,808	
6 Equity and other instruments measured at fair value through income statement	106,144	a
7 Amounts due from customers	21,620,507	
8 Tangible fixed assets	455,418	
9 Intangible assets	1,263,863	b
10 Current income tax receivables	-	
11 Deferred income tax asset	287,368	c
12 Other assets	217,571	
13 Non-current assets held-for-sale	-	
<b>14 Total assets</b>	<b>69,801,402</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b>		
1 Amounts due to banks	4,794,671	
2 Financial liabilities held-for-trading	4,896,099	
3 Hedging derivatives	6,917	
4 Amounts due to customers	50,512,860	
5 Provisions	112,507	
6 Current income tax liabilities	245,937	
7 Deferred tax provision	165	
8 Other liabilities	1,272,001	
<b>9 Total liabilities</b>	<b>61,841,157</b>	
<b>Shareholders' Equity</b>		
1 Share capital	522,638	d
2 Supplementary capital	3,001,259	e
3 Revaluation reserve	-573,528	f
4 Other reserves	2,833,345	g
5 Retained earnings	2,176,531	h
<b>6 Total equity</b>	<b>7,960,245</b>	
<b>Total liabilities and equity</b>	<b>69,801,402</b>	

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

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

	B	B	C
1 Issuer	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: PLBH00000012	ISIN: PLBH00000012	ISIN: PLBH00000012
2a Public or private placement	Public	Public	Public
3 Governing law(s) of the instrument	Polish law	Polish law	Polish law
3a Contractual recognition of write down and conversion powers of resolution authorities	Not applicable	Not applicable	Not applicable
Regulatory treatment			
4 Current treatment taking into account, where applicable, transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital
5 Post-transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital
6 Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo / Consolidated	Solo / Consolidated	Solo / Consolidated
7 Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares
8 Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	PLN 70.594.000	PLN 21.736.000	PLN 150.638.000
9 Nominal amount of instrument	PLN 4	PLN 4	PLN 4
EU-9a Issue price			
EU-9b Redemption price	-	-	-
10 Accounting classification	Equity	Equity	Equity
11 Original date of issuance	24.05.02	16.06.03	28.02.01
12 Perpetual or dated	Perpetual	Perpetual	Perpetual
13 Original maturity date	Without maturity	Without maturity	Without maturity
14 Issuer call subject to prior supervisory approval			
15 Optional call date, contingent call dates and redemption amount	-	-	-
16 Subsequent call dates, if applicable	-	-	-
Coupons / dividends			
17 Fixed or floating dividend/coupon	Floating rate	Floating rate	Floating rate
18 Coupon rate and any related index	-	-	-
19 Existence of a dividend stopper	No	No	No
EU-20a Fully discretionary, partially discretionary or mandatory (in terms of timing)			
EU-20b Fully discretionary, partially discretionary or mandatory (in terms of amount)			
21 Existence of step up or other incentive to redeem	No	No	No
22 Noncumulative or cumulative			
23 Convertible or non-convertible	Incommutable	Incommutable	Incommutable
24 If convertible, conversion trigger(s)	-	-	-
25 If convertible, fully or partially	-	-	-
26 If convertible, conversion rate	-	-	-
27 If convertible, mandatory or optional conversion	-	-	-
28 If convertible, specify instrument type convertible into	-	-	-
29 If convertible, specify issuer of instrument it converts into	-	-	-
30 Write-down features	No	No	No
31 If write-down, write-down trigger(s)	-	-	-
32 If write-down, full or partial	-	-	-
33 If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable
34 If temporary write-down, description of write-up mechanism	-	-	-
34a Type of subordination (only for eligible liabilities)	Category No. 10	Category No. 10	Category No. 10
EU-34b Ranking of the instrument in normal insolvency proceedings	Not applicable	Not applicable	Not applicable
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-	-
36 Non-compliant transitioned features	No	No	No
37 If yes, specify non-compliant features	-	-	-
37a Link to the full term and conditions of the instrument (signposting)	Not applicable	Not applicable	Not applicable

## IV. Capital Adequacy

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

**Table EU OV1 – Overview of total risk exposure amounts**

	Total risk exposure amounts (TREA)		Total own funds requirements
	a		c
	31.12.2022	30.09.2022	31.12.2022
<b>1 Credit risk (excluding CCR)</b>	<b>21,427,038</b>	<b>21,983,691</b>	<b>1,714,163</b>
2 Of which the standardised approach	21,427,038	21,983,691	1,714,163
3 Of which the Foundation IRB (F-IRB) approach	-	-	-
4 Of which slotting approach	-	-	-
EU 4a Of which equities under the simple risk weighted approach	-	-	-
5 Of which the Advanced IRB (A-IRB) approach	-	-	-
<b>6 Counterparty credit risk - CCR</b>	<b>1,917,383</b>	<b>1,732,764</b>	<b>153,391</b>
7 Of which the standardised approach	1,822,510	1,452,862	145,801
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	44,416	101,043	3,553
EU 8b Of which credit valuation adjustment - CVA	50,456	157,692	4,036
9 Of which other CCR	-	21,167	-
<b>15 Settlement risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>16 Securitisation exposures in the non-trading book (after the cap)</b>	<b>172,970</b>	<b>117,320</b>	<b>13,838</b>
17 Of which SEC-IRBA approach	-	-	-
18 Of which SEC-ERBA (including IAA)	-	-	-
19 Of which SEC-SA approach	172,970	117,320	13,838
EU 19a Of which 1250% / deduction	-	-	-
<b>20 Position, foreign exchange and commodities risks (Market risk)</b>	<b>1,218,715</b>	<b>1,289,400</b>	<b>97,497</b>
21 Of which the standardised approach	1,218,715	1,289,400	97,497
22 Of which IMA	-	-	-
<b>EU 22a Large exposures</b>	<b>-</b>	<b>26,887</b>	<b>-</b>
<b>23 Operational risk</b>	<b>4,974,577</b>	<b>3,543,219</b>	<b>397,966</b>
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	4,974,577	3,543,219	397,966
EU 23c Of which advanced measurement approach	-	-	-
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	718,420	583,781	57,474
<b>29 Total</b>	<b>29,710,682</b>	<b>28,693,282</b>	<b>2,376,855</b>

\* In row EU 19a institution disclose the own funds requirement for securitisation exposures on the non-trading book deducted from own funds in accordance with Chapter 5 of Title II of Part Three CRR. This own funds requirement is deducted from own funds and does not generate RWEAs with risk-weight at 1250%.

**Table EU KM1 - Key metrics template**

	a	b	c	d	e
	31.12.2022	30.09.2022	30.06.2022	31.03.2022*	31.12.2021*
<b>Available own funds (amounts)</b>					
1 Common Equity Tier 1 (CET1) capital	5,240,801	5,111,171	5,073,024	5,209,344	5,517,436
2 Tier 1 capital	5,240,801	5,111,171	5,073,024	5,209,344	5,517,436
3 Total capital	5,240,801	5,111,171	5,073,024	5,209,344	5,517,436
<b>Risk-weighted exposure amounts</b>					
4 Total risk exposure amount	29,710,682	28,693,282	28,624,347	29,202,694	27,416,570
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5 Common Equity Tier 1 ratio (%)	17.64	17.81	17.72	17.84	20.12
6 Tier 1 ratio (%)	17.64	17.81	17.72	17.84	20.12
7 Total capital ratio (%)	17.64	17.81	17.72	17.84	20.12
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>					
EU 7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	-	-	-	-	-
EU 7b of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 7c of which: to be made up of Tier 1 capital (percentage points)	-	-	-	-	-
EU 7d Total SREP own funds requirements (%)	8.00	8.00	8.00	8.00	8.00
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>					
8 Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9 Institution specific countercyclical capital buffer (%)	0.04	0.03	0.02	0.02	0.02
EU 9a Systemic risk buffer (%)	-	-	-	-	-
10 Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a Other Systemically Important Institution buffer (%)	0.25	0.25	0.25	0.25	0.25
11 Combined buffer requirement (%)	2.79	2.78	2.77	2.77	2.77
EU 11a Overall capital requirements (%)	10.79	10.78	10.77	10.77	10.77
12 CET1 available after meeting the total SREP own funds requirements (%)	9.64	9.81	9.72	9.84	12.12
<b>Leverage ratio</b>					
13 Total exposure measure	71,791,807	72,494,606	71,105,017	73,733,190	66,340,034
14 Leverage ratio (%)	7.30	7.05	7.13	7.07	8.32
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>					
EU 14a Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c Total SREP leverage ratio requirements (%)	3.00	3.00	3.00	3.00	3.00
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>					
EU 14d Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e Overall leverage ratio requirement (%)	3.00	3.00	3.00	3.00	3.00
<b>Liquidity Coverage Ratio</b>					
15 Total high-quality liquid assets (HQLA) (Weighted value -average)	31,565,655	30,813,442	31,020,985	30,942,880	30,998,059
EU 16a Cash outflows - Total weighted value	60,728,979	58,148,368	58,709,579	57,226,538	52,069,397
EU 16b Cash inflows - Total weighted value	41,430,227	40,332,470	41,951,756	41,880,258	37,326,784
16 Total net cash outflows (adjusted value)	19,341,066	18,034,184	17,230,683	15,949,008	15,303,028
17 Liquidity coverage ratio (%)	163.21	170.86	180.03	194.01	202.56
<b>Net Stable Funding Ratio</b>					
18 Total available stable funding	38,339,768	37,313,621	34,986,849	36,117,988	35,490,146
19 Total required stable funding	21,617,855	20,603,899	20,033,829	20,976,521	18,825,278
20 NSFR ratio (%)	177.35	181.10	174.64	172.18	188.52

\*The data includes profits included in own funds in accordance with the EBA guidelines applying

According to Article 468 of the CRR, banks may apply the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic. This approach enables excluding from the calculation of the Bank's common equity position the portion of the unrealized gains and losses accumulated from 31 December 2019 included in the balance sheet under "changes in fair value of debt instruments measured at fair value through OCI", corresponding to exposures to central governments, regional governments or local authorities, and to public sector entities, excluding those financial assets that are impaired due to credit risk

Starting from June 30, 2022, the Group applies the above temporary solution in the calculation of own funds, notifying the Polish Financial Supervision Authority about its decision.

The table below shows the impact of applying this transitional arrangement to the above article.

**Table Comparison of institution's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9**

Available capital (amounts)		31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
1	Common Equity Tier 1 (CET1) capital	5,240,801	5,111,171	5,073,024	5,209,344	5,517,436
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	n/d	n/a	n/d	n/d	n/d
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	5,158,376	n/a	4,869,271	n/d	n/d
3	Tier 1 capital	5,240,801	5,111,171	5,073,024	5,209,344	5,517,436
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	n/d	n/d	n/d	n/d	n/d
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	5,158,376	4,968,558	4,869,271	n/d	n/d
5	Total capital	5,240,801	5,111,171	5,073,024	5,209,344	5,517,436
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	n/d	n/d	n/d	n/d	n/d
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	5,158,376	4,968,558	4,869,271	n/d	n/d
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	29,710,682	28,693,282	28,624,347	29,202,694	27,416,570
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	29,759,018	28,812,566	28,794,769	29,202,694	27,416,570
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	17,64%	17,81%	17,72%	17,84%	20,12%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	n/d	n/d	n/d	n/d	n/d
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17,33%	17,24%	16,91%	n/d	n/d
11	Tier 1 (as a percentage of risk exposure amount)	17,64%	17,81%	17,72%	17,84%	20,12%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	n/d	n/d	n/d	n/d	n/d
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17,33%	17,24%	16,91%	n/d	n/d
13	Total capital (as a percentage of risk exposure amount)	17,64%	17,81%	17,72%	17,84%	20,12%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	n/d	n/d	n/d	n/d	n/d
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17,33%	17,24%	16,91%	n/d	n/d
Leverage ratio						
15	Leverage ratio total exposure measure	71,791,807	72,494,606	71,105,017	73,733,190	66,340,034
16	Leverage ratio	7,30%	7,05%	7,13%	7,07%	8,32%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	n/d	n/d	n/d	n/d	n/d
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7,19%	6,85%	6,84%	n/d	n/d

\* data in relevant periods include profits included in own funds based on the decisions of the Polish Financial Supervision Authority.



## V. Capital Buffers

On January 1, 2016, the Act on macroprudential supervision entered into force. Pursuant to this act, as at December 31, 2022, the Group had buffers:

- The buffer level indicator, the value of which in the amount of 2.5%, results from Art. 84 of the Act on macroprudential supervision,
- Countercyclical buffer rate of 0.04%, - weighted average countercyclical treasure statue for recipients,
- Systemic risk buffer rate of 0%, due to the fact that on March 18, 2020, the Minister of Finance issues a regulation issuing a regulation on systemic security.
- Other institution's buffer rate with a systemic value of 0.25%.

On 23<sup>rd</sup> December 2022, Bank received a letter from the Polish Financial Supervision Authority (“PFSA”) with the recommendation to mitigate the risk of the Bank’s operations by maintaining at both stand alone 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 0.11 p.p. above the total capital ratio referred to in Article 92 (1)(c) of Regulation No. 575/2013, increased by the additional own funds requirement referred to in Article 138 (2)(2) of the Banking Law Act and the combined buffer requirement referred to in Article 55 (4) of the Macroprudential Supervision Act. The additional add-on should be made up of the core capital Tier 1 only.

