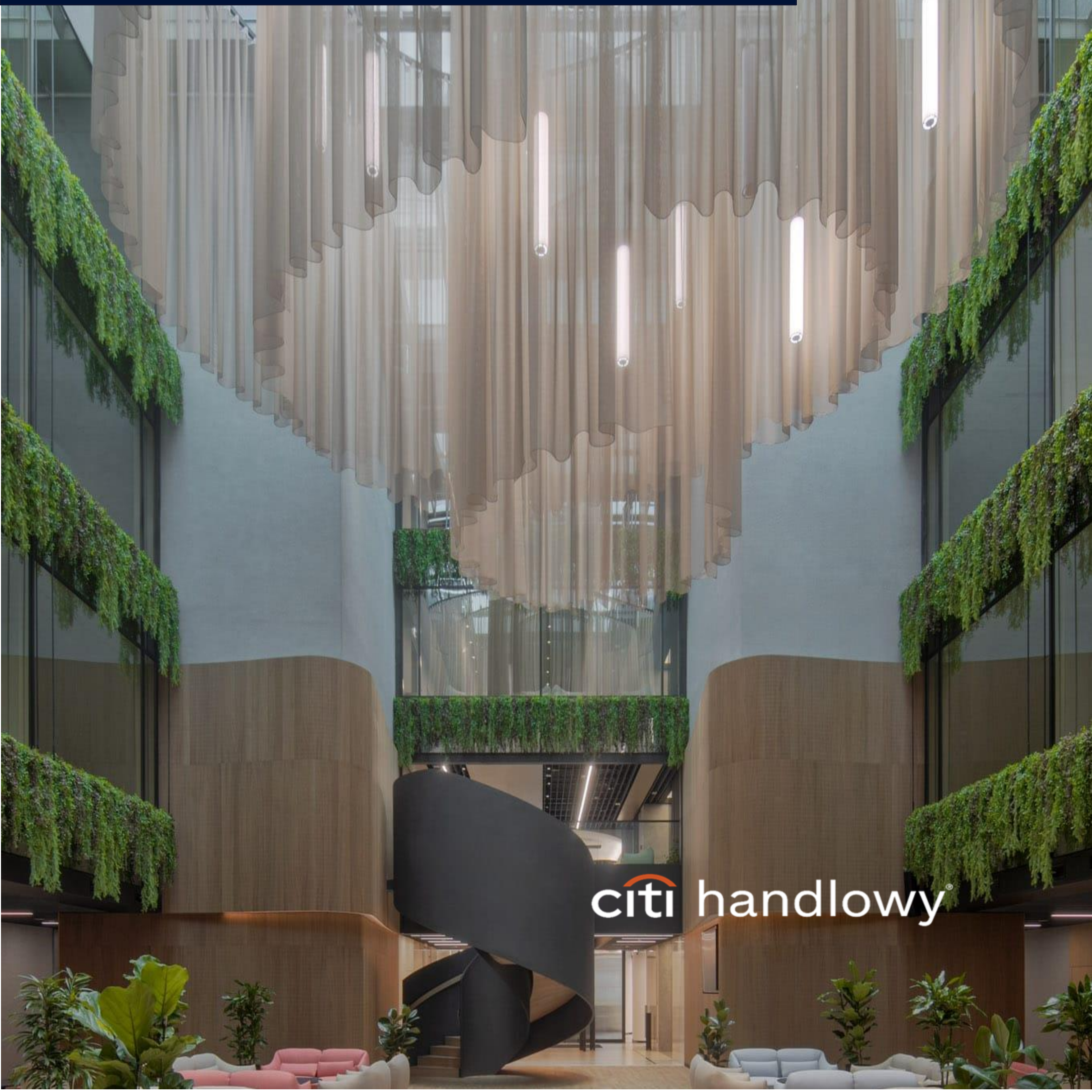
Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as of 31 December 2024



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

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

- the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024,
- and in the Report on Activities of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. in 2024 and refers to them wherever it is relevant .

In accordance with Article 13 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, the Bank, as a large subsidiary of the EU parent institution Citibank Europe plc, publishes disclosures on capital adequacy as of 31 December 2024 at the highest national level of consolidation i.e at the level of the Capital Group of Bank Handlowy w Warszawie S.A. (the Group).

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

When the disclosures required by the Regulation (EU) No. 575/2013 of the European Parliament and of the Council are published in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A for the financial year ended 31 December 2024, this document refers to the number of explanatory note, which discloses required information.

