Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as of 30 June 2023

citi handlowy

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.

INTRODUCTION

This document has been laid down to execute The Disclosure Policy of Bank Handlowy w Warszawie S.A. on capital adequacy[1], to meet the disclosure requirements of:
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Regulation (EU) No 575/2013),
- 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 condensed interim consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A for the period of 6 months ended 30 June 2023
- and in the Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. for the first half of 2023.

The amounts are presented in PLN, rounded to the nearest thousand.

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

I. Information regarding own funds

Information on the individual components of the Group's own funds is presented in detail in Table EU CC1 below, while the reconciliation of the Group's own funds with the Group's equity is provided in Table EU CC2.

Data are presented as at the end of June 30, 2023 in accordance with the requirements specified in Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

Table EU CC1 - Composition of regulatory own funds

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	3,008,172	d, e
	of which: Instrument type 1	3,008,172	d, e
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	630,428	h
3	Accumulated other comprehensive income (and other reserves)	2,961,607	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	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**7,140,407**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(43,520)	
8	Intangible assets (net of related tax liability) (negative amount)	(1,168,452)	b
27a	Other regulatory adjustments	(748)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(1,212,721)**	
29	**Common Equity Tier 1 (CET1) capital**	**5,927,686**	
Additional Tier 1 (AT1) capital: instruments			
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**5,927,686**	
Tier 2 (T2) capital: instruments			
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**-**	
59	**Total capital (TC = T1 + T2)**	**5,927,686**	
60	**Total Risk exposure amount**	**29,228,968**	

Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	20,28%	
62	Tier 1 capital	20,28%	
63	Total capital	20,28%	
64	Institution CET1 overall capital requirements	7,30%	
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical capital buffer requirement	0,05%	
67	of which: systemic risk buffer requirement	0,00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,25%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,00%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**12,28%**	
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)	50,739	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)	230,547	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 scope of Group's consolidation, defined in accordance with the prudential regulations (Regulation No 575/2013) matches the scope of consolidation applied for financial reporting.

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 the Capital Group of Bank Handlowy w Warszawie S.A. in the first half of 2023, in chapter III. "The organizational structure of the Capital Group of Bank Handlowy w Warszawie S.A ".

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

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 30.06.2023	As at 30.06.2023	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements			
1 Cash and balances with the Central Bank	2,576,498	2,576,498	
2 Amounts due from banks	10,546,967	10,546,967	
3 Financial assets held-for-trading	6,194,357	6,194,357	
4 Debt financial assets measured at fair value through other comprehensive income, including:	-	-	
5 Assets pledged as collateral	27,072,579	27,072,579	
6 Equity and other instruments measured at fair value through income statement	121,619	121,619	a
7 Amounts due from customers	22,793,666	22,793,666	
8 Tangible fixed assets	475,848	475,848	
9 Intangible assets	1,262,220	1,262,220	b
10 Current income tax receivables	-	-	
11 Deferred income tax asset	230,547	230,547	c
12 Other assets	308,224	308,224	
13 Non-current assets held-for-sale	-	-	
14 Total assets	**71,582,525**	**71,582,525**	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements			
1 Amounts due to banks	3,300,275	3,300,275	
2 Financial liabilities held-for-trading	4,622,605	4,622,605	
3 Hedging derivatives	71,319	71,319	
4 Amounts due to customers	52,066,886	52,066,886	
5 Provisions	101,767	101,767	
6 Current income tax liabilities	287,430	287,430	
7 Deferred tax provision	132	132	
8 Other liabilities	2,776,568	2,776,568	
9 Total liabilities	**63,226,982**	**63,226,982**	
Shareholders' Equity			
1 Share capital	522,638	522,638	d
2 Supplementary capital	3,001,260	3,001,260	e
3 Revaluation reserve	-213,124	-213,124	f
4 Other reserves	3,199,204	3,199,204	g
5 Retained earnings	1,845,565	1,845,565	h
6 Total equity	**8,355,543**	**8,355,543**	
Total liabilities and equity	**71,582,525**	**71,582,525**	

1. Disclosure of own funds and eligible liabilities

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

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

In accordance with the CRR regulations, the amount of the required TLAC TREA plus the combined buffer requirement for the Bank is 20.8%, while the total capital ratio of the Bank at the end of June 2023 was 20.28%.

Bearing in mind the need indicated by the BFG to immediately meet the TLAC TREA requirement, the Management Board of the Bank will apply to the Polish Financial Supervision Authority (KNF) in order to obtain approval to include an appropriate part of the profits from the current period in Common Equity Tier 1 capital on the basis of the Bank's reviewed results for the first half of 2023. Additional information on that is presented in the Condensed interim consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A for the period of 6 months ended 30 June 2023 , in note 40 “Significant events after the balance sheet date" section.

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

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

		a	b	c	d	e	f
		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		2023.06.30	2023.06.30	2023.03.31	2022.12.31	2022.09.30	2022.06.30
	Own funds and eligible liabilities, ratios and components						
1	Own funds and eligible liabilities	5,927,686	5,927,686	5,433,171	5,240,801	5,111,171	5,073,024
EU-1a	Of which own funds and subordinated liabilities	5,927,686					
2	Total risk exposure amount of the resolution group (TREA)	29,228,968	29,228,968	30,291,621	29,710,682	28,693,282	28,624,347
3	Own funds and eligible liabilities as a percentage of TREA (%)	20.28	20.28	17.94	17.64	17.81	17.72
EU-3a	Of which own funds and subordinated liabilities (%)	20.28					
4	Total exposure measure of the resolution group	73,458,159	73,458,159	73,372,875	71,791,807	72,494,606	71,105,017
5	Own funds and eligible liabilities as percentage of the total exposure measure (%)	8.07	8.07	7.40	7.30	7.05	7.13
EU-5a	Of which own funds or subordinated liabilities (%)	8.07					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		no	no	no	no	no
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		-	-	-	-	-
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		-	-	-	-	-
	Minimum requirement for own funds and eligible liabilities (MREL)*						
	TLAC requirementexpressed as percentage of TREA	18.00					
	TLAC requirement expressed as percentage of TEM	6.75					
EU-7	MREL requirement expressed as percentage of the total risk exposure amount (%)	11.68					
EU-8	Of which to be met with own funds or subordinated liabilities (%)	11.68					
EU-9	MREL requirement expressed as percentage of the total exposure measure (%)	4.46					
EU-10	Of which to be met with own funds or subordinated liabilities (%)	4.45					