The computed Group is a group-specific countercyclical analysis

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

1 Total risk exposure amount	29,710,682
2 Institution specific countercyclical capital buffer rate	0.04%
3 Institution specific countercyclical capital buffer requirement	11,647

Table EU CCyB1 presents geographic color transfers of relevant credit exposures

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

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements			Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)	
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book				Total
010 Poland	23,616,560	-	38,840	-	-	23,655,400	1,639,758	3,107	-	1,642,865	20,535,810	92.09	0.0000
011 Luxembourg	642,211	-	1,868	-	-	644,079	51,377	149	-	51,526	644,079	2.89	0.5000
012 United Kingdom	388,187	-	275	-	-	388,462	24,791	22	-	24,813	310,158	1.39	1.0000
013 Malta	106,044	-	-	-	-	106,044	8,484	-	-	8,484	106,044	0.48	0.0000
014 Norway	93,096	-	-	-	-	93,096	7,448	-	-	7,448	93,096	0.42	2.0000
015 Republic of Korea	83,790	-	-	-	-	83,790	6,703	-	-	6,703	83,790	0.38	0.0000
016 Ireland	73,523	-	-	-	1,226,612	1,300,135	5,882	-	13,838	19,719	246,493	1.11	0.0000
017 Germany	55,878	-	-	-	-	55,878	4,370	-	-	4,370	54,622	0.25	0.0000
018 Switzerland	42,650	-	-	-	-	42,650	3,412	-	-	3,412	42,650	0.19	0.0000
019 United States	39,572	-	169	-	-	39,742	4,361	14	-	4,374	54,678	0.25	0.0000
020 Czech Republic	32,370	-	-	-	-	32,370	2,590	-	-	2,590	32,370	0.15	1.5000
021 Hungary	24,355	-	-	-	-	24,355	1,948	-	-	1,948	24,355	0.11	0.0000
022 Netherlands	22,290	-	-	-	-	22,290	1,783	-	-	1,783	22,290	0.10	0.0000
023 Belgium	20,015	-	-	-	-	20,015	1,601	-	-	1,601	20,015	0.09	0.0000
024 France	18,794	-	-	-	-	18,794	1,389	-	-	1,389	17,364	0.08	0.0000
025 Sweden	7,338	-	-	-	-	7,338	587	-	-	587	7,338	0.03	1.0000
026 Kazakhstan	2,167	-	-	-	-	2,167	173	-	-	173	2,167	0.01	0.0000
027 Israel	585	-	-	-	-	585	47	-	-	47	585	-	0.0000
028 Other countries	627	-	313	-	-	940	46	25	-	71	885	-	0.0000
<b>029 Total</b>	<b>25,270,053</b>	<b>-</b>	<b>41,465</b>	<b>-</b>	<b>1,226,612</b>	<b>26,538,130</b>	<b>1,766,748</b>	<b>3,317</b>	<b>13,838</b>	<b>1,783,903</b>	<b>22,298,790</b>	<b>100.00</b>	<b>-</b>

## VI. Information regarding risk

### 1. Credit Risk

#### The accounting definitions of past due and impaired exposures

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

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

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

- Obtaining information on the execution of a court judgment process against the debtor in an amount which, in the opinion of the bank, may result in the loss of creditworthiness.
- Lack of payment by the debtor the amount of the realized Government guarantee.
- Death 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,
- 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. Where:  $L=(E-P)/E$ , L – the economic loss related with the sale of credit obligations; E – total outstanding amount of the obligations subject to the sale, including interest and fees; P – price agreed for the sold obligations. Moment of the sale should be regarded as the moment of default. Where the price for the total portfolio was determined by specifying the discount on particular credit obligations, the materiality of credit-related economic loss should be assessed individually for each exposure within the portfolio. Where however the price was set only at the portfolio level, the materiality of credit-related economic loss may be assessed at the portfolio level. The following exceptions apply: where the reasons for the sale of credit obligations were not related to credit risk, such as where there is the need to increase the liquidity of the institution or there is a change in business strategy, on condition of the appropriate, documented justification of the treatment of the sale; or where the assets subject to the sale are publicly traded assets and measured at fair value.

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

If Bank assesses credit exposure as a credit impaired exposure, i.e. classifies it to Stage 3, such exposure needs to be considered as defaulted, non-performing.

Past due exposure is the situation when the delay in payment of principal, interest or any other payments occurs, as compared to payment date. Day past due calculation is done in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure.

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

Detailed information on the management of exposures of impaired are presented in the Annual Financial Statements of the Bank Handlowy w Warszawie SA for the year ended 31 December 2022 in explanatory note no. 3 "Risk Management" in the section "Credit risk".

#### **Write-offs for expected credit losses**

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

- Step 1: credit exposures for which credit risk has not materially increased since the initial recognition
  - loss estimated over a horizon of 12 months (this is the part of credit losses expected for the entire exposure period resulting from the default within 12 months from the reporting date),
- Step 2: credit exposures for which there has been a significant increase in credit risk
  - credit losses are estimated for the entire duration of the exposure,
- Step 3: credit exposures for which there is objective evidence of impairment
  - credit losses estimated as for impaired assets.

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

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

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

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

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

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

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

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

Input parameters of IFRS 9 models used to estimate expected credit losses as at 31 December 2022 are presented broken down by customer segments in the tables below.

Information on the impact of changes in the parameters of IFRS 9 models made in 2022 on the value of expected credit losses is presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending December 31, 2022, in note 22 "Receivables from customers".

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

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Phase 1	No PD	-	-	-	0.00%	-	0.00%	-	-
	from 0.00 to <0.15%	-	96,124	95,994	0.34%	5	35.00%	5	72
	from 0.15% to <0.25%	-	15,011	7,505	0.17%	4	35.00%	1	28
	from 0.25% to <0.50%	-	4,177	4,157	0.34%	5	35.00%	5	3
	from 0.5% to <0.75%	-	-	-	0.00%	-	0.00%	-	-
	from 0.75% to <2.50%	-	-	-	0.00%	-	0.00%	-	-
	from 2.50% to <10.00%	1	4	3	3.39%	2	35.00%	1	0
	from 10.00% to <45.00%	-	-	-	0.00%	-	0.00%	-	-
	from 45.00% to <100.00%	-	-	-	0.00%	-	0.00%	-	-
Phase 2	No PD	0	-	0	0.11%	1	35.00%	1	-
	from 0.00 to <0.15%	-	-	-	0.00%	-	0.00%	-	-
	from 0.15% to <0.25%	1	49	26	22.13%	2	3.00%	1	0
	from 0.25% to <0.50%	-	-	-	0.00%	-	0.00%	-	-
	from 0.5% to <0.75%	-	-	-	0.00%	-	0.00%	-	-
	from 0.75% to <2.50%	-	-	-	0.00%	-	0.00%	-	-
	from 2.50% to <10.00%	-	-	-	0.00%	-	0.00%	-	-
	from 10.00% to <45.00%	-	-	-	0.00%	-	0.00%	-	-
	from 45.00% to <100.00%	-	-	-	0.00%	-	0.00%	-	-

The group does not have the items required for phase 3.

**Table: ICG - Credit portfolio of other exposures**

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Phase 1	Micro portfolio	46,073	51,587	97,494	b/d	318	1.30%	1	1,267
	from 0.00 to <0.15%	4,993,340	2,515,743	6,580,360	0.09%	5,814	35.04%	2	129
	from 0.15% to <0.25%	1,695,265	2,661,525	3,261,347	0.16%	7,401	33.72%	1	130
	from 0.25% to <0.50%	3,093,442	2,689,034	4,603,010	0.38%	3,643	34.32%	2	113
	from 0.5% to <0.75%	-	-	-	0.00%	-	0.00%	-	-
	from 0.75% to <2.50%	3,990,336	1,755,521	5,143,343	0.98%	7,166	28.03%	2	161
	from 2.50% to <10.00%	291,751	166,958	418,277	3.07%	294	31.60%	3	92
	from 10.00% to <45.00%	45,514	57,289	76,697	1.86%	55	25.18%	1	39
	from 45.00% to <100.00%	-	277	138	0.34%	2	35.00%	1	0
Phase 2	Micro portfolio	577	-	579	b/d	11	57.00%	1	330
	No PD	229,604	22,376	240,957	0.01%	340	35.22%	1	63
	from 0.00 to <0.15%	61,618	94,265	109,603	1.23%	43	34.99%	1	84
	from 0.15% to <0.25%	100,617	227,845	224,435	7.48%	179	29.10%	1	237
	from 0.25% to <0.50%	75,924	66,770	120,163	8.14%	210	34.83%	1	152
	from 0.5% to <0.75%	-	-	-	0.00%	-	0.00%	-	-
	from 0.75% to <2.50%	841,770	165,465	947,579	5.79%	14,253	33.56%	2	558
	from 2.50% to <10.00%	204,546	151,481	282,905	8.21%	7,331	32.51%	0	122
	from 10.00% to <45.00%	236,422	67,311	276,745	20.87%	101	28.00%	2	1,170
	from 45.00% to <100.00%	-	-	-	0.00%	-	0.00%	-	-

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

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Phase 3	Micro portfolio	12,700	97	79.00%	10,033
	up to 12 months	89,550	37	29.13%	4,281
	from 13 to 24 months	719	4	31.20%	165
	from 25 to 36 months	656	3	41.20%	435
	from 37 to 48 months	234,166	45	26.11%	26,499
	from 49 to 60 months	3,292	11	35.00%	606
	from 61 to 84 months	42,869	116	35.00%	1,976
	over 84 months	51,524	277	35.00%	5,266

**Table: GCB - Housing loans portfolio**

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Phase 1	No PD	407,831	-	408,581	0.35%	1,123	11.67%	21	171
	from 0.00 to <0.15%	425,845	-	426,467	0.39%	1,124	11.51%	21	193
	from 0.15% to <0.25%	450,036	-	449,312	0.51%	1,266	12.57%	22	290
	from 0.25% to <0.50%	215,898	-	215,065	0.65%	649	12.98%	23	188
	from 0.5% to <0.75%	312,026	-	311,515	0.68%	959	12.21%	22	276
	from 0.75% to <2.50%	78,181	-	78,317	1.18%	252	10.87%	20	105
	from 2.50% to <10.00%	9,635	-	9,663	3.20%	37	8.82%	19	21
	from 10.00% to <45.00%	793	-	801	1.44%	2	9.58%	20	1
	from 45.00% to <100.00%	1,558	-	1,564	10.49%	4	24.00%	26	21
Phase 2	No PD	143,771	-	143,557	6.22%	380	11.65%	22	745
	from 0.00 to <0.15%	16,696	-	1,678	32.08%	60	11.79%	19	419
	from 0.15% to <0.25%	12,243	-	1,227	34.25%	34	12.44%	22	344
	from 0.25% to <0.50%	3,104	-	3,094	34.23%	10	9.39%	18	63
	from 0.5% to <0.75%	4,469	-	4,485	70.51%	17	10.19%	18	249
	from 0.75% to <2.50%	714	-	719	98.20%	4	8.65%	17	48
	from 2.50% to <10.00%	62	-	63	100.00%	1	5.00%	14	3
	from 10.00% to <45.00%	-	-	-	0.00%	-	0.00%	-	-
	from 45.00% to <100.00%	-	-	-	0.00%	-	0.00%	-	-

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Phase 3	up to 12 months	1,722	6	21.33%	368
	from 13 to 24 months	-	-	0.00%	-
	from 25 to 36 months	-	-	0.00%	-
	from 37 to 48 months	1,363	2	52.87%	720
	from 49 to 60 months	444	2	40.47%	180
	from 61 to 84 months	648	2	100.00%	648
	over 84 months	2,607	5	100.00%	2,607



**Table: GCB – Consumer loans Portfolio**

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Faza 1	No PD	236,012	1,058,436	380,848	0.26%	58,389	54.09%	2	937
	from 0.00 to <0.15%	438,186	970,933	583,769	0.36%	61,641	56.08%	2	224
	from 0.15% to <0.25%	902,909	895,671	1,067,838	0.59%	81,535	57.41%	3	7,255
	from 0.25% to <0.50%	563,183	373,028	644,302	0.87%	44,881	58.09%	3	6,676
	from 0.5% to <0.75%	792,362	497,232	918,807	1.36%	70,509	56.40%	3	14,742
	from 0.75% to <2.50%	195,883	126,305	229,508	2.73%	22,219	53.54%	3	7,035
	from 2.50% to <10.00%	36,761	19,899	41,795	5.01%	375	50.49%	3	1,853
	from 10.00% to <45.00%	1,892	1,511	215	7.68%	190	54.60%	2	167
from 45.00% to <100.00%	3,232	16,631	14,838	4.65%	361	41.34%	9	180	
Faza 2	No PD	17,134	428,573	384,434	1.91%	33,951	54.86%	5	3,721
	from 0.00 to <0.15%	128,583	252,533	262,619	3.23%	23,477	56.29%	5	444
	from 0.15% to <0.25%	166,255	162,749	261,595	8.85%	20,176	57.14%	5	12,352
	from 0.25% to <0.50%	103,339	111,891	167,341	12.21%	1,331	57.09%	5	11,486
	from 0.5% to <0.75%	266,222	397,217	49,193	11.45%	46,821	56.14%	5	29,133
	from 0.75% to <2.50%	43,979	23,035	65,099	23.96%	713	56.01%	5	8,096
	from 2.50% to <10.00%	401	719	5,084	39.62%	498	55.17%	5	980
	from 10.00% to <45.00%	269	4	281	74.31%	7	55.84%	3	171
from 45.00% to <100.00%	-	-	-	0.00%	-	0.00%	-	-	

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Phase 3	up to 12 months	157,178	5,902	0.26%	103,353
	from 13 to 24 months	109,095	3,813	0.36%	90,288
	from 25 to 36 months	46,701	1,675	0.59%	39,392
	from 37 to 48 months	2,519	959	0.87%	20,527
	from 49 to 60 months	15,808	655	1.36%	13,422
	from 61 to 84 months	17,095	614	2.73%	15,846
	over 84 months	49,521	3,022	5.01%	49,521

**Table EU CR1-A: Maturity of exposures**

	Net exposure value					Total
	On demand	<= 1 year	1 to 5 years	> 5 years	No stated maturity	
1 Loans and advances	8,023,986	4,177,880	5,719,144	3,374,162	103,942	21,399,114
2 Debt securities	-	28,927,602	9,479,818	-	-	38,407,420
<b>3 Total</b>	<b>8,023,986</b>	<b>33,105,482</b>	<b>15,198,962</b>	<b>3,374,162</b>	<b>103,942</b>	<b>59,806,534</b>

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

	Unsecured carrying amount	Secured carrying amount			
		a	b	Of which secured by collateral	Of which secured by financial guarantees
					d
		e			
1 Loans and advances	16,711,067	4,760,548	3,482,377	1,278,171	-
2 Debt securities	38,407,938	-	-	-	-
3 Total	55,119,005	4,760,548	3,482,377	1,278,171	-
4 Of which non-performing exposures	201,382	23,638	23,638	0	-
EU-5 Of which defaulted	201,382	23,638	-	-	-