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

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

The terms used in the document shall mean the following:

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

- **Regulation (EU) 2017/2395 of the European Parliament and of the Council** of 12 December 2017 amending Regulation (EU) No. 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State;
- **Regulation (EU) 2019/630 of the European Parliament and of the Council** of 17 April 2019 amending Regulation (EU) No. 575/2013 as regards minimum loss coverage for non-performing exposures,
- **Regulation (EU) 2019/876 of the European Parliament and of the Council of** 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012,
- **Regulation (EU) 2020/873 of the European Parliament and of the Council** of 24 June 2020 amending Regulations (EU) No. 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic,
- **Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024** amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (to the extent that it was applicable as of 31.12.2024)

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

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

The act on macro-prudential supervision - The act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system (Official Journal from 2024, item 559);

Regulation on risk management and internal control system and remuneration policy in banks - Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 202 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks (D.U. 2021, item 1045);

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

Commission 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;

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

I. Risk management objectives and policies

The Capital Group of Bank Handlowy w Warszawie S.A. engages in activities that expose the firm to risk. Risk is defined as the potential for an adverse impact on Citi's current or projected financial condition (i.e., diminished capital, earnings and liquidity) and non-financial condition (i.e., ability to withstand stress and unexpected or unfavorable outcomes). The objective of risk management is to ensure that all types of risk occurring in the Group's operations are identified and managed on an ongoing basis. One of the important risk management principle is to take balanced risk – the Group pays attention to ensure that the business decisions take into account (balance) risk and profit. Established risk management system aims to ensure that the Bank has adequate process for setting and delivering objectives in its business activity. The risk management process is consistent within the Group, including Bank Handlowy in Warsaw S.A. and its Subsidiary Handlowy Leasing Sp. z o.o., and excludes special purpose vehicles, companies in the process of liquidation or bankruptcy, as well as units not conducting current, statutory activity.

Risk management system is based on 4 pillars:

Pillar 1 – Culture: core principles and behaviors that underpin a strong culture of risk awareness and risk management.

Pillar 2 – Governance: structure and reporting arrangements that support the appropriate oversight of risk management activities at the Management and Supervisory Board and establishes Group's Lines of Defense model.

Pillar 3 – Risk Management: end-to-end risk management lifecycle, which is comprised of activities to identify, measure, monitor, control and report all risks

Pillar 4 – Enterprise Programs: the key risk management programs performed across the risk management lifecycle for all risk categories.

The risk management system is additionally supported by:

1) talent, performance management and compensation,
2) communication and training,
3) technology and data,
4) models and analytics.

As part of the risk management system, the Group:

1) applies formalized risk management principles,,
2) sets risk limits and rules of conduct to be followed if the limits are exceeded,
3) sets the reporting system to ensure that the risk level is monitored,
4) has an organizational structure adjusted to the size and profile of the risk incurred.

The Group uses a lines of defense model manage its risks. The lines of defense model brings together risk-taking, risk oversight and risk assurance under one umbrella The lines of defence work together to ensure that the risks taken in the Group's operations remain consistent with the business strategy and risk management strategy (risk appetite). The existing lines of defense model:

1) takes into account the entire organizational structure of the Group as well as the activities performed by different areas;
2) aims to ensure that responsibilities regarding the risk management assigned to lines of defense are not duplicated and that there is a clear split of those who:
    a) take risk;
    b) oversight risk;
    c) assure risk.
3) provides an appropriate system for reporting information on the level of risk incurred in the Group.

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

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

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

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

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

Risk management strategies, policies and procedures are regularly reviewed to ensure compliance with applicable laws, regulations, supervisory institutions and regulatory recommendations, internal regulations, business and market practices and the adequacy of the scale, nature and complexity of the Group's operations.Strategies and processes of risk management, as well as the structure and organization of units managing the appropriate risks and solutions used by the Group on measurement and reporting of those risks, are presented in details in the note 3 „Risk management" to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024.

Ensuring the adequacy of risk management arrangements of the Group and confirmation, that the risk management systems used are appropriate from the institution profile and strategy point of view, takes place within the annual capital planning process.
Risk and Capital Management Committee performs not less frequently than once a year, within the process of internal capital assessment and maintenance, an adequacy assessment of the solutions to the actual size and complexity of the Group, including its profile and strategy. The conclusions of such review are submitted to the Management Board for approval.

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

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

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

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

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

The Group manages all types of risk that are identified in its activities, while some of them considering as significant. For measurable risks, considered as material, the Group estimates and allocates capital. The Group may decide to create capital buffers for material, difficult to measure risks.