* without combined buffer requirement

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

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

		a	b	c
		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII requirement for own funds and eligible liabilities (TLAC)	Memo item: Amounts eligible for the purposes of MREL, but not TLAC
	Own funds and eligible liabilities and adjustments			
1	Common Equity Tier 1 capital (CET1)	5,927,686	5,927,686	-
2	Additional Tier 1 capital (AT1)	-	-	-
6	Tier 2 capital (T2)	-	-	-
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	5,927,686	5,927,686	-
	Own funds and eligible liabilities: Non-regulatory capital elements			
12	Eligible liabilities instruments-issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	-	-	-
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-	-	-
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	-	-	-
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	-	-	-
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	-	-	-
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	-	-	-
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	-	-	-
17	Eligible liabilities items before adjustments	-	-	-
EU-17a	Of which subordinated	-	-	-
	Own funds and eligible liabilities: Adjustments to non-regulatory capital elements			
18	Own funds and eligible liabilities items before adjustments	5,927,686	5,927,686	-
19	(Deduction of exposures between MPE resolution groups)		-	
20	(Deduction of investments in other eligible liabilities instruments)		-	
22	Own funds and eligible liabilities after adjustments	5,927,686	5,927,686	-
EU-22a	Of which own funds and subordinated	5,927,686		
	Risk-weighted exposure amount and leverage exposure measure of the resolution group			
23	Total risk exposure amount	29,228,968	29,228,968	-
24	Total exposure measure	73,458,159	73,458,159	-
	Ratio of own funds and eligible liabilities			
25	Own funds and eligible liabilities as a percentage of total risk exposure amount (%)	20.28	20.28	-
EU-25a	Of which own funds and subordinated (%)	20.28		
26	Own funds and eligible liabilities as a percentage of total exposure measure (%)	8.07	8.07	-
EU-26a	Of which own funds and subordinated (%)	8.07		
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements (%)	2.28	2.28	
28	Institution-specific combined buffer requirement (%)		2.80	
29	of which: capital conservation buffer requirement (%)		2.50	
30	of which: countercyclical buffer requirement (%)		0.05	
31	of which: systemic risk buffer requirement (%)		-	
EU-31a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (%)		0.25	
	Memorandum items			
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) CRR		60,758,854	

Table EU TLAC3a: creditor ranking - resolution entity

		Insolvency ranking			Sum of 1 to n
		1 (most junior)	2	n (most senior)	
1	Description of insolvency rank (free text)	category no.10	-	-	
2	Liabilities and own funds	5,867,027	-	-	5,867,027
3	of which excluded liabilities	-	-	-	-
4	Liabilities and own funds less excluded liabilities	5,867,027	-	-	5,867,027
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting [choose as a appropriate: TLAC/ MREL]	5,867,027	-	-	5,867,027
6	of which residual maturity ≥ 1 year < 2 years	-	-	-	-
7	of which residual maturity ≥ 2 year < 5 years	-	-	-	-
8	of which residual maturity ≥ 5 years < 10 years	-	-	-	-
9	of which residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-
10	of which perpetual securities	-	-	-	-

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

II. Capital Adequacy

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

Table EU OV1 – Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a		c
		30.06.2023	31.03.2023	30.06.2023
1	**Credit risk (excluding CCR)**	**20,620,815**	**22,028,473**	**1,649,665**
2	Of which the standardised approach	20,620,815	22,028,473	1,649,665
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**1,956,983**	**1,770,867**	**156,559**
7	Of which the standardised approach	1,880,633	1,701,498	150,451
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	26,578	29,238	2,126
EU 8b	Of which credit valuation adjustment - CVA	49,772	40,131	3,982
9	Of which other CCR	-	0	-
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**164,425**	**168,249**	**13,154**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	164,425	168,249	13,154
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,512,168**	**1,349,456**	**120,973**
21	Of which the standardised approach	1,512,168	1,349,456	120,973
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**4,974,577**	**4,974,577**	**397,966**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	4,974,577	4,974,577	397,966
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	576,367	478,138	46,109
29	**Total**	**29,228,968**	**30,291,621**	**2,338,317**

Table EU KM1 - Key metrics template

		a	b	c	d	e
		30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2022
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	5,927,686	5,433,171	5,240,801	5,111,171	5,073,024
2	Tier 1 capital	5,927,686	5,433,171	5,240,801	5,111,171	5,073,024
3	Total capital	5,927,686	5,433,171	5,240,801	5,111,171	5,073,024
Risk-weighted exposure amounts						
4	Total risk exposure amount	29,228,968	30,291,621	29,710,682	28,693,282	28,624,347
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	20.28	17.94	17.64	17.81	17.72
6	Tier 1 ratio (%)	20.28	17.94	17.64	17.81	17.72
7	Total capital ratio (%)	20.28	17.94	17.64	17.81	17.72
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	-	-	-	-	-
EU 7b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	-	-	-	-	-
EU 7d	Total SREP own funds requirements (%)	8.00	8.00	8.00	8.00	8.00
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.05	0.04	0.04	0.03	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 (%)	2.80	2.79	2.79	2.78	2.77
EU 11a	Overall capital requirements (%)	10.80	10.79	10.79	10.78	10.77
12	CET1 available after meeting the total SREP own funds requirements (%)	12.28	9.94	9.64	9.81	9.72
Leverage ratio						
13	Total exposure measure	73,458,159	73,372,875	71,791,807	72,494,606	71,105,017
14	Leverage ratio (%)	8.07	7.40	7.30	7.05	7.13
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	
EU 14c	Total SREP leverage ratio requirements (%)	3.00	3.00	3.00	3.00	
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	
EU 14e	Overall leverage ratio requirement (%)	3.00	3.00	3.00	3.00	3.00
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	35,075,143	33,252,990	31,565,655	30,813,442	31,020,985
EU 16a	Cash outflows - Total weighted value	58,582,231	57,926,756	60,728,979	58,148,368	58,709,579
EU 16b	Cash inflows - Total weighted value	37,411,122	37,449,240	41,430,227	40,332,470	41,951,756
16	Total net cash outflows (adjusted value)	21,171,108	20,477,516	19,341,066	18,034,184	17,230,683
17	Liquidity coverage ratio (%)	165.67	162.39	163.21	170.86	180.03
Net Stable Funding Ratio						
18	Total available stable funding	40,035,730	41,400,409	38,339,768	37,313,621	34,986,849
19	Total required stable funding	20,049,040	20,344,386	21,617,855	20,603,899	20,033,829
20	NSFR ratio (%)	199.69	203.50	177.35	181.10	174.64

Due to the cessation at the end of 2022. the possibility of applying a 0% risk weighting to exposures to Member States' central governments and central banks where those exposures are denominated and funded in the domestic currency of another country member directly pursuant to Article 500a(1) of CRR, from 1 January 2023 the Group recorded exceeding the limit of concentration of exposures referred to in Article 395(1) of CRR for currency exposures only on account of bonds issued by the State Treasury and Bank Gospodarstwa Krajowego SA and guaranteed by the State Treasury. The exceedance ceased after obtaining the consent of the Polish Financial Supervision Authority of June 5, 2023. issued on the basis of paragraph 2 of Article 500a CRR.

According to Article 468 of the CRR (changed by the Regulation 2020/873), until December 31, 2022 banks could have applied 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 enabled 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 applied the above temporary solution in the calculation of own funds, notifying the Polish Financial Supervision Authority about its decision.

Due to the fact that the transitional provisions regarding the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in accordance with Art. 468 of the CRR expired on January 1st, 2023, the capital ratios reported as of June 30, 2023, including the leverage ratio and the total capital ratio, reflect all unrealized gains and losses measured at fair value through other comprehensive income.

III. Capital Buffers

On January 1, 2016, the Act on macroprudential supervision entered into force. Pursuant to this act, as at June 30, 2023, the Group had buffers:

- The buffer level indicator, the value of which in the amount of 2.5%, results from Art. 84 of the Act on macroprudential supervision,
- Countercyclical buffer rate of 0.05%, - 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%.

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

In December 2022 the bank received a recommendation from the Polish Financial Supervision Authority under Pillar II (the so-called P2G) to maintain, both at the individual and consolidated level, own funds to cover an additional capital charge at the level of 0.11 pp. in order to absorb potential losses that may arise from stress conditions. The additional mark-up should consist entirely of Common Equity Tier 1 capital.