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

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

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	a	b	c	d	e	f
1 Central governments or central banks	30,082,261	684	34,774,699	267	860,724	2.48
2 Regional government or local authorities	-	100,151	-	49,985	9,997	20.00
3 Public sector entities	1,129	1,839	1,129	786	955	49.85
4 Multilateral development banks	2,725,199	-	2,725,199	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	5,994,263	316,901	1,301,824	116,339	118,268	8.34
7 Corporates	11,668,294	10,275,921	11,557,333	3,402,333	14,653,773	97.96
8 Retail	4,042,470	5,385,048	4,042,470	34,508	3,050,809	74.83
9 Secured by mortgages on immovable property	2,867,485	168,209	2,867,485	44,480	1,604,455	55.10
10 Exposures in default	225,972	26,786	225,972	9,460	258,791	109.92
11 Exposures associated with particularly high risk	105,152	-	105,152	-	157,729	150.00
12 Covered bonds	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-
15 Equity	992	-	992	-	992	100.00
16 Other items	1,284,153	-	1,284,153	-	710,545	55.33
<b>17 TOTAL</b>	<b>58,997,370</b>	<b>16,275,538</b>	<b>58,886,409</b>	<b>3,658,158</b>	<b>21,427,038</b>	<b>34.26</b>

**Table EU CR5 – standardised approach**

Exposure classes	Risk weight															Total p	Of which unrated q
	0% a	2% b	4% c	10% d	20% e	35% f	50% g	70% h	75% i	100% j	150% k	250% l	370% m	1250% n	Others o		
1 Central governments or central banks	33,553,732	-	-	-	953,200	-	1	-	-	-	0	268,034	-	-	-	34,774,967	2,703,475
2 Regional government or local authorities	-	-	-	-	49,985	-	-	-	-	-	-	-	-	-	-	49,985	4
3 Public sector entities	-	-	-	-	10	-	1,906	-	-	-	-	-	-	-	-	1,915	1,915
4 Multilateral development banks	2,725,199	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,725,199	2
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	42,825	1,032,817	-	-	248,707	-	91,887	-	-	1,927	-	-	-	-	-	1,418,163	191,778
7 Corporates	-	-	-	-	340	-	66,591	-	-	14,892,734	2	-	-	-	-	14,959,666	13,831,504
8 Retail exposures	-	-	-	-	-	-	-	-	4,076,978	-	-	-	-	-	-	4,076,978	4,076,978
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	1,960,600	-	-	-	909,237	42,129	-	-	-	-	2,911,965	2,911,965
10 Exposures in default	-	-	-	-	-	-	-	-	-	188,713	46,718	-	-	-	-	235,432	235,432
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	105,152	-	-	-	-	105,152	74,445
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	992	-	-	-	-	-	992	992
16 Other items	562,217	-	-	-	14,238	-	-	-	-	707,697	-	-	-	-	-	1,284,153	1,284,153
<b>17 TOTAL</b>	<b>36,883,974</b>	<b>1,032,817</b>	-	-	<b>1,266,480</b>	<b>1,960,600</b>	<b>160,385</b>	-	<b>4,076,978</b>	<b>16,701,300</b>	<b>194,001</b>	<b>268,034</b>	-	-	-	<b>62,544,568</b>	<b>25,312,644</b>

---

## 1.1. Non-performing and forborne exposures

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

As of 31st December of 2022, the Group's gross NPL ratio was 4.02%.

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

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

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

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

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

	Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Collateral and financial guarantees received				
	Performing exposures		Non-performing exposures			Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures		
	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3	Of which stage 2	Of which stage 3					
005 Cash balances at central banks and other demand deposits	72,631	72,195	437 -	-	-	-	(130)	(83)	(48) -	-	-	-	-	-	-
010 Loans and advances	21,364,627	18,543,429	2,821,198 -	893,908	-	893,908 -	(190,532)	(81,110)	(109,423) -	(668,888)	-	(668,888)	-	4,736,910	23,638
020 Central banks	-	-	--	-	-	--	-	-	--	-	-	-	-	-	-
030 General governments	1,150	1,136	13 -	-	-	--	(7)	(7)	(0) -	-	-	-	-	1	-
040 Credit institutions	1,006,649	743,507	263,142 -	-	-	--	(1,430)	(393)	(1,037) -	-	-	-	-	265,131	-
050 Other financial corporations	2,586,900	2,586,030	869 -	-	-	--	(2,999)	(2,996)	(3) -	-	-	-	-	4	-
060 Non-financial corporations	11,561,420	10,081,627	1,479,793 -	440,226	-	440,226 -	(79,865)	(36,611)	(43,254) -	(312,028)	-	(312,028)	-	2,276,968	19,862
070 Of which SMEs	5,443,106	5,215,593	227,513 -	331,480	-	331,480 -	(27,467)	(21,210)	(6,257) -	(225,391)	-	(225,391)	-	1,324,582	15,870
080 Households	6,208,509	5,131,128	1,077,381 -	453,681	-	453,681 -	(106,231)	(41,102)	(65,129) -	(356,860)	-	(356,860)	-	2,194,806	3,776
090 Debt securities	38,407,938	38,407,938	--	-	-	--	(518)	(518)	--	-	-	-	-	-	-
100 Central banks	13,951,438	13,951,438	--	-	-	--	-	-	--	-	-	-	-	-	-
110 General governments	15,829,033	15,829,033	--	-	-	--	-	-	--	-	-	-	-	-	-
120 Credit institutions	4,675,139	4,675,139	--	-	-	--	-	-	--	-	-	-	-	-	-
130 Other financial corporations	3,952,327	3,952,327	--	-	-	--	(518)	(518)	--	-	-	-	-	-	-
140 Non-financial corporations	-	-	--	-	-	--	-	-	--	-	-	-	-	-	-
150 Off-balance-sheet exposures	16,288,594	14,099,641	2,188,953 -	31,913	-	31,913 -	(39,835)	(26,313)	(13,522) -	(5,134)	-	(5,134)		1,150,056	17,115
160 Central banks	-	-	--	-	-	--	-	-	--	-	-	-		-	-
170 General governments	118,437	117,624	813 -	-	-	--	(207)	(206)	(1) -	-	-	-		129	-
180 Credit institutions	302,538	302,538	--	-	-	--	(146)	(146)	--	-	-	-		-	-
190 Other financial corporations	105,869	88,714	17,156 -	-	-	--	(313)	(288)	(26) -	-	-	-		121	-
200 Non-financial corporations	10,344,074	9,569,550	774,524 -	25,747	-	25,747 -	(29,303)	(23,506)	(5,797) -	(2,260)	-	(2,260)		1,145,629	17,115
210 Households	5,417,675	4,021,214	1,396,460 -	6,166	-	6,166 -	(9,865)	(2,167)	(7,698) -	(2,873)	-	(2,873)		4,177	-
220 Total	76,133,790	71,123,202	5,010,588 -	925,821	-	925,821 -	(231,016)	(108,023)	(122,993) -	(674,022)	-	(674,022)		5,886,966	40,753

\* Debt securities include financial assets in the form of securities valued at amortized cost with a gross carrying amount of PLN 1 227 as at December 31, 2022. From the credit risk assessment perspective, these instruments do not differ from loans and advances. As of December 31, 2022, all these exposures were in the serving category

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

	<b>Gross carrying amount</b>
<b>010 Initial stock of non-performing loans and advances</b>	<b>902,731</b>
020 Inflow s to non-performing portfolios	274,307
030 Outflow s from non-performing portfolios	(283,131)
040 Outflow s due to w rite-offs	(15,851)
050 Outflow due to other situations	(267,280)
<b>060 Final stock of non-performing loans and advances</b>	<b>893,908</b>

**Table EU CQ1: Credit quality of forborne exposures**

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired					
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	47	98,518	98,518	98,518	(2)	(52,535)	6,250	6,250
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	-	-	-	-	-	-	-	-
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	-	-	-	-	-	-	-	-
060 Non-financial corporations	-	57,023	57,023	57,023	-	(30,714)	5,699	5,699
070 Households	47	41,495	41,495	41,495	(2)	(21,820)	551	551
080 Debt Securities	-	-	-	-	-	-	-	-
090 Loan commitments given	-	2,598	2,598	2,598	-	(288)	1,089	1,089
100 Total	47	101,116	101,116	101,116	(2)	(52,822)	7,339	7,339



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

	Gross carrying amount/nominal amount												
	Performing exposures			Non-performing exposures									
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years		Of which defaulted	
<b>005 Cash balances at central banks and other demand deposits</b>	72,631	72,631	-	-	-	-	-	-	-	-	-	-	
<b>010 Loans and advances</b>	21,364,627	21,329,788	34,839	893,908	205,066	68,847	82,478	59,946	292,953	67,982	116,635	893,908	
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
030 General governments	1,150	1,149	1	-	-	-	-	-	-	-	-	-	
040 Credit institutions	1,006,649	1,006,649	-	-	-	-	-	-	-	-	-	-	
050 Other financial corporations	2,586,900	2,586,867	33	-	-	-	-	-	-	-	-	-	
060 Non-financial corporations	11,561,420	11,558,191	3,229	440,226	74,854	49	1,218	9,824	239,908	59,832	54,541	440,226	
070 Of which SMEs	5,443,106	5,442,833	274	331,480	67,323	49	1,218	4,579	194,062	40,178	24,071	331,480	
080 Households	6,208,509	6,176,933	31,576	453,681	130,212	68,798	81,260	50,122	53,045	8,149	62,094	453,681	
<b>090 Debt securities</b>	38,407,938	38,407,938	-	-	-	-	-	-	-	-	-	-	
100 Central banks	13,951,438	13,951,438	-	-	-	-	-	-	-	-	-	-	
110 General governments	15,829,033	15,829,033	-	-	-	-	-	-	-	-	-	-	
120 Credit institutions	4,675,139	4,675,139	-	-	-	-	-	-	-	-	-	-	
130 Other financial corporations	3,952,327	3,952,327	-	-	-	-	-	-	-	-	-	-	
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	
<b>150 Off-balance-sheet exposures</b>	16,288,594	-	-	31,913	-	-	-	-	-	-	-	31,913	
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
170 General governments	118,437	-	-	-	-	-	-	-	-	-	-	-	
180 Credit institutions	302,538	-	-	-	-	-	-	-	-	-	-	-	
190 Other financial corporations	105,869	-	-	-	-	-	-	-	-	-	-	-	
200 Non-financial corporations	10,344,074	-	-	25,747	-	-	-	-	-	-	-	25,747	
210 Households	5,417,675	-	-	6,166	-	-	-	-	-	-	-	6,166	
<b>220 Total</b>	<b>76,133,790</b>	<b>59,810,357</b>	<b>34,839</b>	<b>925,821</b>	<b>205,066</b>	<b>68,847</b>	<b>82,478</b>	<b>59,946</b>	<b>292,953</b>	<b>67,982</b>	<b>116,635</b>	<b>925,821</b>	

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

	Gross carrying/nominal amount				Accumulated impairment	Provisions on off- balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non- performing exposures
	Of which non-performing			Of which subject to impairment			
		Of which defaulted					
<b>010 On-balance-sheet exposures</b>	60,666,472	893,908	893,908	893,908	(859,938)		-
011 Poland	51,303,921	893,446	893,446	893,446	(853,718)		-
012 Germany	2,504,339	138	138	138	(209)		-
013 United Kingdom	1,605,751	-	-	-	(2,763)		-
014 Ireland							
015 Luxembourg	1,236,332	-	-	-	(523)		-
016 Other countries	3,345,604	323	323	323	(1,975)		-
	-	-	-	-	-		-
<b>080 Off-balance-sheet exposures</b>	16,320,507	31,913	31,913			44,969	
081 Poland	14,743,970	31,913	31,913			41,838	
082 Ireland	356,360	-	-			210	
083 Luxembourg	309,569	-	-			1,263	
084 Norway	141,597	-	-			299	
085 United Kingdom							
086 Other countries	576,938	-	-			568	
	-	-	-			-	
<b>150 Total</b>	<b>76,986,979</b>	<b>925,821</b>	<b>925,821</b>	<b>893,908</b>	<b>(859,938)</b>	<b>44,969</b>	<b>-</b>

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

	Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	Of which non-performing		Of which loans and advances subject to impairment		
		Of which defaulted			
010 Agriculture, forestry and fishing	54,574	-	-	(142)	-
020 Mining and quarrying	26,508	-	-	(33)	-
030 Manufacturing	4,826,972	238,590	238,590	(198,167)	-
040 Electricity, gas, steam and air conditioning supply	1,548,196	-	-	(4,040)	-
050 Water supply	30,234	379	379	(464)	-
060 Construction	228,607	66,694	66,694	(50,580)	-
070 Wholesale and retail trade	2,750,788	90,413	90,413	(79,381)	-
080 Transport and storage	57,147	32,895	32,895	(28,502)	-
090 Accommodation and food service activities	5,345	42	42	(75)	-
100 Information and communication	795,575	708	708	(2,240)	-
110 Financial and insurance activities	-	-	-	-	-
120 Real estate activities	239,199	1,600	1,600	(1,753)	-
130 Professional, scientific and technical activities	992,600	1,000	1,000	(16,271)	-
140 Administrative and support service activities	203,410	-	-	(1,561)	-
150 Public administration and defense, compulsory social security	-	-	-	-	-
160 Education	1	-	-	(0)	-
170 Human health services and social work activities	124	-	-	(3)	-
180 Arts, entertainment and recreation	0	-	-	(0)	-
190 Other services	242,365	7,906	7,906	(8,680)	-
<b>200 Total</b>	<b>12,001,647</b>	<b>440,226</b>	<b>440,226</b>	<b>(391,892)</b>	<b>-</b>

---

## 1.2. The impact of COVID-19 on the Group's functioning

The Group presents detailed information on exposures subject to aid measures related to the COVID-19 crisis in Tables 1-2 in accordance with the requirements set out in Annex 3 to the EBA/GL/2020/07 Guidelines:

- Table No. 1 – Information on loans and advances subject to legislative and non-legislative moratoria (template 1),
- Table No. 2 – Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (template 2),
- Table No. 3 – Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (template 3).