Within the risk profile assessment in 2024 the following risks were identified as material:

- Credit risk (retail and wholesale)- risk of potential losses arising from a client event of default or insolvency taking into account risk mitigation techniques applied to a product or individual credit;
- Counterparty Credit risk - the risk of loss resulting from the decline in credit quality (or downgrade risk) or failure of a counterparty to honor its financial or contractual obligations. This risk is part of credit risk generated on such activities as derivative transactions;
- Market risk (Trading) - risk of economic or trading loss arising from changes in the value of Bank's assets and liabilities resulting from changes in market variables such as interest rates, equity and commodity prices, FX or credit spreads. Market Risk (Trading) coverage is on mark-to-market risk metrics;
- Market Risk (Non-Trading) - impact of adverse changes in market variables such as interest rates, foreign exchange rates, credit spreads, and equity prices on Bank's net interest revenue (NIR), economic value of equity (EVE), or accumulated other comprehensive income (AOCI);

- Liquidity risk - risk of a Group inability to meet its obligations in due time and without incurring financial losses, which occurs due to cash flow mismatches (cash flow gap), limited asset marketability or systematic market changes;
- Operational risk - risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition of operational risk includes among others: model risk, conduct risk and legal risk which is the risk of loss (including litigation costs, settlements and penalties) resulting from instable legal environment as well as wrongly defined contractual obligations in any aspect of the bank's business - but excludes strategic and reputation risks. Bank also recognises the impact of Operational Risk on the reputation risk associated with Bank's business activities;
- Compliance risk - a risk of negative effects of a failure to observe the law, supervisory regulations, internal Bank's normative acts and market standards, notably:

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

- Capital risk (sub-category of strategic risk) - risk resulting from a failure to provide sufficient capital to absorb unexpected losses;
- Climate and environmental risk for credit, strategic and compliance risk – risk of potential negative financial impact of climate change and environmental degradation on the Group. Climate change and environmental degradation impact individual economic agents (e.g. their revenue, cashflows, cost of capital) and the economy as a whole, either through physical risk or through transition risk.

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

Additionally the Group manages inter alia the following risks:

- Reputation risk - risk associated with operational risk events and business practices or market conduct - the risk to current or projected financial condition and resilience arising from negative public opinion;
- Strategic risk - risk of permanent (non-episodic) impact on key strategic goals of BHW implementation, measured by impact on revenue and/or market capitalization outlook, resulting from External factors affecting the Groups' business environment, as well as risk concerning definition and realization of strategy. The strategic risk materialization may occur indirectly in financial results of the Group or in basic risk categories (credit risk, counterpart risk, market risk, liquidity risk, operating risk) as a result of impact of transmission channels;
- Concentration risk - risk arising from excessive concentration from exposures to clients, groups of connected clients, customers operating in the same economic sector, geographic region, carrying out the same economic activity or trading with similar commodities, entities belonging to Group capital's group (both cross-border and local), exposures denominated in the same currency or indexed to the same currency, used credit risk mitigation techniques as well as large indirect credit exposures such as a single issuer of the security, with the potential to generate losses large enough to imperil Group's financial condition or financial ability to maintain its core operations or lead to a significant change in the risk Group's profile.

Risks identified as material, including quantitative indicators, current trends, and the utilization of capital limits, are monitored as a part of the regular, quarterly information provided to the Risk and Capital Management Committee of the Bank's Management Board and to the Risk and Capital Committee of the Supervisory Board. In 2024, 5 meetings of the Committee at the Bank's Board of Executives and 4 meetings of the Supervisory Board Committee took place, during which the above elements were analysed.

The Group's goal is to maintain current capital structure in order to address requirements of CRR/CRD on Common Equity Tier 1 regulatory capital. Group, as it is stated in the strategy, will continue to be adequately capitalized with diversified sources of income. Considering approved level of Risk Appetite, the Group will maintain a target regulatory capital adequacy ratio at the level of minimum 11,95% and the TLAC TREA at a level of 20,90%. In 2024 total TCR amounted to 21,21%.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank's Management Board is composed of five to nine members, including: the President of the Management Board of the Bank, Vice Presidents of the Management Board of the Bank, with the proviso that at least half of the Members of the Management Board should be Polish citizens.
Members of the Management Board of the Bank are appointed by the Supervisory Board ran individual term of office of four years. The term of office is calculated in financial years, with the first financial year of the term of office being the financial year in which the term of office began, even if it did not begin at the beginning of that financial year.The Supervisory Board is composed of five to twelve members evaluated and appointed by the General Meeting taking into account the nature, scale and complexity of the Bank's activities, initial assessment and recommendations of the Nominations and Remuneration Committee. During the selection it is requested to take into account the principles of diversity. Each Member of the Supervisory Board is appointed for a term of a three- year-old term. At least half of the Members of the Supervisory Board, including its Chairperson, should be Polish citizens.
Members of the Supervisory Board of the Bank are selected from a list of candidates presented by shareholders represented in a General Meeting.