Table EU CCyB1 presents geographic color transfers of relevant credit exposures

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

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book		Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010 Poland	22,573,008	-	72,499	-	1,142,951	23,788,457	1,567,010	5,800	13,154	1,585,964	19,824,550	91.84	0.0000
011 Luxembourg	680,953	-	4,325	-	-	685,278	53,152	346	-	53,498	668,730	3.10	0.5000
012 United Kingdom	568,207	-	1,444	-	-	569,651	28,281	115	-	28,397	354,956	1.64	1.0000
013 Korea, Republic of	194,496	-	-	-	-	194,496	15,560	-	-	15,560	194,496	0.90	0.0000
014 Norway	87,355	-	-	-	-	87,355	6,988	-	-	6,988	87,355	0.40	2.5000
015 Malta	73,810	-	-	-	-	73,810	5,905	-	-	5,905	73,810	0.34	0.0000
016 Ireland	73,395	-	-	-	-	73,395	5,759	-	-	5,759	71,988	0.33	0.5000
017 Switzerland	59,654	-	-	-	-	59,654	4,772	-	-	4,772	59,654	0.28	0.0000
018 Germany	47,780	-	-	-	-	47,780	3,722	-	-	3,722	46,530	0.22	0.7500
019 United States	42,891	-	79	-	-	42,970	4,617	6	-	4,623	57,789	0.27	0.0000
020 Czech Republic	40,302	-	-	-	-	40,302	3,224	-	-	3,224	40,302	0.19	2.5000
021 Hungary	26,629	-	-	-	-	26,629	2,130	-	-	2,130	26,629	0.12	0.0000
022 France	23,226	-	-	-	-	23,226	1,742	-	-	1,742	21,777	0.10	0.5000
023 Netherlands	22,311	-	-	-	-	22,311	1,785	-	-	1,785	22,311	0.10	1.0000
024 Belgium	19,998	-	-	-	-	19,998	1,600	-	-	1,600	19,998	0.09	0.0000
025 Sweden	7,295	-	-	-	-	7,295	584	-	-	584	7,295	0.03	2.0000
026 Russian Federation	7,220	-	-	-	-	7,220	578	-	-	578	7,220	0.03	0.0000
027 Romania	626	-	-	-	-	626	50	-	-	50	626	-	0.5000

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

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book		Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
028 Israel	556	-	-	-	-	556	45	-	-	45	556	-	0.0000
029 Kazakhstan	145	-	-	-	-	145	12	-	-	12	145	-	0.0000
030 Italy	100	-	-	-	-	100	6	-	-	6	75	-	0.0000
031 Taiwan, Province of China	57	-	-	-	-	57	2	-	-	2	29	-	0.0000
032 India	24	-	-	-	-	24	2	-	-	2	24	-	0.0000
033 Austria	21	-	-	-	-	21	2	-	-	2	21	-	0.0000
034 United Arab Emirates	13	-	-	-	-	13	1	-	-	1	13	-	0.0000
035 Ukraine	5	-	-	-	-	5	1	-	-	1	7	-	0.0000
036 Bulgaria	2	-	-	-	-	2	0	-	-	0	2	-	1.5000
037 Latvia	2	-	-	-	-	2	0	-	-	0	2	-	0.0000
038 Australia	1	-	-	-	-	1	0	-	-	0	1	-	1.0000
039 Singapore	0	-	-	-	-	0	0	-	-	0	0	-	0.0000
040 Estonia	0	-	-	-	-	0	0	-	-	0	0	-	1.0000
041 Cyprus	0	-	104	-	-	104	0	8	-	8	104	-	0.0000
042 Spain	0	-	152	-	-	152	0	12	-	12	152	-	0.0000
043 Mexico	0	-	-	-	-	0	0	-	-	0	0	-	0.0000
044 Lithuania	-	-	-	-	-	-	-	-	-	-	-	-	0.0000
045 Total	**24,550,083**	**-**	**78,603**	**-**	**1,142,951**	**25,771,637**	**1,707,530**	**6,288**	**13,154**	**1,726,972**	**21,587,148**	**100**	

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

		a
1	Total risk exposure amount	29,228,968
2	Institution specific countercyclical capital buffer rate	0.05%
3	Institution specific countercyclical capital buffer requirement	15,258

IV. Information regarding risk

1. Credit Risk

Credit risk is understood as the risk of incurring a loss as a result of the client's failure to meet its obligations towards the Group or the risk of a decrease in the economic value of the Group's receivables as a result of a deterioration in the client's ability to service obligations.

The main purpose of risk management in the Group is ensuring both high quality of credit portfolio and business activity stabilization through minimizing the risk of credit losses. Credit risk management is executed based on the policies and procedures that consistently and clearly define and communicate standards for risk identification, measurement, acceptance, control, monitoring and reporting.

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.

The Group presents the following tables regarding the disclosure of information credit risk, in accordance with Commission Implementing Regulation (EU) 2021/637:

- EU CR1-A: Maturity of exposures,
- EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques,
- EU CR4 – standardised approach – Credit risk exposure and CRM effects,
- EU CR5 – standardised approach,
- EU SEC1 - Securitisation exposures in the non-trading book,
- EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor.

Table EU CR1-A: Maturity of exposures

	a	b	c	d	e	f
	Net exposure value					
	On demand	<= 1 year	1 to 5 years	> 5 years	No stated maturity	Total
1 Loans and advances	7,847,785	15,923,447	4,979,020	3,159,044	90,327	31,999,622
2 Debt securities	-	4,443,316	18,852,845	4,919,378	-	28,215,539
3 Total	**7,847,785**	**20,366,763**	**23,831,865**	**8,078,422**	**90,327**	**60,215,161**

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

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	18,201,786	16,025,089	14,656,159	1,368,931	-
2	Debt securities	28,216,106	-	-	-	
3	Total	46,417,893	16,025,089	14,656,159	1,368,931	-
4	Of which non-performing exposures	193,067	10,312	8,035	2,277	-
EU-5	Of which defaulted	193,067	10,312			

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

	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 (%)
Exposure classes	a	b	c	d	e	f
1 Central governments or central banks	18,322,298	634	26,825,709	251	830,130	3.09
2 Regional government or local authorities	14,901	485,076	14,901	127,001	28,380	20.00
3 Public sector entities	902	1,814	902	783	840	49.87
4 Multilateral development banks	2,528,529	-	2,528,529	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	10,340,593	300,349	1,837,182	112,208	206,166	10.58
7 Corporates	11,048,117	10,577,277	10,942,268	3,465,509	14,054,877	97.55
8 Retail	3,792,147	5,268,324	3,792,147	30,121	2,861,670	74.87
9 Secured by mortgages on immovable property	2,684,552	180,330	2,684,552	48,538	1,434,216	52.48
10 Exposures in default	200,889	20,175	200,889	7,690	227,277	108.96
11 Exposures associated with particularly high risk	120,591	-	120,591	-	180,887	150.00
12 Covered bonds	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-
15 Equity	1,028	-	1,028	-	1,028	100.00
16 Other items	1,357,406	-	1,357,406	-	795,344	58.59
17 TOTAL	**50,411,952**	**16,833,979**	**50,306,103**	**3,792,101**	**20,620,815**	**38.12**