**Table Template 1: Information on loans and advances subject to legislative and non-legislative moratoria**

	Gross carrying amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount	
	Performing			Non performing			Performing			Non performing				
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Inflows to non-performing exposures
Loans and advances subject to moratorium	475,638	-	167,854	108,904	14,466	-	-98,876	-17,078	-	-13,234	-81,798	-7,998	-	94,317
of which: Households	336,060	-	76,697	108,904	14,466	-	-93,077	-11,279	-	-7,778	-81,798	-7,998	-	94,317
of which: Collateralised by residential immovable property	128,525	-	17,317	2,432	1,224	-	-1,423	-412	-	-327	-1,011	-671	-	1,180
of which: Non-financial corporations	139,578	-	91,157	-	-	-	-5,799	-5,799	-	-5,456	-	-	-	-
of which: Small and Medium-sized Enterprises	64,424	-	19,326	-	-	-	-1,564	-1,564	-	-1,279	-	-	-	-
of which: Collateralised by commercial immovable property	127,514	-	91,157	-	-	-	-5,695	-5,695	-	-5,456	-	-	-	-

**Table Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria**

	Number of obligors	Gross carrying amount							
		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria					
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
Loans and advances for which moratorium was offered	8,667	589,007	-	-	-	-	-	-	-
Loans and advances subject to moratorium (granted)	8,581	584,542	254	584,288	251	2	-	-	-
of which: Households		444,963	254	444,710	251	2	-	-	-
of which: Collateralised by residential immovable property		130,957	-	130,957	-	-	-	-	-
of which: Non-financial corporations		139,578	-	139,578	-	-	-	-	-
of which: Small and Medium-sized Enterprises		64,424	-	64,424	-	-	-	-	-
of which: Collateralised by commercial immovable property		127,514	-	127,514	-	-	-	-	-

**Table Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis**

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forbore	Public guarantees received	Inflows to non-performing exposures
<b>Newly originated loans and advances subject to public guarantee schemes</b>	<b>180,098</b>	-	<b>181,816</b>	<b>1,201</b>
of which: Households	27,511			-
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	152,587	-	153,788	1,201
of which: Small and Medium-sized Enterprises	71,578			-
of which: Collateralised by commercial immovable property	-			-

## 2. Counterparty credit risk

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

**Pre-settlement** exposure is defined by PSE measure (Pre-Settlement Exposure, „PSE”), reflecting future potential exposure of the counterparty. PSE reflects maximum expected exposure of the counterparty during the life of the transaction (or transaction portfolio) at the specified confidence level. The distribution of the market value (Mark-to-market) and PSE amount are dependent on market factors determining the values for particular transaction in the customer portfolio. In case there is No. sufficient data, to simulate the value of the transactions’ portfolio more simplified method are used, same as for the purpose of capital requirement calculation.

Pre-settlement risk exposure is managed and reduced through the initial or variation margin deposits as well as conducting transactions using clearing houses.

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

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

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

Internal capital related to counterparty risk related is calculated as 8% of the value of total risk weighted exposures in the trading portfolio, in which internal capital for the following exposure classes: institutions, corporates, regional governments and local authorities administrative bodies and non-commercial undertakings, was estimated according to advanced approach based on internal ratings. For exposures different than mentioned above internal capital requirements were estimated according to standardized approach specified in the Regulation No. 575/2013 (SA-CCR). The Group estimates also the level of exposures resulting from counterparty risk in stress scenario.

Furthermore pre-settlement & settlement risks are managed by the Group by setting appropriate limits (pre-settlement and settlement) as an integral part of credit approval process. Pre-settlement limits for counterparty specify, among others, tenors and product families and depend on the customer creditworthiness, his financial standing as well as on the level of customer’s knowledge and experience in derivative transactions, forecasted currency position/ other position which requires hedging and related product needs and on the level of derivative transactions already concluded with other banks.

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

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

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



---

current Mark to Market value of a transaction and a limit agreed. In principle, margining in the form of cash due to its nature does not expose the Group to the risk of unfavourable changes in collateral value. Generally the transactions are provided under frame agreements, which in case of breach by counterparty allow for an early termination of transaction by the other party and settlement the positive and negative values of transactions covered by given frame agreement in one net amount. The exposure resulting from counterparty risk together with other exposures is included in the periodical credit analysis of a customer.

The Group applies credit value adjustment to the market value of a derivative contract to take into account the credit risk of the counterparty. All Commercial and Corporate Banking Subsector customers are taken into account for derivatives assessment correction calculation

The Group differentiates the valuation of counterparty risk due to the availability of CDS quotations:

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

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

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

**Table EU CCR1 – Analysis of CCR exposure by approach**

	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1 EU - Original Exposure Method (for derivatives)	-	-		1.40	-	-	-	-
EU-2 EU - Simplified SA-CCR (for derivatives)	-	-		1.40	-	-	-	-
1 SA-CCR (for derivatives)	956,213	639,373		1.40	2,392,555	2,233,820	2,233,820	1,822,510
2 IMM (for derivatives and SFTs)				-	-	-	-	-
2a Of which securities financing transactions netting sets				-	-	-	-	-
2b Of which derivatives and long settlement transactions netting sets				-	-	-	-	-
2c Of which from contractual cross-product netting sets				-	-	-	-	-
3 Financial collateral simple method (for SFTs)					-	-	-	-
4 Financial collateral comprehensive method (for SFTs)					-	-	-	-
5 VaR for SFTs					-	-	-	-
<b>6 Total</b>					<b>2,392,555</b>	<b>2,233,820</b>	<b>2,233,820</b>	<b>1,822,510</b>

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

	Exposure value	RWEA
1 Total transactions subject to the Advanced method	-	-
2 (i) VaR component (including the 3× multiplier)	-	-
3 (ii) stressed VaR component (including the 3× multiplier)	-	-
4 Transactions subject to the Standardised method	333,098	50,456
EU-4 Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5 Total transactions subject to own funds requirements for CVA risk	333,098	50,456

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

Exposure classes	Risk weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	2,179,851	-	-	139,132	294,844	-	-	-	-	-	2,613,827
7 Corporates	-	-	-	-	-	92,881	-	-	1,602,828	-	-	1,695,709
8 Retail	-	-	-	-	-	-	-	5	-	-	-	5
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	1	-	1
<b>11 Total exposure value</b>	<b>-</b>	<b>2,179,851</b>	<b>-</b>	<b>-</b>	<b>139,132</b>	<b>387,725</b>	<b>-</b>	<b>5</b>	<b>1,602,828</b>	<b>1</b>	<b>-</b>	<b>4,309,542</b>

**Table EU CCR5 – Composition of collateral for CCR exposures**

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	-	1,430,249	-	161,781	-	-	-	-
2 Cash – other currencies	-	19,866	-	215,031	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
<b>9 Total</b>	-	<b>1,450,115</b>	-	<b>376,812</b>	-	-	-	-

**Table EU CCR8 – Exposures to CCPs**

	Exposure value	RWEA
<b>1 Exposures to QCCPs (total)</b>		<b>44,416</b>
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,168,681	43,374
3 (i) OTC derivatives	2,161,919	43,238
4 (ii) Exchange-traded derivatives	6,762	135
5 (iii) SFTs	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-
7 Segregated initial margin	-	
8 Non-segregated initial margin	11,170	223
9 Prefunded default fund contributions	32,409	819
10 Unfunded default fund contributions	-	-
<b>11 Exposures to non-QCCPs (total)</b>		<b>-</b>
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13 (i) OTC derivatives	-	-
14 (ii) Exchange-traded derivatives	-	-
15 (iii) SFTs	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-
17 Segregated initial margin	-	
18 Non-segregated initial margin	-	-
19 Prefunded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

### 3. Information regarding credit risk mitigation techniques

Information regarding the policies for collateral management and main types of accepted collateral are presented in supplementary note 3, „Risk Management” to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2022.

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

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

Additionally the Group monitors if there are shortages in received collateral. Collateral valuation and monitoring is performed by the unit independent of sales units and its frequency depends on collateral type (monthly, quarterly or annually).

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

- In the Consumer the most common type of collateral is residential real estate,
- In the Corporate and Commercial Banking primarily the following types of collateral are accepted:
  - guarantees and warranties,
  - financial security,
  - collateral.

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

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

Commercial Bank credit procedures describe ratio of the value of the loan to collateral value for each type of security.

The Group periodically monitors if the actual structure of the collateral portfolio in Commercial Bank is compliant with the structure assumed and if the collateral amount is sufficient.

In Corporate Bank expected Loan-to-Value relations are determined each time in credit decision. These relations are also monitored on the on-going basis.

For Retail Banking Sector the basic collateral for mortgage loans is mortgage on Real Estate. Due to time gap between loans disbursement and setting legally effective mortgage the bridge collateral is used.

The valuation of collateral is performed each time based on real estate appraisal requested by the Group. Collateral appraisals are verified by an independent valuation team in accordance with the valuation guidelines of real estate being collateral for real estate loans for retail customers in Retail Banking Sector. The quality of the appraisal team’s work is monitored.

In the field of the funded credit protection the Group considers cash collateral and real estates in case of credit risk mitigation of retail exposures in accordance with the principles set in the Regulation No. 575/2013.

Currently only guarantees issued by the Treasury and BGK are recognized by the Group as unfunded credit risk mitigation techniques for capital adequacy calculation.

The Group enters into reverse repo transactions secured entirely by highly liquid debt securities (mainly issued by the Treasury). These transactions are characterized by low market risk level and therefore low market risk concentration due to short maturities.

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

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

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

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

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

## **5. Information regarding exposure to securitisation positions**

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

At the end of 2022 year the total item constituting securitization exposures amounted PLN 1 227 130 M Securities purchased by the Group are not traded on the market. The Group intends to maintain investments until the maturity date. The expected maturity date of the securities is November 2023 and February 2027. The Group classifies securitization's assets as receivables from customers in accordance with IFRS 9 and value them at amortized cost. The Group has procedures for defining the processes of approval and monitoring of securitization exposures, which include, in particular:

- Analysis of the originator including the processes of credit and debt collection, qualitative and quantitative analysis, the condition of maintaining a material net economic interest, reputation, data related to the quality of previous securitization,
- Risk analysis of the exposure underlying the securitization position i.e. the quality, concentration, delays in repayment and the level of losses, the level of recovery rates



- The terms and structure of the transaction reducing identified risks and defining the division into tranches, level of support and security, payment streams, events of default and default indicators
- Monitoring including, among others, verification of the quality of the exposures underlying the securitization position, timeliness of payments and service, compliance with the transactions conditions, the financial situation of the institutions participating in the transaction, etc.

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

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

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

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

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

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

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

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

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

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

	Institution acts as originator				Institution acts as sponsor				Institution acts as investor							
	Traditional		Synthetic		Traditional		Synthetic		Traditional		Synthetic					
	STS	Non-STS			STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total				
		of which SRT	of which SRT	of which SRT	Sub-total				Sub-total				Sub-total			
<b>1 Total exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-	220,433	1,006,179	-	1,226,612
2 Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,006,179	-	1,006,179
3 residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	1,006,179	-	1,006,179
6 re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	220,433	-	-	220,433
8 loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	220,433	-	-	220,433
11 other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	to <1250% RW	RW/ deductions	SEC-IRBA	ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
<b>1 Total exposures</b>	1,226,612	-	-	-	-	-	-	1,226,612	-	-	-	172,970	-	-	-	13,838	-
2 Traditional securitisation	1,226,612	-	-	-	-	-	-	1,226,612	-	-	-	172,970	-	-	-	13,838	-
3 Securitisation	1,226,612	-	-	-	-	-	-	1,226,612	-	-	-	172,970	-	-	-	13,838	-
4 Retail underlying	1,006,179	-	-	-	-	-	-	1,006,179	-	-	-	150,927	-	-	-	12,074	-
5 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Wholesale	220,433	-	-	-	-	-	-	220,433	-	-	-	22,043	-	-	-	1,763	-
7 Of which STS	220,433	-	-	-	-	-	-	220,433	-	-	-	22,043	-	-	-	1,763	-
8 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## 6. Market Risk

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

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

**Table EU MR1 – Market risk under the standardised approach**

	<b>RWEAs</b>
<b>Outright products</b>	
1 Interest rate risk (general and specific)	1,170,387
2 Equity risk (general and specific)	48,328
3 Foreign exchange risk	-
4 Commodity risk	-
<b>Options</b>	
5 Simplified approach	-
6 Delta-plus approach	-
7 Scenario approach	-
8 Securitisation (specific risk)	-
<b>9 Total</b>	<b>1,218,715</b>

The information regarding the market risk is disclosed in explanatory note 3 “Risk Management” in section “Market Risk” to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2022.

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

Stress tests measure the potential impact of significant changes in the level or shape of interest rate curves on positions opened in the banking book.

The Group performs stress tests for predefined scenarios of interest rate movements that are combinations of market factors movements defined as large moves and stress moves occurring both domestically and abroad. The amounts of the assumed shifts of market factors are revised at least once a year and appropriately adjusted to changes in the market conditions of the Group's operations.

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

Presented below are the changes in the economic value of equity (MVE), calculated in accordance with the six supervisory shock scenarios, and the changes in net interest income (NII), calculated in accordance with the two supervisory shock scenarios as of December 31, 2022 and for the comparative period, i.e. June 30, 2022.

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

The regulatory limit is 15% and it relates to the sensitivity of the MVE. For the sensitivity of MVE, the test result on December 31, 2022 is amounted to – 11.32%, which means that the regulatory limit (15%) was not exceeded, while on June 30., 2022 it was – 11.80% and was also not exceeded.

NII sensitivity: in the event of a 200bp increase in interest rates, the net interest income would increase by 193 million PLN (as at December 31, 2022), while in the case of a 200bp drop in interest rates, the net interest result would decrease by 193 million PLN (as of December 31, 2022). As at June 30, 2022: in the event of a 200bp increase in interest rates, the net interest income would increase by 137 million PLN. However, in the event of a 200bp decrease in interest rates, the net interest result would decrease by PLN 105 million PLN. The main factors that influenced the change in sensitivity in the case of the -200bp scenario compared to June 2022 are the increase in the level of interest rates, the change of which by -200bp respectively generates a change in the Bank's net interest income symmetric to the +200bp scenario.

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

Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income (NII)	
	31.12.2022	30.06.2022	31.12.2022	30.06.2022
1 Parallel up	-181,761	-181,465	192,809	137,111
2 Parallel down	-540,568	-524,510	-192,809	-105,343
3 Steepener	-308,503	-338,102		
4 Flattener	-125,259	-60,854		
5 Short rates up	-175,196	-119,582		
6 Short rates down	-583,767	-598,692		
Worst case scenario	-583,767	-598,692		
Tier 1 - Grupa	5,155,593	5,073,024		
Result	-11.32%	-11.80%		

Additional information on interest trade risk is presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the 12-month period ended December 31, 2022, in note 3 "Risk management" in the "Market risk" section.

## 7. Operational Risk

Operational risk should be understood as a possibility of loss resulting from inappropriate or defective internal processes, human factors, technological systems or external events (including the following risk categories: technology, outsourcing, fraud, money laundering, information security, external events (business continuity), tax and accounting, product, legal, model, human resources, conduct, reputational associated with business and market practices, as well as operational risks embedded in other risks and/or managed in separate processes (e.g. credit risk, market risk, counterparty risk, liquidity risk, compliance risk). Operational risk excludes strategic risk and the risk of loss resulting from decisions connected to taking credit, market, liquidity or insurance risk.