Table EU CR5 – standardised approach

Exposure classes	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1 Central governments or central banks	23,383,702	-	2,428,621	-	783,090	-	-	-	-	-	0	230,547	-	-	-	26,825,960	1,511,390
2 Regional government or local authorities	-	-	-	-	141,902	-	-	-	-	-	-	-	-	-	-	141,902	10,002
3 Public sector entities	-	-	-	-	7	-	1,677	-	-	-	-	-	-	-	-	1,685	1,685
4 Multilateral development banks	2,528,529	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,528,529	0
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	76,222	1,113,091	-	-	656,556	-	101,857	-	-	1,664	-	-	-	-	-	1,949,390	346,236
7 Corporates	-	-	-	-	1,360	-	214,861	-	-	14,191,552	5	-	-	-	-	14,407,777	13,469,911
8 Retail exposures	-	-	-	-	-	-	-	-	3,822,268	-	-	-	-	-	-	3,822,268	3,822,268
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	1,969,510	-	-	-	727,572	36,008	-	-	-	-	2,733,090	2,733,090
10 Exposures in default	-	-	-	-	-	-	-	-	-	171,183	37,396	-	-	-	-	208,579	208,579
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	120,591	-	-	-	-	120,591	88,347
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	1,028	-	-	-	-	-	1,028	1,028
16 Other items	547,297	-	-	-	18,456	-	-	-	-	791,653	-	-	-	-	-	1,357,406	1,357,406
17 TOTAL	**26,535,749**	**1,113,091**	**2,428,621**	**-**	**1,601,371**	**1,969,510**	**318,394**	**-**	**3,822,268**	**15,884,652**	**194,000**	**230,547**	**-**	**-**	**-**	**54,098,204**	**23,549,942**

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

		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
1	**Total exposures**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**140,346**	**1,002,605**	**-**	**1,142,951**
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	1,002,605	-	1,002,605
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	1,002,605	-	1,002,605
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	140,346	-	-	140,346
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	140,346	-	-	140,346
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table EU-SEC 4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
1 Total exposures	1,142,951	**-**	**-**	**-**	**-**	**-**	**-**	**1,142,951**	**-**	**-**	**-**	**164,425**	**-**	**-**	**-**	**13,154**	**-**
2 Traditional securitisation	1,142,951	-	-	-	-	-	-	1,142,951	-	-	-	164,425	-	-	-	13,154	-
3 Securitisation	1,142,951	-	-	-	-	-	-	1,142,951	-	-	-	164,425	-	-	-	13,154	-
4 Retail underlying	1,002,605	-	-	-	-	-	-	1,002,605	-	-	-	150,391	-	-	-	12,031	-
5 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Wholesale	140,346	-	-	-	-	-	-	140,346	-	-	-	14,035	-	-	-	1,123	-
7 Of which STS	140,346	-	-	-	-	-	-	140,346	-	-	-	14,035	-	-	-	1,123	-
8 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Additional information on the credit risk is discussed in detail in the Condensed interim consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A for the period of 6 months ended 30 June 2023 , in note 5 " Risk Management ", in the section Credit Risk.

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 30th June of 2023, the Group presents gross NPL in amount of 2.54%.

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						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005 Cash balances at central banks and other demand deposits	**2,228,438**	2,219,982	8,456 -	-	-	- -	(1,184)	(53)	(1,131) -	-	-	-	-	-	-
010 Loans and advances	31,959,265	28,691,913	3,267,352 -	834,234	-	834,234 -	(163,023)	(59,004)	(104,019) -	(630,855)	-	(630,855)	-	16,014,777	10,312
020 Central banks	-	-	- -	-	-	- -	-	-	- -	-	-	-	-	-	-
030 General governments	19,582	19,580	2 -	-	-	- -	(99)	(99)	(0) -	-	-	-	-	-	-
040 Credit institutions	10,350,348	10,323,527	26,821 -	-	-	- -	(1,433)	(783)	(650) -	-	-	-	-	9,365,646	-
050 Other financial corporations	5,194,316	5,193,397	918 -	-	-	- -	(2,188)	(2,180)	(7) -	-	-	-	-	2,554,558	-
060 Non-financial corporations	10,436,843	8,309,052	2,127,791 -	416,048	-	416,048 -	(54,895)	(16,790)	(38,105) -	(315,512)	-	(315,512)	-	1,986,677	5,042
070 Of which SMEs	4,784,158	3,817,854	966,304 -	321,621	-	321,621 -	(18,639)	(9,471)	(9,167) -	(238,448)	-	(238,448)	-	1,133,200	4,771
080 Households	5,958,177	4,846,358	1,111,819 -	418,186	-	418,186 -	(104,409)	(39,151)	(65,258) -	(315,342)	-	(315,342)	-	2,107,896	5,270
090 Debt securities	28,216,106	28,216,106	- -	-	-	- -	(567)	(567)	- -	-	-	-	-	-	-
100 Central banks	998,127	998,127	- -	-	-	- -	-	-	- -	-	-	-	-	-	-
110 General governments	15,064,391	15,064,391	- -	-	-	- -	-	-	- -	-	-	-	-	-	-
120 Credit institutions	8,481,834	8,481,834	- -	-	-	- -	-	-	- -	-	-	-	-	-	-
130 Other financial corporations	3,671,754	3,671,754	- -	-	-	- -	(567)	(567)	- -	-	-	-	-	-	-
140 Non-financial corporations	-	-	- -	-	-	- -	-	-	- -	-	-	-	-	-	-
150 Off-balance-sheet exposures	16,843,016	14,493,968	2,349,047 -	23,848	-	23,848 -	(29,211)	(12,376)	(16,836) -	(3,673)	-	(3,673)		1,118,568	15,371
160 Central banks	-	-	- -	-	-	- -	-	-	- -	-	-	-		-	-
170 General governments	504,785	504,685	100 -	-	-	- -	(339)	(339)	(0) -	-	-	-		80	-
180 Credit institutions	289,865	289,865	- -	-	-	- -	(117)	(117)	- -	-	-	-		-	-
190 Other financial corporations	129,311	128,376	935 -	-	-	- -	(84)	(80)	(3) -	-	-	-		113	-
200 Non-financial corporations	10,599,809	9,680,840	918,968 -	17,809	-	17,809 -	(15,602)	(9,127)	(6,475) -	(832)	-	(832)		1,115,016	15,371
210 Households	5,319,247	3,890,202	1,429,044 -	6,039	-	6,039 -	(13,070)	(2,713)	(10,357) -	(2,841)	-	(2,841)		3,359	-
220 Total	**79,246,825**	**73,621,970**	**5,624,855 -**	**858,082**	**-**	**858,082 -**	**(193,986)**	**(71,999)**	**(121,986) -**	**(634,528)**	**-**	**(634,528)**	**-**	**17,133,345**	**25,683**

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

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**891,734**
020	Inflows to non-performing portfolios	126,127
030	Outflows from non-performing portfolios	(183,627)
040	Outflows due to write-offs	(3,945)
050	Outflow due to other situations	(179,682)
060	**Final stock of non-performing loans and advances**	**834,234**

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**	4	108,686	108,686	108,686	(0)	(54,800)	2,007	2,007
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	-	64,894	64,894	64,894	-	(34,374)	1,480	1,480
070	Households	4	43,792	43,792	43,792	(0)	(20,426)	527	527
080	**Debt Securities**	-	-	-	-	-	-	-	-
090	**Loan commitments given**	-	-	-	-	-	-	-	-
100	**Total**	**4**	**108,686**	**108,686**	**108,686**	**(0)**	**(54,800)**	**2,007**	**2,007**