The strategic goal of operational risk management is to ensure a permanent and effective approach to identification, measurement/assessment, limitation, control, monitoring and reporting of risk, as well as effective reduction of the level of exposure to operational risk, and as a consequence limiting the number and scale of events of an operational risk (policy of low level of tolerance to operational losses). The main assumptions of the operational risk strategy focus on increasing the Bank's capacity to early identifying areas of increased system risk and reduction of exposure areas regarding the risk resulting from human errors.

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

For calculation of capital requirement for operational risk standardised methodology (STA), defined in Regulation No. 575/2013 applies.

Advanced methodologies for calculation of capital requirement for operational risk are not applied.

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

	a	b	c	d	e
	Relevant indicator				
Banking activities	Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
<sup>1</sup> Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
<sup>2</sup> Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,758,141	1,866,685	3,923,633	397,966	4,974,577
<sup>3</sup> Subject to TSA:	1,758,141	1,866,685	3,923,633		
<sup>4</sup> Subject to ASA:	-	-	-		
<sup>5</sup> Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-



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

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

Total Group's gross losses accounted to operational risk cost (absolute value, including gains, excluding recoveries) recorded in the year 2022, split by operational risk event types and categories (in accordance with appendix 1 to Recommendation M) are presented in the table below.

**Table. Total operational risk gross losses by types of events**

<b>Events' types and categories</b>	<b>Amount</b>
<b>Clients, Products &amp; Business Practices - Related Events</b>	<b>10,161</b>
Product Design	8,577
Suitability, Disclosure & Fiduciary	1,223
Business Practices or Market Conduct	361
<b>Employment Practices and Workplace Environment - Related Events</b>	<b>126</b>
Employee Relations	126
<b>Execution, Delivery &amp; Process Management - Related Events</b>	<b>12,349</b>
Transaction Capture, Execution & Maintenance	12,279
Monitoring and Reporting	38
Third Party Management - External/Internal	32
<b>External Theft and Fraud</b>	<b>1,768</b>
Credit Card Fraud	228
Debit/ATM Card Fraud	107
Electronic Banking and Internet Fraud	109
Fraudulent Application - Non Card related	1,321
Manual Payments (MPP/MIFT); Other Manual Payments	3
Theft of Cash, Assets and Property; Theft of Inventory and Other Assets	0
<b>Internal Theft and Fraud</b>	<b>83</b>
Other Internal Theft and Fraud	83
<b>Systems &amp; Technology</b>	<b>107</b>
Other Systems & Technology	52
Inadequate Systems Functionality	39
Disruption Of Services and Processing Capabilities	16
<b>Total</b>	<b>24,593</b>

Gross value of operational losses accounted in the year 2022 (by booking date) amounted to PLN 24 593 thousand. 85% (PLN 20 916k) out of this amount relates to events, which occurred for first time in prior years. Relation of gross losses to Group revenues as of 2022 amounts to 0,71%. The total amount of losses consists of almost 576 registered events (including homogenous events with financial effects not exceeding PLN 50k, aggregated on a monthly basis). In terms of severity, in the year 2022 Group registered 5 events >PLN 500k amounted to PLN 22 762k: PLN 11 355k - cumulated provisions and losses related to related to option transactions from the option crisis period in Poland 2009-2010, PLN 5 109k - Cumulated losses related to TSUE sentence associated with credit products denominated in foreign currency (since 2007), PLN 3 809k - cumulated losses related to TSUE sentence related to refund of fees for early-repaid credit products (since 2020), PLN 1 321k – cumulated losses related to fraudulent credit application related to one model of theft (related to current year), PLN 1 168k – cumulated amount of losses related to court cases due to corporate bond selling (since 2017). In the bucket >PLN 100k and <PLN 500k Group registered 4 events amounted to PLN 672k. The remaining events didn't exceed PLN 100k.

All operational risk events exceeding set significance thresholds are analyzed by independent control units in view of root causes and corrective actions. Corrective actions are monitored by management to avoid repetitive losses. The Group undertakes series of actions aiming at operational risk mitigation such as verification of adequacy of applied controls, enhancements to control processes in areas of identified weaknesses, enhancements of fraud detection systems, revision of limits mitigating risk exposure, strengthening of independent verifications, enhancements to maker/checker controls and staff training. Members of the Management Board approval is required for all losses exceeding established thresholds, in view of analyses of causes of the losses and adequacy of corrective actions.

Risk appetite limit set for the year 2022 was not exceeded.

The information regarding the operational risk is disclosed in explanatory note 3 “Risk Management” to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2022.

## **VII. Information related to the liquidity**

### **Liquidity risk management**

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

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

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

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

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

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

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

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

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

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

The main source of funding the Group's activity, including liquid assets portfolio, is deposit base, where at end of December 2022 deposits constituted 72% of total liabilities. The Group maintains buffer of unencumbered high quality assets at high level, investing in sovereign bonds and liquid bonds issued by highly rated corporations. Every year the Group performs analysis if held bond portfolio is possible to liquid at the market condition, in order to set amount of bonds possible to liquidate within timeframe compliant with local regulatory liquidity measure calculation as well as LCR calculation.

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

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

In accordance with the Regulation No. 575/2013 the Group monitors and maintains an adequate level of Liquidity Coverage Ratio (LCR). As of December 31, 2022 LCR was 158% and was 10 percentage points lower than as of December 31, 2021. The change in the ratio is primarily influenced by changes in the level of liquid assets and the level of deposits from non-financial enterprises.

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

Detailed data on the volume of regulatory measures for 2022, as well as the applied internal measures in the area of the liquidity risk management, are included in the Semi-annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A for the financial year ended 31 Dec 2022 in explanatory note no. 3 "Risk Management" in the section "Liquidity risk".

As the result of the assessment of the level of liquidity risk and current and structural liquidity ratios (ILAAP), documented during the review of the Risk Management System (the last, reviewed and approved plan for 2022 in December 2021) and the Assets and Liabilities Management Committee in the process of adopting the annual "Financing and Liquidity Plan" (plan for 2022 reviewed and approved in December 2022), the Bank did not recommend any changes to the existing liquidity risk limits, considering that they are appropriate to the profile and scale of the Bank's operations.

**Table EU LIQ1 – Quantitative information of LCR**

EU 1a Quarter ending on	Total unweighted value (average)				Total weighted value (average)			
	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2022	30.09.2022	30.06.2022	31.03.2022
EU 1b Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>								
1 Total high-quality liquid assets (HQLA)					31,565,655	30,813,442	31,020,985	30,942,880
<b>CASH - OUTFLOWS</b>								
2 Retail deposits and deposits from small business customers, of which:	19,198,919	18,885,815	18,469,220	18,102,646	1,573,661	1,521,513	1,470,864	1,426,304
3 Stable deposits	10,285,212	10,384,012	10,358,191	10,344,501	514,261	519,201	517,910	517,225
4 Less stable deposits	8,913,707	8,501,803	8,111,028	7,758,145	1,059,400	1,002,312	952,955	909,078
5 Unsecured wholesale funding	29,963,860	28,829,213	28,538,183	28,338,097	12,655,989	11,688,201	11,224,219	10,692,360
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	18,533,841	18,958,215	19,876,067	20,909,546	4,633,460	4,739,554	4,969,017	5,227,386
7 Non-operational deposits (all counterparties)	11,430,019	9,870,998	8,662,116	7,428,551	8,022,529	6,948,648	6,255,202	5,464,973
8 Unsecured debt	-	-	-	-	-	-	-	-
9 Secured wholesale funding					-	-	-	-
10 Additional requirements	55,392,946	53,955,673	55,343,984	54,865,211	45,215,970	43,707,692	44,928,488	44,256,279
11 Outflows related to derivative exposures and other collateral requirements	44,297,695	42,785,988	43,992,516	43,298,898	44,297,695	42,785,988	43,992,516	43,298,898
12 Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13 Credit and liquidity facilities	11,095,251	11,169,685	11,351,468	11,566,313	918,275	921,704	935,972	957,381
14 Other contractual funding obligations	952,327	885,423	731,376	496,554	952,327	885,423	731,376	496,554
15 Other contingent funding obligations	3,310,328	3,455,390	3,546,325	3,550,411	331,033	345,539	354,633	355,041
16 TOTAL CASH OUTFLOWS					60,728,979	58,148,368	58,709,579	57,226,538
<b>CASH - INFLOWS</b>								
17 Secured lending (e.g. reverse repos)	421,982	453,805	165,693	147,079	-	-	22	22
18 Inflows from fully performing exposures	2,542,763	2,339,912	1,888,281	1,723,532	2,250,032	2,028,258	1,572,185	1,376,136
19 Other cash inflows	39,180,195	38,304,212	40,379,549	40,504,101	39,180,195	38,304,212	40,379,549	40,504,101
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19a					-	-	-	-
EU-19b (Excess inflows from a related specialised credit institution)					-	-	-	-
20 TOTAL CASH INFLOWS	42,144,941	41,097,929	42,433,524	42,374,712	41,430,227	40,332,470	41,951,756	41,880,258
EU-20a Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c Inflows subject to 75% cap	42,144,941	41,097,929	42,433,524	42,374,712	41,430,227	40,332,470	41,951,756	41,880,258
<b>TOTAL ADJUSTED VALUE</b>								
EU-21 LIQUIDITY BUFFER					31,565,655	30,813,442	31,020,985	30,942,880
22 TOTAL NET CASH OUTFLOWS					19,341,066	18,034,184	17,230,683	15,949,008
23 LIQUIDITY COVERAGE RATIO					163.21	170.86	180.03	194.01

**Table EU LIQ2: Net Stable Funding Ratio**

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>					
<b>1 Capital items and instruments</b>	<b>6,414,565</b>	-	-	-	<b>6,414,565</b>
2 Own funds	6,414,565	-	-	-	6,414,565
3 Other capital instruments		-	-	-	-
<b>4 Retail deposits</b>		<b>19,321,049</b>	<b>64,710</b>	<b>3,831</b>	<b>17,941,082</b>
5 Stable deposits		9,801,351	-	-	9,311,284
6 Less stable deposits		9,519,698	64,710	3,831	8,629,799
<b>7 Wholesale funding:</b>		<b>34,271,673</b>	<b>78,590</b>	<b>3,513</b>	<b>13,978,983</b>
8 Operational deposits		22,449,243	14,058	-	11,231,650
9 Other wholesale funding		11,822,430	64,532	3,513	2,747,333
<b>10 Interdependent liabilities</b>		-	-	-	-
<b>11 Other liabilities:</b>	-	<b>3,167,513</b>	<b>10,276</b>	-	<b>5,138</b>
12 NSFR derivative liabilities	-				
13 All other liabilities and capital instruments not included in the above categories		3,167,513	10,276	-	5,138
<b>14 Total available stable funding (ASF)</b>					<b>38,339,768</b>

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>					
<b>1 Capital items and instruments</b>	<b>6,414,565</b>	-	-	-	<b>6,414,565</b>
2 Own funds	6,414,565	-	-	-	6,414,565
3 Other capital instruments		-	-	-	-
<b>4 Retail deposits</b>		<b>19,321,049</b>	<b>64,710</b>	<b>3,831</b>	<b>17,941,082</b>
5 Stable deposits		9,801,351	-	-	9,311,284
6 Less stable deposits		9,519,698	64,710	3,831	8,629,799
<b>7 Wholesale funding:</b>		<b>34,271,673</b>	<b>78,590</b>	<b>3,513</b>	<b>13,978,983</b>
8 Operational deposits		22,449,243	14,058	-	11,231,650
9 Other wholesale funding		11,822,430	64,532	3,513	2,747,333
<b>10 Interdependent liabilities</b>		-	-	-	-
<b>11 Other liabilities:</b>	-	<b>3,167,513</b>	<b>10,276</b>	-	<b>5,138</b>
12 NSFR derivative liabilities	-				
13 All other liabilities and capital instruments not included in the above categories		3,167,513	10,276	-	5,138
<b>14 Total available stable funding (ASF)</b>					<b>38,339,768</b>
<b>Required stable funding (RSF) Items</b>					
<b>15 Total high-quality liquid assets (HQLA)</b>					<b>1,823,662</b>
<b>EU- Assets encumbered for a residual maturity of one year or more in 15a a cover pool</b>		-	-	-	-
<b>16 Deposits held at other financial institutions for operational purposes</b>		-	-	-	-
<b>17 Performing loans and securities:</b>		<b>3,897,446</b>	<b>1,446,409</b>	<b>15,192,045</b>	<b>14,379,040</b>
18 Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		265,745	-	-	-
19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		136,525	5,020	1,096,848	1,113,010
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,447,776	1,191,535	11,005,591	10,674,409
21 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
22 Performing residential mortgages, of which:		29,539	29,422	1,947,066	1,295,073
23 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		29,539	29,422	1,947,066	1,295,073
24 Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		2,017,861	220,433	1,142,539	1,296,548
<b>25 Interdependent assets</b>		-	-	-	-
<b>26 Other assets:</b>		<b>5,276,495</b>	<b>936</b>	<b>2,497,165</b>	<b>4,605,627</b>
27 Physical traded commodities				-	-
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	73,043	62,087
29 NSFR derivative assets		1,875,517			1,875,517
30 NSFR derivative liabilities before deduction of variation margin posted		3,320,865			166,043
31 All other assets not included in the above categories		7,069	936	2,497,165	2,501,980
<b>32 Off-balance sheet items</b>		-	-	<b>14,675,870</b>	<b>809,526</b>
<b>33 Total RSF</b>					<b>21,617,852</b>
<b>34 Net Stable Funding Ratio (%)</b>					<b>177,35</b>



## VIII. Internal Capital Adequacy Assessment

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

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

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

Below we present the specific, measurable risks identified as significant in the Group in 2022:

- credit risk,
- counterparty credit risk,
- market risk in the trading book,
- interest rate risk in the banking book,
- liquidity risk,
- operational risk,
- compliance risk,
- technology Risk & Information security risk (including CoB, and cyber Risk),
- outsourcing/VM risk,
- Fraud Risk,
- staffing (human capital risk).

The Group assesses the internal capital for a base case and a downside scenario, which is a basis for the stress tests' analysis.

Scenarios are defined on the basis of the set of assumptions common to all risks analyzed. In addition, the Group analyzes a one in ten year's scenario (1/10), which forms a basis for additional risk / return measure.