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

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	2,228,438	2,228,438	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	31,959,265	31,931,436	27,829	834,234	149,501	66,924	120,737	50,395	270,303	62,419	113,956	834,234
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	19,582	19,580	2	-	-	-	-	-	-	-	-	-
040	Credit institutions	10,350,348	10,350,348	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	5,194,316	5,194,282	34	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	10,436,843	10,436,562	281	416,048	25,390	559	46,368	1,340	233,233	54,366	54,793	416,048
070	Of which SMEs	4,784,158	4,783,914	244	321,621	21,981	557	46,368	1,340	186,848	43,966	20,561	321,621
080	Households	5,958,177	5,930,665	27,512	418,186	124,111	66,365	74,369	49,055	37,070	8,053	59,163	418,186
090	**Debt securities**	28,216,106	28,216,106	-	-	-	-	-	-	-	-	-	-
100	Central banks	998,127	998,127	-	-	-	-	-	-	-	-	-	-
110	General governments	15,064,391	15,064,391	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	8,481,834	8,481,834	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	3,671,754	3,671,754	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	16,843,016			23,848								23,848
160	Central banks	-			-								-
170	General governments	504,785			-								-
180	Credit institutions	289,865			-								-
190	Other financial corporations	129,311			-								-
200	Non-financial corporations	10,599,809			17,809								17,809
210	Households	5,319,247			6,039								6,039
220	**Total**	**79,246,825**	**62,375,981**	**27,829**	**858,082**	**149,501**	**66,924**	**120,737**	**50,395**	**270,303**	**62,419**	**113,956**	**858,082**

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 defaulted	Of which subject to impairment			
010 On-balance-sheet exposures	61,009,606	834,234	834,234	61,009,606	(794,445)		-
011 Poland	42,433,050	833,804	833,804	42,433,050	(790,486)		-
012 Germany	5,890,726	46	46	5,890,726	(83)		-
013 United Kingdom	3,418,314	-	-	3,418,314	(1)		-
014 Irland							
015 Luxembourg	1,702,685	-	-	1,702,685	(250)		-
016 Other countries	6,133,284	384	384	6,133,284	(2,520)		-
	-	-	-	-	-		-
080 Off-balance-sheet exposures	16,866,863	23,848	23,848			(32,885)	
081 Poland	15,152,625	23,848	23,848			(31,428)	
082 Irland	361,011	-	-			(696)	
083 Luxembourg	351,816	-	-			(112)	
084 Norway	179,218	-	-			(146)	
085 United Kingdom							
086 Other countries	555,545	-	-			(353)	
	-	-	-			-	
150 Total	**77,876,469**	**858,082**	**858,082**	**61,009,606**	**(794,445)**	**(32,885)**	**-**

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	2,039	-	-	-	(5)	-
020 Mining and quarrying	562	-	-	-	(0)	-
030 Manufacturing	4,597,186	225,559	225,559	225,559	(196,457)	-
040 Electricity, gas, steam and air conditioning supply	1,083,886	-	-	-	(1,415)	-
050 Water supply	14,335	405	405	405	(446)	-
060 Construction	331,064	69,930	69,930	69,930	(53,634)	-
070 Wholesale and retail trade	2,756,841	79,905	79,905	79,905	(72,842)	-
080 Transport and storage	29,409	29,333	29,333	29,333	(25,486)	-
090 Accommodation and food service activities	4,981	44	44	44	(62)	-
100 Information and communication	557,881	718	718	718	(1,801)	-
110 Financial and insurance actvities	-	-	-	-	-	-
120 Real estate activities	231,402	-	-	-	(127)	-
130 Professional, scientific and technical activities	882,682	968	968	968	(9,176)	-
140 Administrative and support service activities	120,128	-	-	-	(182)	-
150 Public administration and defense, compulsory social security	-	-	-	-	-	-
160 Education	2,616	-	-	-	(17)	-
170 Human health services and social work activities	1,112	-	-	-	(9)	-
180 Arts, entertainment and recreation	-	-	-	-	-	-
190 Other services	236,765	9,187	9,187	9,187	(8,750)	-
200 Total	**10,852,891**	**416,048**	**416,048**	**416,048**	**(370,407)**	**-**

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.

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)	1,142,490	635,565		1.40	3,560,199	2,489,278	2,489,278	1,880,735
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**3,560,199**	**2,489,278**	**2,489,278**	**1,880,735**

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

		a	b
		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	317,330	49,772
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	317,330	49,772

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

Exposure classes	Risk weight											
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	1,287,763	-	-	69,239	156,131	-	-	-	-	-	1,513,133
7 Corporates	-	-	-	-	-	217,517	-	-	1,681,827	-	-	1,899,344
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	0	-	0
11 Total exposure value	**-**	**1,287,763**	**-**	**-**	**69,239**	**373,648**	**-**	**-**	**1,681,827**	**0**	**-**	**3,412,477**

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	-	1,620,011	-	148,164	-	-	-	-
2 Cash – other currencies	-	-	-	435,896	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 Total	**-**	**1,620,011**	**-**	**584,060**	**-**	**-**	**-**	**-**

Table EU CCR8 – Exposures to CCPs

		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**26,578**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,281,668	25,633
3	(i) OTC derivatives	1,262,695	25,254
4	(ii) Exchange-traded derivatives	18,973	379
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	21,166	721
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

3. Market Risk

Market risk is the risk of a negative impact on the Group's financial result and the value of own funds, change of interest rates, currency exchange rates, share prices, prices of goods and all parameters of change of these rates and prices.

The aim of managing market risk is to ensure that the sizes of Group's incurred risk match the level acceptable by the shareholders and bank supervisory institutions, as well as ensuring that all expositions on market risk are correctly reflected by calculated measures of risk delivered to the appropriate persons and institutions.

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

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

Table EU MR1 – Market risk under the standardised approach

		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	1,226,177
2	Equity risk (general and specific)	98,998
3	Foreign exchange risk	186,993
4	Commodity risk	-
	Options -	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**1,512,168**

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 June 30, 2023 and for the comparative period, i.e. December 31, 2022.

The tables present data for the 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, 2023 it was - 8.15% 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). In the event 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, 2023: in the event of a 200 bp increase in interest rates, the net interest income would increase by 33 million PLN. However, in the event of a 200 bp decrease in interest rates, the net interest result would decrease by PLN 33 million PLN. The main factors that influenced the change in sensitivity compared to December 2022 were the change in the exposure of interest rate risk on the portfolio of available-for-sale assets (AFS).

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

		a	b	c	d
Supervisory shock scenarios		Changes of the economic value of equity		Changes of the net interest income (NII)	
		30.06.2023	31.12.2022	30.06.2023	31.12.2022
1	Parallel up	-445,094	-181,761	33,361	192,809
2	Parallel down	-392,588	-540,568	-33,370	-192,809
3	Steepener	-279,737	-308,503		
4	Flattener	-231,664	-125,259		
5	Short rates up	-366,782	-175,196		
6	Short rates down	-478,314	-583,767		
	Worst case scenario	-478,314	-583,767		
	Tier 1 - Grupa	5,867,027	5,155,593		
	Result	-8.15%	-11.32%		

Additional information on market risk is resented in the Condensed interim consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A for the period of 6 months ended 30 June 2023 , in note 5 "Risk Management", in the “Market Risk” section.

V. 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 Department of Balance Sheet Management Supervision and by 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 June 2023 deposits constituted 77% 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 June 30, 2023 LCR was 169% and was 10 p.p. higher than as of December 31, 2022. The increase in the ratio was mainly due to higher balance of Level 2 Assets and settlements of derivatives transactions.

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 H1 2023, as well as the applied internal measures in the area of the liquidity risk management, are included in the Condensed interim consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A for the period of 6 months ended 30 June 2023 , in note 5 "Risk Management".

As the result of the assessment of the level of liquidity risk and current and structural liquidity ratios (ILAAP), documented during the review of the Risk Management System (meeting of the Risk and Capital Management Committee in March 2023), the Assets and Liabilities Management Committee in the process of adopting the annual "Financing and Liquidity Plan" (plan for 2023 reviewed and approved in November 2022), did not recommend any meaningful changes to the liquidity risk management system.

Table EU LIQ1 – Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2023	31.03.2023	31.12.2022	30.09.2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					35,075,143	33,252,990	31,565,655	30,813,442
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	19,672,977	19,439,002	19,198,919	18,885,815	1,657,968	1,617,793	1,573,661	1,521,513
3	Stable deposits	10,070,030	10,165,259	10,285,212	10,384,012	503,502	508,263	514,261	519,201
4	Less stable deposits	9,602,947	9,273,743	8,913,707	8,501,803	1,154,466	1,109,530	1,059,400	1,002,312
5	Unsecured wholesale funding	32,594,663	31,447,084	29,963,860	28,829,213	13,418,800	13,278,181	12,655,989	11,688,201
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	20,031,126	18,996,919	18,533,841	18,958,215	5,007,782	4,749,230	4,633,460	4,739,554
7	Non-operational deposits (all counterparties)	12,563,537	12,450,166	11,430,019	9,870,998	8,411,019	8,528,951	8,022,529	6,948,648
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	52,416,480	51,764,486	55,392,946	53,955,673	41,934,585	41,557,925	45,215,970	43,707,692
11	Outflows related to derivative exposures and other collateral requirements	40,975,600	40,632,982	44,297,695	42,785,988	40,975,600	40,632,982	44,297,695	42,785,988
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	11,440,880	11,131,504	11,095,251	11,169,685	958,984	924,944	918,275	921,704
14	Other contractual funding obligations	1,215,983	1,145,408	952,327	885,423	1,215,983	1,145,408	952,327	885,423
15	Other contingent funding obligations	3,548,949	3,274,494	3,310,328	3,455,390	354,895	327,449	331,033	345,539
16	TOTAL CASH OUTFLOWS					58,582,231	57,926,756	60,728,979	58,148,368
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	2,684,322	904,971	421,982	453,805	-	-	-	-
18	Inflows from fully performing exposures	2,481,415	2,687,030	2,542,763	2,339,912	2,247,105	2,436,437	2,250,032	2,028,258
19	Other cash inflows	35,164,018	35,012,803	39,180,195	38,304,212	35,164,018	35,012,803	39,180,195	38,304,212
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	40,329,755	38,604,805	42,144,941	41,097,929	37,411,122	37,449,240	41,430,227	40,332,470
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	40,329,755	38,604,805	42,144,941	41,097,929	37,411,122	37,449,240	41,430,227	40,332,470
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					35,075,143	33,252,990	31,565,655	30,813,442
22	TOTAL NET CASH OUTFLOWS					21,171,108	20,477,516	19,341,066	18,034,184
23	LIQUIDITY COVERAGE RATIO					165.67	162.39	163.21	170.86

Table EU LIQ2: Net Stable Funding Ratio

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**7,140,253**	**-**	**-**	**-**	**7,140,253**
2	*Own funds*	7,140,253	-	-	-	7,140,253
3	*Other capital instruments*		-	-	-	-
4	**Retail deposits**		**19,855,335**	**137,419**	**5,291**	**18,496,123**
5	*Stable deposits*		9,947,080	-	-	9,449,726
6	*Less stable deposits*		9,908,255	137,419	5,291	9,046,397
7	**Wholesale funding:**		**33,323,370**	**54,205**	**978**	**14,399,202**
8	*Operational deposits*		20,919,378	-	-	10,459,689
9	*Other wholesale funding*		12,403,992	54,205	978	3,939,513
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**-**	**3,628,073**	**302**	**-**	**151**
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		3,628,073	302	-	151
14	**Total available stable funding (ASF)**					**40,035,730**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**2,125,893**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		-	-	-	-
16	**Deposits held at other financial institutions for operational purposes**		-	-	-	-
17	**Performing loans and securities:**		**15,700,153**	**1,351,766**	**14,233,941**	**13,754,456**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		11,939,249	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		170,894	5,142	1,496,167	1,515,827
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,703,912	1,315,625	9,604,213	9,673,350
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:*		31,370	30,999	1,932,527	1,287,327
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		31,370	30,999	1,932,527	1,287,327
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*		1,854,730	-	1,201,034	1,277,952
25	**Interdependent assets**		-	-	-	-
26	**Other assets:**		**3,289,085**	**343**	**2,559,393**	**3,188,274**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	37,128	31,559
29	*NSFR derivative assets*		440,691			*440,691*
30	*NSFR derivative liabilities before deduction of variation margin posted*		2,777,451			*138,873*
31	*All other assets not included in the above categories*		33,815	343	2,559,393	2,577,152
32	**Off-balance sheet items**		**-**	**-**	**16,774,862**	**980,417**
33	**Total RSF**					**20,049,040**
34	**Net Stable Funding Ratio (%)**					**199,69**

VI. Leverage Ratio

Information on the leverage ratio as of June 30, 2023, summary reconciliation of accounting assets and leverage ratio exposures, leverage ratio common disclosure, split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) are presented in the following tables in accordance with Commission Implementing Regulation (EU) 2021/637:

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

		Applicable amount
1	Total assets as per published financial statements*	74,611,277
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	-3,378,468
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)	5,422,598
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	-3,197,248
13	**Total exposure measure**	**73,458,159**

Table EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		30.06.2023	31.12.2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	55,189,882	64,728,046
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)	(1,155,816)	(1,078,510)
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)	(1,168,452)	(1,198,203)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**52,865,614**	**62,451,333**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	2,385,099	2,959,156
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	1,870,457	1,867,436
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	4,255,556	4,826,592
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	11,939,249	265,745
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	11,939,249	265,745

Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	16,866,863	16,320,507
20	(Adjustments for conversion to credit equivalent amounts)	(12,469,123)	(12,072,371)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	4,397,740	4,248,136
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	**Tier 1 capital**	**5,927,686**	**5,240,801**
24	**Total exposure measure**	**73,458,159**	**71,791,807**
Leverage ratio			
25	Leverage ratio (%)	8.07	7.30
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.07	7.30
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.07	7.30
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	8,359,615	3,503,110
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	11,939,249	265,745
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)	69,878,525	75,029,172
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)	69,878,525	75,029,172
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)	8.48	6.99
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)	8.48	6.99

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

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**65,973,315**
EU-2	Trading book exposures	1,741,358
EU-3	Banking book exposures, of which:	64,231,957
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	29,332,903
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	15,803
EU-7	Institutions	13,140,401
EU-8	Secured by mortgages of immovable properties	2,684,552
EU-9	Retail exposures	3,792,147
EU-10	Corporates	11,274,835
EU-11	Exposures in default	200,889
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,790,428

VII. ESG Risks

Introduction

Citi Handlowy perceives issues related to the environment, society and corporate governance (ESG - Environmental, Social and Governance) as important from the point of view of risk management and developing the Bank's client business. At the same time, the Bank is constantly taking steps to further integrate ESG issues with the Bank's operational activities.
Citi Handlowy is part of a global institution - Citigroup, which has over 20 years of experience in ESG management, including the creation and development of ESG standards and rules for the financial sector, e.g. Equator Principles.
The Bank perceives disclosure of information related to ESG risk as a tool that will allow all stakeholders of the Bank to learn and assess how the Bank manages ESG risk and its Sustainable Development Strategy.