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

Internal capital for market risk in trading book is based on an integrated measure, which takes into account both the value at risk (VaR), and the size of losses in stress scenarios, estimating unexpected loss on the trading portfolio with the probability of 99.9% in 1Y time horizon. In the case of banking book (accrual) portfolios quantification of internal capital, is based on a combination of potential maximum decrease in net interest income of the bank in the perspective of one year in conjunction with the maximum negative impact of changes in interest rates on the economic value of the bank's capital, determined in stress scenarios with the probability of 99.9% in 1Y time horizon.

In the case of liquidity risk, the amount of internal capital allocation is based on current and projected elements of supervisory measures, taking into account the stress scenarios within the next 12 months.

The Group does not use diversification effect while aggregating estimated internal capital for significant risks.

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

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

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

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

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

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

## **IX. Unencumbered assets**

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

As at 31 December 2022 the Group had encumbered assets due to negative valuation of derivative transactions and securities and received credit collateral.

**Table EU AE1 - Encumbered and unencumbered assets**

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	010	of which notionally eligible EHQLA and HQLA	040	of which notionally eligible EHQLA and HQLA	060	of which EHQLA and HQLA	090	of which EHQLA and HQLA
		030		050		080		100
010 Assets of the disclosing institution	2,857,624	879,434			71,521,591	33,365,174		
030 Equity instruments	-	-	-	-	134,025	-	134,025	-
040 Debt securities	879,434	879,434	879,434	879,434	31,793,699	30,584,009	31,793,699	30,584,009
050 of which: covered bonds	-	-	-	-	-	-	-	-
060 of which: securitisations	-	-	-	-	1,163,228	-	1,163,228	-
070 of which: issued by general governments	879,434	879,434	879,434	879,434	15,636,065	15,636,065	15,636,065	15,636,065
080 of which: issued by financial corporations	-	-	-	-	5,881,308	4,718,080	5,881,308	4,718,080
090 of which: issued by non-financial corporations	-	-	-	-	46,507	-	46,507	-
120 Other assets	1,978,190	-			39,593,867	2,781,165		

**Table EU AE2 - Collateral received and own debt securities issued**

	Fair value of encumbered collateral received or own debt securities issued	Unencumbered		
		Fair value of collateral received or own debt securities issued available for encumbrance		
		of which notionally eligible EHQLA and HQLA	of which EHQLA and HQLA	
	010	030	040	060
<b>130 Collateral received by the disclosing institution</b>	<b>468</b>	<b>468</b>	<b>3,356,907</b>	<b>807,502</b>
140 Loans on demand	-	-	-	-
150 Equity instruments	-	-	-	-
160 Debt securities	468	468	807,502	807,502
170 of which: covered bonds	-	-	-	-
180 of which: securitisations	-	-	-	-
190 of which: issued by general governments	468	468	807,502	807,502
200 of which: issued by financial corporations	-	-	-	-
210 of which: issued by non-financial corporations	-	-	-	-
220 Loans and advances other than loans on demand	-	-	61,511	-
230 Other collateral received	-	-	2,487,894	-
<b>240 Own debt securities issued other than own covered bonds or securitisations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>241 Own covered bonds and securitisations issued and not yet pledged</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>250 TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED</b>	<b>2,858,092</b>	<b>879,902</b>	<b>-</b>	<b>-</b>

**Table AE3 - Sources of encumbrance**

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	010	030
<b>010</b> Carrying amount of selected financial liabilities	7,393,114	1,971,591

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

Other assets disclosed above secure settlement of derivatives transactions and stock market transactions. The terms and conditions of the transactions executed to date are standard and typical for such dealings. EHQLA and HQLA are: instrument recognized by NBP as collateral in repo transactions, balance in central banks decreased by obligatory reserve and cash. Debt instruments measured at fair value through other comprehensive income include encumbered assets that constitute a reserve against the funds guaranteed to the Bank Guarantee Fund, debt instruments being a collateral in repo transaction, assets that serve as collateral for the settlement of derivative instruments in the Euroclear clearing house. Other assets disclosed above secure settlement of derivatives transactions and stock market transactions. The terms and conditions of the transactions executed to date are standard and typical for such dealings. EHQLA and HQLA are: instrument recognized by NBP as collateral in repo transactions, balance in central banks decreased by obligatory reserve and cash.

Encumbered assets in form of debt instrument blocked by clearing houses or margin deposits result from derivatives transactions concluded by the Bank. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. Reverse repurchase agreements on the other hand are entered into as a facility to provide funding to customers.

## **X. Leverage Ratio**

Information on the leverage ratio as of December 31, 2022, summary reconciliation of accounting assets and leverage ratio exposures, leverage ratio common disclosure, split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) are presented in the following tables in accordance with Commission Implementing Regulation (EU) 2021/637:

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

	<b>Applicable amount</b>
1 Total assets as per published financial statements*	73,725,346
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3 (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4 (Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5 (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6 Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7 Adjustment for eligible cash pooling transactions	-
8 Adjustment for derivative financial instruments	(3,828,728)
9 Adjustment for securities financing transactions (SFTs)	-
10 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4,327,880
11 (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12 Other adjustments	(2,432,691)
<b>13 Total exposure measure</b>	<b>71,791,807</b>

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

**Table EU LR2 - LRCom: Leverage ratio common disclosure**

	CRR leverage ratio exposures	
	31.12.2022	30.06.2022
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1 On-balance sheet items (excluding derivatives, SFTs, but including collateral)	64,728,046	59,627,418
2 Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(1,078,510)	(513,368)
4 (Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5 (General credit risk adjustments to on-balance sheet items)	-	-
6 (Asset amounts deducted in determining Tier 1 capital)	(1,198,203)	(1,202,074)
<b>7 Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>62,451,333</b>	<b>57,911,976</b>
<b>Derivative exposures</b>		
8 Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	2,959,156	5,369,508
EU-8a Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9 Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,867,436	2,217,646
EU-9a Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b Exposure determined under Original Exposure Method	-	-
10 (Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b (Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11 Adjusted effective notional amount of written credit derivatives	-	-
12 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13 Total derivatives exposures	4,826,592	7,587,154
<b>Securities financing transaction (SFT) exposures</b>		
14 Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	265,745	1,660,828
15 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16 Counterparty credit risk exposure for SFT assets	-	-
EU-16a Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17 Agent transaction exposures	-	-
EU-17a (Exempted CCP leg of client-cleared SFT exposure)	-	-
18 Total securities financing transaction exposures	265,745	1,660,828
<b>Other off-balance sheet exposures</b>		
19 Off-balance sheet exposures at gross notional amount	16,320,507	15,450,431
20 (Adjustments for conversion to credit equivalent amounts)	(12,072,371)	(11,505,372)
21 (General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22 Off-balance sheet exposures	4,248,136	3,945,059



		<b>CRR leverage ratio exposures</b>	
		<b>31.12.2022</b>	<b>30.06.2022</b>
<b>Excluded exposures</b>			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
<b>Capital and total exposure measure</b>			
<b>23</b>	<b>Tier 1 capital</b>	<b>5,240,801</b>	<b>5,073,024</b>
<b>24</b>	<b>Total exposure measure</b>	<b>71,791,807</b>	<b>71,105,017</b>
<b>Leverage ratio</b>			
25	Leverage ratio (%)	7.30	7.13
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.30	7.13
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7.30	7.13
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00
<b>Choice on transitional arrangements and relevant exposures</b>			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
<b>Disclosure of mean values</b>			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	3,503,110	2,812,125
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	265,745	1,660,828
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	75,029,172	72,256,314
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	75,029,172	72,256,314
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.99	7.02
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.99	7.02

\* The scope of disclosed information compliant with the CRR.

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

	<b>CRR leverage ratio exposures</b>
<b>EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>63,915,281</b>
EU-2 Trading book exposures	2,241,553
EU-3 Banking book exposures, of which:	61,673,728
EU-4 Covered bonds	-
EU-5 Exposures treated as sovereigns	33,073,205
EU-6 Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	1,129
EU-7 Institutions	5,981,126
EU-8 Secured by mortgages of immovable properties	2,867,485
EU-9 Retail exposures	4,042,470
EU-10 Corporates	11,667,229
EU-11 Exposures in default	225,972
EU-12 Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,815,112

The main factor impacting the leverage ratio was increase of Tier 1 capital. .

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

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

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

Following policies are binding in Bank Handlowy w Warszawie S.A. (Bank)” the “Remuneration policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.” adopted by way of resolution of the General Shareholders Meeting dated 4 June 2020 and the “Remuneration policy for employees of Bank Handlowy w Warszawie S.A.” (dated 22 December 2017 with subsequent amendments), hereinafter referred to as the Remuneration Policy. The above Remuneration Policies are binding also for former employees of Dom Maklerski Banku Handlowego S.A. (DMBH) who moved to the Bank after DMBH demerger to the organizational structures of the Bank. Remuneration Policies have replaced the Remuneration policies for the key Persons, including persons that have material impact on the risk profile, existing in the Bank and DMBH.

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

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

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

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

- the members of the Bank’s Nomination and Remuneration Committee,
- the Bank’s Management Board,
- the head of the Banks’s Legal Department,
- the head of the Banks’s Human Resources Department,
- the Bank’s manager of the Compensation & Benefits Department,

- and, for the first version of the policy - as an external consultant, the law firm “Clifford Chance Janicka, Krużewski, Namiotkiewicz i wspólnicy spółka komandytowa”.

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

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

In 2022 there were six meetings of the BHW Nomination and Remuneration Committee and five meetings of Committee in DMBH

As at December 31, 2022 the BHW Nomination and Remuneration Committee was composed of:

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

Until July 31, 2022 composition of DMBH Remuneration Committee was the same as composition of Supervisory Board.

In DMBH decisions related to remuneration and grant of variable remuneration for the Management Board Members were made by the Supervisory Board and for other employees covered by the “Remuneration policy for persons whose professional activities have a material impact on the risk profile of Dom Maklerski Banku Handlowego S.A.”.

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

- President, Vice-Presidents and the Members of the Management Board of the Bank,
- the members of the Risk and Capital Management Committee,
- the members of the Asset-Liability Committee,
- the heads of business lines,

- management staff responsible for control functions in the Bank, i.e. the head of internal audit, the head of compliance division and the heads of risk management, human resources and legal departments,
- other supervisors, whose actions significantly impact assets and liabilities of the Group and which directly influence entering into or changing the contracts and their conditions by the Group,
- other employees who met at least one criterion described in Commission Delegated Regulation.

The philosophy of awarding the persons under the Remuneration Policy for Identified Staff, adopted by the Group, implies the compensation differentiation of particular employees based on the financial and non-financial criteria, such as attitude to take risk and assurance of compliance to reflect their current and future contribution and to supplement mechanisms of efficient risk control by limiting the motivation for taking unreasonable risk impacting the Group and its activities and by rewarding the proper balance between risk and rate of return. According to this philosophy, the payment of variable remuneration to staff under the Remuneration Policy for Identified Staff depends on both the short-term and long-term evaluation of the individual performance and the financial results of the Bank or specific organizational unit, whereby the persons responsible for control functions are not assessed for the financial results within business areas they control. The assessment of the Bank's results is based on the data from three financial years, which takes into account the business cycle of the Bank and risk of its economic activities. In case of staff employed less for than 3 years when evaluating the Bank's results the data includes the span of time from the establishing working relationship. The variable remuneration for 2022, granted January 11, 2023 and February 16, 2023, was divided into non-deferred and deferred portions. The deferred portion is subject to deferral over 4 or 5 years and will be paid out respectively in years 2024-2027 or in years 2024-2029, subject to conditions provided for in the Remuneration Policy for Identified Staff. Information on adopted solutions binding in 2022 was given in Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended 31 December 2022 in the explanatory note 47 "Employee benefits".

Each time, vesting of particular tranches of deferred variable remuneration requires approval of the Supervisory Board in relation to remuneration of the Management Board Members and the Management Board in the relation to remuneration of other employees.

The portion being deferred depends on the amount of the variable remuneration awarded, as follows:

- less than PLN equivalent of EUR 50,000, and at the same time below 1/3 of total compensation (conditions to be met jointly) 100 thousand – No deferral,
- between PLN equivalent of EUR 50,000 and equivalent of EUR 500 thousand – deferral over 4 or 5 years of 40% of the variable remuneration and 6 or 12 months retention period for each tranche of the award,
- above the equivalent of EUR 500 thousand– deferral over 4 or 5 years of 60% of the variable remuneration and 6 or 12 months retention period for each tranche of the award.

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

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

Bank has introduced change in the structure of the deferred variable remuneration. Starting from the annual award of 2022 all deferred variable remuneration is granted conditionally in financial instruments.

Remuneration Policy and Remuneration Policy of Identified Staff were amended by introducing a possibility to payout financial instrument in form of existing shares in the capital of the Bank to employees indicated in above-

mentioned policies. In November, 7 2022 the Management Board by way of resolution amended remuneration policies, and in November, 14 2022 Supervisory Board adopted them. In December, 16 2022 the Extraordinary General Assembly of Shareholders decided to implement motivation programs that are based on the existing shares in capital of the Bank. The buy-back process will be possible once Bank will be provided with the positive decision of the Komisja Nadzoru Finansowego. In case Bank will not be able to deliver to employees required number of real shares, adopted changes to policies enable Bank to payout a part of remuneration as phantom share award or in case of the decision of the Bank, in form of phantom or real shares of the Bank. Awards for 2022 are granted based on new rules in 2023. Amended remuneration policies allow for 1:1 conversion of phantom shares granted before the adoption of amendments, provided that an appropriate agreements is signed with employees concerned.

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

Starting from the day of adoption of the relevant resolution by the General Shareholders Meeting, both at the Bank and DMBH - respectively on June 21, 2016 at the Bank and June 27, 2017 at DMBH – the maximum ratio of variable remuneration to fixed remuneration of the Identified Staff was approved at 1:2.

In 2022 max ratio of average total gross remuneration of Management Board Members to average total gross remuneration of other Bank's employees was set up at the level of 38:1 at the annual basis.

Guaranteed variable remuneration is exceptional, may only occur when hiring new staff, and is limited to the first year of employment of performing a function.

Payment related to termination of employment (including retirement payment or disability retirement benefit and severance pay in connection with the termination of the employment relationship for reasons not attributable to employees) are considered fixed pay. However such payments exceeding the amounts provided in the Collective Labour Agreement and the other collective agreements and regulations defining the rights and obligations of the employment relationship will be considered in the part exceeding the amount in regulations mentioned – a variable remuneration.