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. 74% of contracts with bank's suppliers concluded in 2022 conyained 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.
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

Based on the list of 20 of the largest greenhouse gas issuers from Climate Accountability:
https://climateaccountability.org/carbonmajors_dataset2020.html the bank did not identify the exhibition from the above list in its credit portfolio.

- 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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Sector/subsector	Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln 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						
1	**Exposures towards sectors that highly contribute to climate change***	**2,061**	**177**	**n/d**	**439**	**78**	**72**	**8**	**60**	**n/d**	**n/d**	**n/d**	**1,941**	**121**	**-**	**-**	**2**
2	A - Agriculture, forestry and fishing	12	-	n/d	-	1	1	-	1	n/d	n/d	n/d	9	3	-	-	3
3	B - Mining and quarrying	-	-	n/d	-	1	1	-	1	n/d	n/d	n/d	1	-	-	-	1
4	*B.05 - Mining of coal and lignite*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	0	-	-	-	1
6	*B.07 - Mining of metal ores*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	1
8	*B.09 - Mining support service activities*	-	-	n/d	-	1	1	-	1	n/d	n/d	n/d	1	-	-	-	1
9	C - Manufacturing	1,025	-	n/d	252	48	42	5	35	n/d	n/d	n/d	931	95	-	-	2
10	*C.10 - Manufacture of food products*	167	-	n/d	17	41	31	0	31	n/d	n/d	n/d	158	9	-	-	2
11	*C.11 - Manufacture of beverages*	117	-	n/d	-	-	0	-	-	n/d	n/d	n/d	104	13	-	-	3
12	*C.12 - Manufacture of tobacco products*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
13	*C.13 - Manufacture of textiles*	30	-	n/d	25	-	2	2	-	n/d	n/d	n/d	28	1	-	-	2
14	*C.14 - Manufacture of wearing apparel*	8	-	n/d	1	-	0	0	-	n/d	n/d	n/d	8	-	-	-	1
15	*C.15 - Manufacture of leather and related products*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	12	-	n/d	4	-	0	0	-	n/d	n/d	n/d	10	2	-	-	2
17	*C.17 - Manufacture of pulp, paper and paperboard*	16	-	n/d	-	-	0	-	-	n/d	n/d	n/d	10	6	-	-	4
18	*C.18 - Printing and service activities related to printing*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
19	*C.19 - Manufacture of coke oven products*	-	-	n/d	-	0	0	-	0	n/d	n/d	n/d	0	-	-	-	1
20	*C.20 - Production of chemicals*	41	-	n/d	2	0	0	0	0	n/d	n/d	n/d	28	13	-	-	3
21	*C.21 - Manufacture of pharmaceutical preparations*	40	-	n/d	0	-	0	-	-	n/d	n/d	n/d	40	1	-	-	2
22	*C.22 - Manufacture of rubber products*	48	-	n/d	3	1	1	0	1	n/d	n/d	n/d	33	15	-	-	4
23	*C.23 - Manufacture of other non-metallic mineral products*	17	-	n/d	-	-	0	-	-	n/d	n/d	n/d	17	-	-	-	2
24	*C.24 - Manufacture of basic metals*	25	-	n/d	4	-	0	0	-	n/d	n/d	n/d	17	8	-	-	3
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	97	-	n/d	20	3	3	0	3	n/d	n/d	n/d	77	19	-	-	3
26	*C.26 - Manufacture of computer, electronic and optical products*	41	-	n/d	-	-	0	-	-	n/d	n/d	n/d	40	1	-	-	2
27	*C.27 - Manufacture of electrical equipment*	201	-	n/d	145	0	1	1	0	n/d	n/d	n/d	201	-	-	-	2
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	69	-	n/d	20	2	1	0	0	n/d	n/d	n/d	65	3	-	-	2

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
Sector/subsector	Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln 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						
29 *C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	22	-	n/d	6	-	0	0	-	n/d	n/d	n/d	22	-	-	-	1
30 *C.30 - Manufacture of other transport equipment*	3	-	n/d	-	-	0	-	-	n/d	n/d	n/d	2	1	-	-	4
31 *C.31 - Manufacture of furniture*	36	-	n/d	3	1	1	0	1	n/d	n/d	n/d	36	-	-	-	2
32 *C.32 - Other manufacturing*	18	17	n/d	-	-	0	-	-	n/d	n/d	n/d	18	-	-	-	2
33 *C.33 - Repair and installation of machinery and equipment*	18	-	n/d	2	-	0	0	-	n/d	n/d	n/d	16	2	-	-	2
34 D - Electricity, gas, steam and air conditioning supply	303	-	n/d	144	-	2	2	-	n/d	n/d	n/d	303	-	-	-	2
35 *D35.1 - Electric power generation, transmission and distribution*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	1
36 *D35.11 - Production of electricity*	186	42	n/d	144	-	2	2	-	n/d	n/d	n/d	186	-	-	-	2
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*	117	117	n/d	-	-	0	-	-	n/d	n/d	n/d	117	-	-	-	1
39 E - Water supply; sewerage, waste management and remediation activities	2	-	n/d	-	0	0	-	0	n/d	n/d	n/d	2	-	-	-	1
40 F - Construction	62	-	n/d	4	15	11	0	11	n/d	n/d	n/d	61	-	-	-	1
41 *F.41 - Construction of buildings*	1	-	n/d	-	0	0	-	0	n/d	n/d	n/d	1	-	-	-	1
42 *F.42 - Civil engineering*	57	-	n/d	4	11	8	0	8	n/d	n/d	n/d	57	-	-	-	1
43 *F.43 - Specialised construction activities*	4	-	n/d	0	3	3	-	3	n/d	n/d	n/d	4	-	-	-	1
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	583	-	n/d	39	7	9	2	6	n/d	n/d	n/d	560	23	-	-	2
45 H - Transportation and storage	22	-	n/d	0	7	6	-	6	n/d	n/d	n/d	23	-	-	-	3
46 *H.49 - Land transport and transport via pipelines*	6	-	n/d	0	6	5	-	5	n/d	n/d	n/d	6	-	-	-	1
47 *H.50 - Water transport*	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	-
48 *H.51 - Air transport*	-	-	n/d	0	-	-	-	-	n/d	n/d	n/d	0	-	-	-	1
49 *H.52 - Warehousing and support activities for transportation*	-	-	n/d	-	1	1	-	1	n/d	n/d	n/d	1	-	-	-	1
50 *H.53 - Postal and courier activities*	16	-	n/d	-	-	0	-	-	n/d	n/d	n/d	16	-	-	-	4
51 I - Accommodation and food service activities	-	-	n/d	-	-	-	-	-	n/d	n/d	n/d	-	-	-	-	1
52 L - Real estate activities	52	-	n/d	-	-	0	-	-	n/d	n/d	n/d	52	-	-	-	5
53 **Exposures towards sectors other than those that highly contribute to climate change***	**1,071**	**-**	**n/d**	**15**	**10**	**7**	**0**	**6**				**1,064**	**7**	**-**	**-**	**2**
54 K - Financial and insurance activities	852	-	n/d	4	-	1	0	-				852	-	-	-	2
55 Exposures to other sectors (NACE codes J, M - U)	219	-	n/d	11	10	7	0	6				212	7	-	-	2
56 TOTAL	**3,132**	**177**	**n/d**	**455**	**88**	**79**	**8**	**67**	**n/d**	**n/d**	**n/d**	**3,005**	**128**	**-**	**-**	**2**

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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Counterparty sector	Total gross carrying amount amount (in MEUR)															
			Level of energy efficiency (EP score in kWh/m² 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/m² of collateral) estimated
1	**Total EU area**	**1,327**	**-**	**-**	**-**	**-**	**-**	**-**	**n/d**	**n/d**	**n/d**	**n/d**	**n/d**	**n/d**	**n/d**	**1,327**	**-**
2	Of which Loans collateralised by commercial immovable property	903	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	903	-
3	Of which Loans collateralised by residential immovable property	424	-	-	-	-	-	-	n/d	n/d	n/d	n/d	n/d	n/d	n/d	424	-
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/m² 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/m² 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 June 30, 2023, 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 (Mln 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
1	A - Agriculture, forestry and fishing	**11**	**8**	**3**	**-**	**-**	**3**	**11**	**-**	**-**	**-**	**1**	**0**	**-**	**1**
2	B - Mining and quarrying	0	-	-	-	-	-	-	-	-	-	1	-	-	1
3	C - Manufacturing	1,026	181	17	-	-	2	68	124	6	5	35	2	5	35
4	D - Electricity, gas, steam and air conditioning supply	303	-	-	-	-	-	-	-	-	2	-	0	2	-
5	E - Water supply; sewerage, waste management and remediation activities	2	-	-	-	-	-	-	-	-	-	0	-	-	0
6	F - Construction	62	0	-	-	-	1	-	0	-	0	11	0	0	11
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	583	22	-	-	-	1	0	22	-	2	6	1	2	6
8	H - Transportation and storage	22	-	-	-	-	3	-	-	-	-	6	0	-	6
9	L - Real estate activities	52	-	-	-	-	-	-	-	-	-	-	0	-	-
10	*Loans collateralised by residential immovable property*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	*Loans collateralised by commercial immovable property*	903	-	-	-	-	-	-	-	-	-	-	-	-	-
12	*Repossessed colalterals*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	*Other relevant sectors (breakdown below where relevant)*	1,071	0	-	-	-	1	0	-	-	0	6	1	0	6

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	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	-
2		Non-financial corporations	-	-	-	-
3		Of which Loans collateralised by commercial immovable property	-	-	-	-
4		Other counterparties	-	-	-	-
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	-
6		Non-financial corporations	270	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	-	-	-	-

VIII. Key capital metrics after the retrospective profit incorporation

The table shows the main capital metrics with consideration of retrospective profit incorporation into Tier 1 capital. The data from March 31st 2023 and December 31st 2022 have been processed with a consideration of retrospective acceptance of profit for the year 2022 (the result has been certified by the General Meeting of Shareholders) in accordance with the EBA position expressed in Q&A 2018_4085.

Table EU KM1 - Key capital metrics after the retrospective profit incorporation

		a	b	c	d	e
		30.06.2023	31.03.2023*	31.12.2022*	30.09.2022	30.06.2022
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	5,927,686	5,826,544	5,634,175	5,111,171	5,073,024
2	Tier 1 capital	5,927,686	5,826,544	5,634,175	5,111,171	5,073,024
3	Total capital	5,927,686	5,826,544	5,634,175	5,111,171	5,073,024
Risk-weighted exposure amounts						
4	Total risk exposure amount	29,228,968	30,291,621	29,710,682	28,693,282	28,624,347
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	20.28	19.23	18.96	17.81	17.72
6	Tier 1 ratio (%)	20.28	19.23	18.96	17.81	17.72
7	Total capital ratio (%)	20.28	19.23	18.96	17.81	17.72
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	-	-	-	-	-
EU 7b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	-	-	-	-	-
EU 7d	Total SREP own funds requirements (%)	8.00	8.00	8.00	8.00	8.00
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.05	0.04	0.04	0.03	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 (%)	2.80	2.79	2.79	2.78	2.77
EU 11a	Overall capital requirements (%)	10.80	10.79	10.79	10.78	10.77
12	CET1 available after meeting the total SREP own funds requirements (%)	12.28	8.44	8.17	9.81	9.72
Leverage ratio						
13	Total exposure measure	73,458,159	73,372,875	71,791,807	72,494,606	71,105,017
14	Leverage ratio (%)	8.07	7.94	7.85	7.05	7.13
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	
EU 14c	Total SREP leverage ratio requirements (%)	3.00	3.00	3.00	3.00	
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	
EU 14e	Overall leverage ratio requirement (%)	3.00	3.00	3.00	3.00	3.00
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	35,075,143	33,252,990	31,565,655	30,813,442	31,020,985
EU 16a	Cash outflows - Total weighted value	58,582,231	57,926,756	60,728,979	58,148,368	58,709,579
EU 16b	Cash inflows - Total weighted value	37,411,122	37,449,240	41,430,227	40,332,470	41,951,756
16	Total net cash outflows (adjusted value)	21,171,108	20,477,516	19,341,066	18,034,184	17,230,683
17	Liquidity coverage ratio (%)	165.67	162.39	163.21	170.86	180.03
Net Stable Funding Ratio						
18	Total available stable funding	40,035,730	41,400,409	38,339,768	37,313,621	34,986,849
19	Total required stable funding	20,049,040	20,344,386	21,617,855	20,603,899	20,033,829
20	NSFR ratio (%)	199.69	203.50	177.35	181.10	174.64

IX. 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 June 30, 2023” in accordance with part eight of Regulation No. 575/2013, are adequate to the actual state; the adequacy of risk management arrangements at the Bank ensures that the applied risk management systems are appropriate from the point of view of the risk profile and strategy of the Bank and the entire Group.
- approves this document "Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as at June 30, 2023 ", which includes information on risk, discusses the overall risk profile of the Bank and the Group related to the business strategy, and includes key indicators and figures that provide external stakeholders with a comprehensive view of the Group's risk management, including the interaction between the Bank's risk profile and the risk appetite, defined by the Management Board and approved by the Supervisory Board.

Members of Management Board

Date	Name	Position/Function
29 August 2023	Elżbieta Światopełk-Czetwertyńska	The President of Management Board
29 August 2023	Natalia Bożek	Vice-president of Management Board
29 August 2023	Maciej Kropidłowski	Vice-president of Management Board
29 August 2023	Barbara Sobala	Vice-president of Management Board
29 August 2023	Andrzej Wilk	Vice-president of Management Board
29 August 2023	Katarzyna Majewska	Vice-president of Management Board
29 August 2023	Ivan Vrhel	Member of Management Board