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

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

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

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

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

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

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

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

In 2022 Supervisory Board after obtaining Nomination and Remuneration Committee opinion positively assessed functioning of remuneration policy in the Bank. Outcome of this assessment was covered in Report on the activity of the Supervisory Board of the Bank.

Due to information provided by Citigroup on April 15, 2021 on planned strategic changes in consumer banking segment ("GCB"), Management Board of the Bank adopted policy that would allow a grant of an award for recognizing former input of employees whose support will be crucial to deliver strategic changes for part of Bank Handlowy w Warszawie S.A. (consumer banking segment) - Transaction Award Policy. In 2022 by decision of the Supervisory Board, Transaction Award Policy was updated among others by moving away from deferred cash remuneration or possibility to payout financial instrument in form of existing shares in the capital of the Bank. Above-mentioned policy allows for conversion of phantom shares granted before the adoption of amendments into real shares (1:1), provided that an appropriate agreements is signed with employees concerned.

For Participants of Transaction Award who are Identified Staff all provisions of Remuneration Policy for Identified Staff and provisions of Regulation of the Minister of Finance, Funds and Regional Policy of June 8, 2022 on the Risk Management System and the System of Internal Control and Remuneration Policy apply, unless they are less strict than the ones provided in Transaction Award Policy.

Please see below for quantitative information

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

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	8	7		82
2		<b>Total fixed remuneration</b>	<b>1,249</b>	<b>9,623</b>		<b>43,995</b>
3		Of which: cash-based	1,249	8,684		39,787
4		(Not applicable in the EU)	-	-		-
EU-4a		Of which: shares or equivalent ownership interests	-	-		-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-		-
EU-5x		Of which: other instruments	-	-		-
6		(Not applicable in the EU)	-	-		-
7		Of which: other forms	-	939		4,208
8	(Not applicable in the EU)	-	-		-	
9	Variable remuneration	Number of identified staff	8	7		82
10		<b>Total variable remuneration</b>	-	<b>11,619</b>		<b>25,253</b>
11		Of which: cash-based	-	2,645		10,310
12		Of which: deferred	-	-		-
EU-13a		Of which: shares or equivalent ownership interests	-	8,975		14,943
EU-14a		Of which: deferred	-	6,557		10,011
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-		-
EU-14b		Of which: deferred	-	-		-
EU-14x		Of which: other instruments	-	-		-
EU-14y	Of which: deferred	-	-		-	
15	Of which: other forms	-	-		-	
16	Of which: deferred	-	-		-	
<b>17</b>	<b>Total remuneration (2 + 10)</b>		<b>1,249</b>	<b>21,242</b>		<b>69,248</b>

\* The Management Board is defined as Senior Management.



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

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
<b>Guaranteed variable remuneration awards</b>				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-
<b>Severance payments awarded in previous periods, that have been paid out during the financial year</b>				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-
<b>Severance payments awarded during the financial year</b>				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	2
7	Severance payments awarded during the financial year - Total amount	-	-	73
8	Of which paid during the financial year	-	-	73
9	Of which deferred	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	68

Table 3. EU REM3 - Deferred remuneration\*

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to explicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1 MB Supervisory function	5,730	1,545	4,185	192	699	891	1,139	875
2 Cash-based	2,268	670	1,598	16	34	50	670	-
3 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4 instruments	3,461	875	2,587	176	665	841	468	875
5 Other instruments	-	-	-	-	-	-	-	-
6 Other forms	-	-	-	-	-	-	-	-
7 MB Management function	6,562	2,474	4,088	379	721	1,100	2,474	-
8 Cash-based	2,550	1,157	1,392	26	18	44	1,157	-
9 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10 instruments	4,013	1,316	2,696	352	704	1,056	1,316	-
11 Other instruments	-	-	-	-	-	-	-	-
12 Other forms	-	-	-	-	-	-	-	-
13 Other senior management	-	-	-	-	-	-	-	-
14 Cash-based	-	-	-	-	-	-	-	-
15 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16 instruments	-	-	-	-	-	-	-	-
17 Other instruments	-	-	-	-	-	-	-	-
18 Other forms	-	-	-	-	-	-	-	-
19 Other identified staff	16,865	5,615	11,249	892	1,957	2,849	5,615	-
20 Cash-based	6,314	2,473	3,841	49	48	97	2,473	-
21 Shares or equivalent ownership interests	66	27	39	4	-13	-9	27	-
22 instruments	10,485	3,115	7,370	839	1,922	2,761	3,115	-
23 Other instruments	-	-	-	-	-	-	-	-
24 Other forms	-	-	-	-	-	-	-	-
<b>25 Total amount</b>	<b>29,157</b>	<b>9,634</b>	<b>19,523</b>	<b>1,463</b>	<b>3,377</b>	<b>4,840</b>	<b>9,228</b>	<b>875</b>

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

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

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

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

	Bank Management body remuneration			Bank Business areas						Group	
	MB Supervisory function	MB Management function	Total MB	Financial Markets & Corporate Banking Sector	Retail Banking Sector	Transactions Banking Sector	Financial Management Sector	Support Sector (excl. Compliance Division and Audit Department)	Operations & Technology Sector	Independent internal control functions - Risk Sector, Compliance Division and Audit Department	Total
<b>1 Total number of identified staff</b>											97
2 Of which: members of the MB	8	7	15								
3 Of which: other senior management				-	-	-	-	-	-	-	
4 Of which: other identified staff				32	6	5	3	5	5	26	
5 Total remuneration of identified staff	1,249	21,242	22,491	37,894	5,355	3,576	1,833	2,916	2,910	15,456	
6 Of which: variable remuneration	-	11,619	11,619	16,520	2,688	936	360	785	542	3,421	
7 Of which: fixed remuneration	1,249	9,623	10,872	21,374	2,667	2,641	1,473	2,130	2,368	12,036	

## **XII. ESG Risks**

### **ESG risks**

The risk of ESG is used by the Bank in the client's credit assessment process in the Institutional Banking segment and takes into account issues related to environmental, social factors and management quality assessment:

- Environmental risk - is divided into physical risk and transition risk. Physical risk refers to the occurrence of more frequent extreme weather phenomena (e.g. drought and floods) and gradual climate change (e.g. average temperature, sweet water deficit). The transformation risk results from the process of adapting to the low -emission economy (e.g. as a result of adopting new politicians and climate regulations or in connection with technological progress);
- Social risk - takes into account the rights, prosperity and interests of people or communities that may affect the bank's client's business (e.g. inequality, diversity, employment relationship);
- Management risk - applies to management practices used to Bank clients (e.g. a specific division of competences in management bodies, independence of supervisory authorities), but also takes into account the rights of shareholders, the principles of remuneration of board members and compliance with legal provisions, including tax provisions.

### **Business strategy and processes**

The Bank identifies and manages environmental and social issues in its business model through the implementation of a Sustainable Strategy, which is an integral part of the bank's business strategy for 2022 - 2024. The above strategy consists of 3 pillars:

- 1st pillar: Supporting customers in the transformation of their business models towards low -emission economy by offering them a full range of services and products, including advice, financing and management of currency risk;
- 2nd pillar: taking into account environmental and social factors in credit processes by creating sustainable finance framework. The above criteria will be based on defined environmental criteria: closed circulation economics, pure technology, energy efficiency, sustainable transport, renewable energy sources and water quality;
- 3rd pillar: reduction of your own carbon trace and supporting initiatives in the area of social business responsibility (CSR).

In the Sustainable Strategy, the bank has defined quantitative goals, such as the purpose of PLN 1 billion to low -emission customer transformation based on its own sustainable finance framework and reduction of its own greenhouse gas emissions (Scope 1 and Scope 2) by at least 50% (base year 2019) and Reduction of electricity consumption by at least 40% (base year 2012).

The Bank seeks to minimize its environmental footprint. Therefore the Bank has developed appropriate policies and procedures. In terms of indirect environmental impact, the bank uses the ESG risk assessment procedure, which defines ESG risk and determines products to promote ESG and environmental and social risk management system subject of financing. In terms of direct environmental impact, the bank applies energy policy (in accordance with ISO 50001) to reduce electricity consumption and its effective use and environmental policy (in accordance with ISO 14001), including Thus striving to reduce greenhouse gas emissions.

The Bank identifies social risk in relation to its stakeholder group, including clients, employees and local communities. In the case of clients and employees, the Bank identifies social risk as an assessment of the quality of employee relationships or the principles of remuneration of employee. The above issues are regulated in the Principles of Employees of Bank Handlowy w Warszawie S.A. and the policy of diversity regarding employees of Bank Handlowy w Warszawie S.A. In turn, in relation to local communities, the bank applies the policy of corporate social responsibility which it implements through the activities of the Citi Handlowy Foundation. L. Kronenberg.

In line with the Policy of Diversity, the Bank does not allow any form of discrimination against employment, in particular discrimination on the grounds of gender, age, disability, race, religion, nationality, political beliefs, trade union affiliation, ethnic origin, religion, and sexual orientation in particular discrimination. , as well as due to a definite or indefinite employment or in full or part -time working time. An indicator that examines the mood among employees are, among others Survey results - Voice of Employee. On the other hand, the Bank's involvement for local communities is being silent with the number of hours of employee volunteering. In relation to contractors, as part of the product and services purchasing policy and cooperation with suppliers - the Bank requires that contracts with suppliers conclude ethical and environmental clauses, whose contractors are obliged to comply with. The key guidelines for social issues relate to respect for human rights in the workplace; compliance with the provisions of the Labor Code in the scope of employing employees, working time, remuneration, health and safety; counteracting discrimination and behaviors

characterized by violence; observing the ban on hiring children and forced labor. At the end of 2022, 74% of contracts concluded with bank suppliers conclude ethical clauses.

## Governance

Risk management processes are implemented on the basis of written policies and principles regarding identification, measurement, limitation, control, monitoring and risk reporting to which the group is exposed. These policies are approved by the Management Board or authorized persons, in accordance with the principles of issuing normative acts at the bank or by appropriately appointed committees, including:

- Asset and Laid Management Committee;
- Risk and Capital Management Committee, supervising the Model Commission and the Risk Committee on the Return of the Retail Sector;
- Committee for new products.
- Operational risk committee, control and compliance system.

The Risk and Capital Management Committee and the Risk and Capital Committee at the Bank's Supervisory Board regularly receive information on the use of a risk appetite, including reducing exposure with a negative environmental impact. At the same time, environmental risk is discussed at the meetings of the Committee for Risk and Capital Management and at meetings of the Bank's Management Board as part of the annual review of relevant risks.

ESG factors are also included in the Bank's remuneration policy. The remuneration policy is carefully formulated so that it is in line with the bank's risk management strategy and reflects its risk appetite - according to which the risk of ESG is or becoming an important risk factor. The risk of ESG is integrated with the bank's approach to risk management in the same way as other types of risk. Pools for variable salaries are determined on the basis of financial results of the bank corrected by financial and non -financial risk to reduce the potential incentives of employees to take excessive risk.

The remuneration philosophy adopted by the Bank assumes the diversity of the remuneration of individual employees on the basis of quantitative and quality criteria, such as the approach to risk taking and ensuring compliance with the regulations, in order to reflect their work contribution and to supplement the mechanisms of effective risk control.

## Risk Management

In order to assess the risk of ESG for credit exposure, the Bank uses a risk map that reflects the impact of climate risk on a given industry. The industry risk map will be regularly verified (at least once a year) in order to take into account changes, including in regulatory environment, macroeconomic trends or social behavior. The risk map contains preliminary physical risk ratings and transformation risk for a given industry, obtaining the following results:

- High climate risk (takes into account borrowers for whom preliminary ratings were created from a combination of high physical risk and high or moderate risk of transformation, or high risk of transformation and high or moderate physical risk)
- Moderate climate risk (takes into account borrowers for whom preliminary ratings were created from a combination of high physical risk and low risk of transformation, moderate physical risk and moderate risk of transformation, low physical risk with a high risk of transformation)
- Low climate risk (takes into account borrowers for whom preliminary ratings were created from a combination of moderate physical risk and low risk of transformation, low physical risk and moderate risk of transformation, low physical risk and low risk of transformation).

In the case of Commercial Banking clients, the bank gives each transaction an appropriate category of environmental risk, which is also broadcast in customer scoring. In the case of corporate and global clients, investment transactions over USD 10 million are assessed.

At the same time, the Bank uses the guidelines of the environmental and social risk management system ("ESRM"), which set environmental and social risks for a given transaction. As a result of the analysis, transactions receive category A, B or C. Category A means that the transaction has a significant impact on environmental and social issues and this impact is irreversible, category B - limited impact of transactions on environmental and social issues, category C - minimum The impact of transactions on environmental and social issues.

The bank does not participate in financing transactions burdened with a potential significant environmental or social risk and/or having a negative, irreversible impact on the natural environment or society - the bank does not finance projects related to coal mining or new projects in the energy production industry regarding the use of coal, including its combustion.

The Bank does not participate in financing transactions burdened with a potential significant environmental or social risk and/or having a negative, irreversible impact on the natural environment or society - the bank does not finance projects related to coal mining or new projects in the energy production industry regarding the use of coal, including its combustion.

Bank nie uczestniczy w finansowaniu transakcji obciążonych potencjalnym znaczącym ryzykiem środowiskowym

When defining environmental and social risk and building a system of managing these risks, the Bank also refers to the guidelines of the European Central Bank and the European Banking Authority. The Bank also uses global standards with a recognized reputation, such as: The Equator Principles - when using the environmental and social risk management system, GRI standards - when revealing non-financial data and uses guidelines for green products developed by Loan Market Association.

Environmental risk affects traditional risk through transmission channels:

- Credit risk: environmental risk affects the business models of lenders, sources of income, expenses and costs, value of assets, which in effect causes an increase in the likelihood of failure to comply with the repayment of the liability, a decrease in the value of collateral or an increase in the use of credit;
- Market risk: climate change may contribute to a decrease in the market value of the financial instrument owned by institutions or may cause an increase in variability on financial markets (such as currency and capital markets), and above all on the freight market;
- Liquidity risk: climate change may cause unexpected demand for customers and contractors on cash and reduce the value of assets owned by the bank, which may affect the ability to implement future cash flows;
- Operational risk: climate change may affect the bank's buildings, employees (limiting the ability to work) or the activities of contractors, which in effect may affect the bank's ongoing operational activity. In addition, the institution can inadequately identify, manage and report environmental risk due to the small amount of data or their dispersed nature;

Reputational risk: The increase in this risk may take place in a situation where the institution has too little ambitions regarding its commitment to counteracting climate change or if it is unable to meet its obligations at the time.

The tables presented below present information on transition risk and physical risk, as well as other mitigation measures and exposures of the Group related to climate change in accordance with the requirements set out in Commission Implementing Regulation (EU) 2022/2453 of November 30, 2022.

- Table Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity
- Table Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral
- Table Template 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

Group does not identify in its banking portfolio of exposure 20 of the largest greenhouse gas issuers .

- Table Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk
- Table Template 10 - Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 (in EUR million)

**Table Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity**

Sector/subsector	Gross carrying amount (Mn EUR)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mn EUR)				GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
<b>1 Exposures towards sectors that highly contribute to climate change*</b>	<b>2,271</b>	<b>263</b>	<b>n/d</b>	<b>300</b>	<b>84</b>	<b>79</b>	<b>9</b>	<b>63</b>	<b>n/d</b>	<b>n/d</b>	<b>n/d</b>	<b>2,025</b>	<b>239</b>	<b>9</b>	<b>-</b>	<b>18</b>
2 A - Agriculture, forestry and fishing	33	-	n/d	-	1	1	-	1	n/d	n/d	n/d	29	3	-	-	2
3 B - Mining and quarrying	14	-	n/d	7	1	1	0	1	n/d	n/d	n/d	14	-	-	-	1
4 B.05 - Mining of coal and lignite	-	-	n/d	7	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
5 B.06 - Extraction of crude petroleum and natural gas	13	-	n/d	-	-	0	0	-	n/d	n/d	n/d	14	-	-	-	1
6 B.07 - Mining of metal ores	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
7 B.08 - Other mining and quarrying	0	-	n/d	0	-	0	0	-	n/d	n/d	n/d	0	-	-	-	1
8 B.09 - Mining support service activities	1	-	n/d	0	1	1	0	1	n/d	n/d	n/d	1	-	-	-	1
9 C - Manufacturing	1,107	-	n/d	76	52	43	3	36	n/d	n/d	n/d	973	125	9	-	2
10 C.10 - Manufacture of food products	167	-	n/d	8	40	31	0	30	n/d	n/d	n/d	153	11	2	-	2
11 C.11 - Manufacture of beverages	69	-	n/d	0	-	1	0	-	n/d	n/d	n/d	52	18	-	-	3
12 C.12 - Manufacture of tobacco products	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
13 C.13 - Manufacture of textiles	64	-	n/d	20	0	1	1	0	n/d	n/d	n/d	64	-	-	-	2
14 C.14 - Manufacture of wearing apparel	9	-	n/d	3	1	1	0	1	n/d	n/d	n/d	9	-	-	-	1
15 C.15 - Manufacture of leather and related products	-	-	n/d	-	-	0	-	-	n/d	n/d	n/d	0	-	-	-	1
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	15	-	n/d	4	0	0	0	0	n/d	n/d	n/d	13	2	0	-	2
17 C.17 - Manufacture of pulp, paper and paperboard	15	-	n/d	0	-	0	0	-	n/d	n/d	n/d	9	7	-	-	4
18 C.18 - Printing and service activities related to printing	-	-	n/d	0	-	0	0	-	n/d	n/d	n/d	0	-	-	-	1
19 C.19 - Manufacture of coke oven products	13	-	n/d	-	0	0	-	0	n/d	n/d	n/d	13	-	-	-	3
20 C.20 - Production of chemicals	62	-	n/d	2	0	0	0	0	n/d	n/d	n/d	47	14	-	-	3
21 C.21 - Manufacture of pharmaceutical preparations	63	-	n/d	0	1	0	0	0	n/d	n/d	n/d	63	0	-	-	2
22 C.22 - Manufacture of rubber products	59	-	n/d	4	2	2	0	2	n/d	n/d	n/d	42	17	-	-	3
23 C.23 - Manufacture of other non-metallic mineral products	12	-	n/d	0	-	0	0	-	n/d	n/d	n/d	12	-	-	-	1
24 C.24 - Manufacture of basic metals	25	-	n/d	0	-	0	0	-	n/d	n/d	n/d	22	-	3	-	2
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	98	-	n/d	14	4	3	0	3	n/d	n/d	n/d	73	22	4	-	3
26 C.26 - Manufacture of computer, electronic and optical products	48	-	n/d	0	0	0	0	0	n/d	n/d	n/d	47	1	-	-	2
27 C.27 - Manufacture of electrical equipment	250	-	n/d	2	0	1	0	0	n/d	n/d	n/d	230	21	-	-	2
28 C.28 - Manufacture of machinery and equipment n.e.c.	43	-	n/d	10	4	1	0	0	n/d	n/d	n/d	35	8	-	-	2



Sector/subsector	Gross carrying amount (Mn EUR)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mn EUR)				GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalents)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years	Average weighted maturity
	Of which exposures towards Paris-aligned Benchmarks in accordance with points (g) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures	Of which Stage 2 exposures	Of which non-performing exposures	Of which Scope 3 financed emissions									
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	44	-	n/d	6	-	0	0	-	n/d	n/d	n/d	44	-	-	-	1
30 C.30 - Manufacture of other transport equipment	4	-	n/d	0	-	0	0	-	n/d	n/d	n/d	3	2	-	-	4
31 C.31 - Manufacture of furniture	30	-	n/d	3	1	1	0	1	n/d	n/d	n/d	27	3	-	-	1
32 C.32 - Other manufacturing	-	-	n/d	0	-	0	0	-	n/d	n/d	n/d	0	-	-	-	1
33 C.33 - Repair and installation of machinery and equipment	14	-	n/d	0	-	0	0	-	n/d	n/d	n/d	14	-	-	-	2
34 D - Electricity, gas, steam and air conditioning supply	401	-	n/d	138	-	3	3	-	n/d	n/d	n/d	374	27	-	-	2
35 D35.1 - Electric power generation, transmission and distribution	240	102	n/d	138	-	3	3	-	n/d	n/d	n/d	213	27	-	-	2
36 D35.11 - Production of electricity	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
38 D35.3 - Steam and air conditioning supply	161	161	n/d	-	-	0	0	-	n/d	n/d	n/d	161	-	-	-	1
39 E - Water supply; sewerage, waste management and remediation activities	3	-	n/d	0	0	0	0	0	n/d	n/d	n/d	3	-	-	-	1
40 F - Construction	38	-	n/d	8	14	11	0	10	n/d	n/d	n/d	38	-	-	-	1
41 F.41 - Construction of buildings	6	-	n/d	6	0	0	0	0	n/d	n/d	n/d	6	-	-	-	1
42 F.42 - Civil engineering	28	-	n/d	0	11	8	0	8	n/d	n/d	n/d	28	-	-	-	1
43 F.43 - Specialised construction activities	5	-	n/d	2	2	3	0	2	n/d	n/d	n/d	5	-	-	-	1
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	594	-	n/d	70	9	14	4	9	n/d	n/d	n/d	562	32	-	-	1
45 H - Transportation and storage	27	-	n/d	0	7	6	0	6	n/d	n/d	n/d	28	-	-	-	2
46 H.49 - Land transport and transport via pipelines	7	-	n/d	0	7	6	0	6	n/d	n/d	n/d	7	-	-	-	1
47 H.50 - Water transport	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
48 H.51 - Air transport	-	-	n/d	0	-	0	0	-	n/d	n/d	n/d	0	-	-	-	1
49 H.52 - Warehousing and support activities for transportation	-	-	n/d	0	1	1	0	1	n/d	n/d	n/d	1	-	-	-	1
50 H.53 - Postal and courier activities	21	-	n/d	-	-	0	-	-	n/d	n/d	n/d	21	-	-	-	3
51 I - Accommodation and food service activities	-	-	n/d	0	-	0	0	-	n/d	n/d	n/d	0	-	-	-	1
52 L - Real estate activities	54	-	n/d	0	-	0	-	-	n/d	n/d	n/d	3	51	-	-	5
53 Exposures towards sectors other than those that highly contribute to climate change*	1,108	-	n/d	17	9	5	0	3				885	223	-	-	4
54 K - Financial and insurance activities	848	-	n/d	4	-	1	0	-				633	215	-	-	2
55 Exposures to other sectors (NACE codes J, M - U)	260	-	n/d	13	9	4	0	3				252	8	-	-	2
<b>56 TOTAL</b>	<b>3,379</b>	<b>263</b>	<b>n/d</b>	<b>317</b>	<b>93</b>	<b>84</b>	<b>9</b>	<b>66</b>	<b>n/d</b>	<b>n/d</b>	<b>n/d</b>	<b>2,910</b>	<b>462</b>	<b>9</b>	<b>-</b>	<b>2</b>

Pursuant to the Commission Regulation (EU) 2020/1818 of July 17, 2020, supplementing the Regulation of the European Parliament and of the Council (EU) 2016/1011 ("Regulation 2020/1818") in relation to minimum standards regarding EU indicators of reference climate transformation and EU reference indicators adapted to the Paris Agreement, the Bank reviewed the credit exposures of non-financial clients from the Institutional Banking segment in terms of sources of revenues they achieve in 2022. As a result of this analysis, the Bank identified a group of enterprises that meet the criteria listed in Regulation 2020/1818 Art. 12 para. 1, D-G points and in art. 12 para. 2 and in accordance with the table model, the gross balance value for these credit exhibitions was placed. The estimates presented in the above table were prepared with the Bank's best knowledge.

**Table Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral**

Counterparty sector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Total gross carrying amount amount (in MEUR)															
	Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral		
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	Of which level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated		
1 Total EU area	1,081	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	1,081	-
2 Of which Loans collateralised by commercial immovable property	643	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	643	-
3 Of which Loans collateralised by residential immovable property	438	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	438	-
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	-	-
5 Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	-	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	-	-
6 Total non-EU area	-	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	-	-
7 Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	-	-
8 Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	-	-
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	-	-
10 Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	-	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	-	-

The Bank has reviewed the property of clients from the Institutional Banking segment, which constitute credit collateral. As at December 31, 2022, the Bank did not collect energy certificates from its clients because there is no such legal provision

**Table Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk**

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Variable: Geographical area subject to climate change physical risk - acute and chronic events	Gross carrying amount (Min EUR)													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						of which Stage 2 exposures	Of which non-performing exposures	of which Stage 2 exposures	Of which non-performing exposures
1 A - Agriculture, forestry and fishing	33	29	3	-	-	2	-	-	-	-	1	1	-	1
2 B - Mining and quarrying	14	14	-	-	-	1	-	-	-	7	1	1	0	1
3 C - Manufacturing	1,107	973	125	9	-	2	59	36	21	76	52	43	3	36
4 D - Electricity, gas, steam and air conditioning supply	401	374	27	-	-	2	-	-	-	138	-	3	3	-
5 E - Water supply; sewerage, waste management and remediation activities	3	3	-	-	-	1	-	-	-	0	0	0	0	0
6 F - Construction	38	38	-	-	-	1	-	-	-	8	14	11	0	10
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	594	562	32	-	-	1	6	-	-	70	9	14	4	9
8 H - Transportation and storage	28	28	-	-	-	2	-	-	-	0	7	6	0	6
9 L - Real estate activities	54	3	51	-	-	5	-	-	-	0	-	0	-	-
10 Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Loans collateralised by commercial immovable property	643	556	87	-	-	-	-	-	-	-	-	-	-	-
12 Repossessed colaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Other relevant sectors (breakdown below where relevant)	1,108	885	223	-	-	4	3	-	-	17	9	5	0	3

The Bank has reviewed credit exhibitions taking into account the criterion of materiality (min. PLN 10 million). From a selected group of customers, the Bank divided according to exhibitions sensitive to the influence of chronic events related to climate change and exhibitions sensitive to the impact of acute events related to climate change. In the case of lasting events related to climate change, the Bank adopted the assessment of the sensitivity of a given activity to this type of risk. In turn, in the case of violent events, the bank took into account the data on the risk of flooding (as one of the most common risks to which Poland is exposed to climate change), derived from the open resource of Think Hazard - Poland - River Flood. Credit exhibitions of Bank clients, whose headquarters and production plants located in the locations defined according to the Think Hazard base as high or medium categories were placed according to the table pattern. The estimates presented in the above table were prepared with the Bank's best knowledge

**Table Template 10 - Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 (in EUR million)**

a	b	c	d	e	f
Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Financial corporations	-	-	-	-
2	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Non-financial corporations	-	-	-
3		Of which Loans collateralised by commercial immovable property	-	-	-
4		Other counterparties	-	-	-
5	Financial corporations	-	-	-	-
6	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Non-financial corporations	288	technological, market and reputational risks	The belongings given in column C relate to enterprises that generate at least 90% of their revenues from activity assigned to the internal green assets classification system based on the following environmental criteria: economics with a closed circulation, clean technology, energy efficiency, balanced transport, renewable energy sources and water quality
7		Of which Loans collateralised by commercial immovable property	-	-	-
8		Households	-	-	-
9		Of which Loans collateralised by residential immovable property	-	-	-
10		Of which building renovation loans	-	-	-
11		Other counterparties	-	-	-

### **XIII. Declaration of the Management Board of Bank**

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

- declares that, to the best of its knowledge, the information disclosed in the document "Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as at December 31, 2022 " in accordance with part eight of Regulation No. 575/2013, are adequate to the actual state; the adequacy of risk management arrangements at the Bank ensures that the applied risk management systems are appropriate from the point of view of the risk profile and strategy of the Bank and the entire Group.
- approves this document "Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as at December 31, 2022 ", which includes information on risk, discusses the overall risk profile of the Bank and the Group related to the business strategy, and includes key indicators and figures that provide external stakeholders with a comprehensive view of the Group's risk management, including the interaction between the Bank's risk profile and the risk appetite, defined by the Management Board and approved by the Supervisory Board.

Members of Management Board

20.03.2022 ..... Date	Elżbieta Światopełk-Czetwertyńska ..... Name	The President of Management Board ..... Position/Function
20.03.2022 ..... Date	Natalia Bożek ..... Name	Vice-president of Management Board ..... Position/Function
20.03.2022 ..... Date	Maciej Kropidłowski ..... Name	Vice-president of Management Board ..... Position/Function
20.03.2022 ..... Date	Katarzyna Majewska ..... Name	Vice-president of Management Board ..... Position/Function
20.03.2022 ..... Date	Barbara Sobala ..... Name	Vice-president of Management Board ..... Position/Function
20.03.2022 ..... Date	Andrzej Wilk ..... Name	Vice-president of Management Board ..... Position/Function
20.03.2022 ..... Date	Ivan Vrhel ..... Name	Member of Management Board ..... Position/Function