As of December 31, 2024, the number of members of the Bank's Management Board was 7, while the Supervisory Board of the Bank was composed of 8 members.

II. Information related to the use of prudential norms

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

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

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

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

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

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

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

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

Handlowy Investments S.A. seated in Luxembourg, belongs to special purpose investment entities, through which the Bank and the Capital Group conduct capital transactions. The entity is a wholly-owned subsidiary of the Bank and its activities are financed with refundable additional capital contributions net profits earned. Due to intention to reduce the investment activities, Handlowy - Investments S.A. and similar holdings will be gradually sold or liquidated. As at 31 December 2024 Handlowy Investments S.A. had the portfolio composed of the following shares: Pol-Mot Holding S.A. in bankruptcy.

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

Detailed information on how the Group's equity investment portfolio is broken down based on purchase reasons are described in chapter IV point No. 7 „Equity investments of the Bank" of the Report on Activities of Bank Handlowy w Warszawie S.A. and of the Capital Group of Bank Handlowy w Warszawie S.A. in 2024.

There are no proportionally consolidated entities within the Group.

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

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

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

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

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

		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset clases according to the balance sheet in the published financial statements							
1	Cash and balances with the Central Bank	5,794,345	5,794,345	5,794,345	-	-	-	-
2	Amounts due from banks	8,787,780	8,787,780	8,785,690	2,090	-	-	-
3	Financial assets held-for-trading	4,436,319	4,436,319	473	2,623,387	-	4,436,319	-
4	Hedging derivatives	54,140	54,140	54,140	-	-	-	-
5	Debt securities available-for-sale	30,088,771	30,088,771	30,088,771	-	-	-	-
7	Equity investments available-for-sale	172,948	172,948	172,948	-	-	-	-
8	Amounts due from customers	21,367,246	21,367,246	20,260,817	94,872	1,002,396	-	9,161
9	Tangible fixed assets	521,131	521,131	521,131	-	-	-	-
10	Intangible assets	872,875	872,875	9,256	-	-	-	863,619
11	Current income tax receivables	-	-	-	-	-	-	-
12	Deferred income tax asset	82,284	82,284	80,179	-	-	-	2,105
13	Other assets	300,264	300,264	300,264	-	-	-	-
14	Non-current assets held-for-sale	-	-	-	-	-	-	-
15	**Total assets**	**72,478,103**	**72,478,103**	**66,068,014**	**2,720,349**	**1,002,396**	**4,436,319**	**874,885**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Amounts due to banks	4 435 817	4 435 817	-	708,193	-	-	3,727,624
2	Financial liabilities held-for-trading	2 755 905	2 755 905	243,180	3,145,528	-	2,755,905	-
3	Hedging derivatives	72 737	72 737	72,737	-	-	-	-
4	Amounts due to customers	53 985 032	53 985 032	-	683,740	-	-	53,301,292
5	Provisions	120 992	120 992	-	-	-	-	120,992
6	Current income tax liabilities	99 600	99 600	-	-	-	-	99,600
7	Deferred tax provision							
8	Other liabilities	1 139 476	1 139 476	-	-	-	-	1,139,476
9	**Total liabilities**	**62 609 572**	**62 609 572**	**315,917**	**4,537,461**	**-**	**2,755,905**	**58,388,997**
10	**EQUITY**	**9 868 531**	**9 868 531**	-	-	-	-	-
11	**Total liabilities and equity**	**72 478 103**	**72 478 103**	-	-	-	-	-

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

		Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**72,478,103**	**66,068,014**	**2,720,349**	**1,002,396**	**4,436,319**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**62,609,572**	**315,917**	**4,537,461**	**-**	**2,755,905**
3	**Total net amount under the scope of prudential consolidation**	**9,868,531**	**65,752,097**	**(1,817,112)**	**1,002,396**	**1,680,414**
4	**Off-balance-sheet amounts**	**20,530,787**	**20,530,787**	-	-	
5	Differences in valuations	(51,172)	(30,911)	(20,261)	-	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	-	-	-	-	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(423,317)	(416,590)	(6,726)	-	
9	Differences due to credit conversion factors	(15,346,836)	(15,346,836)	-	-	
10	Differences due to Securitisation with risk transfer	-	-	-	-	
11	Other differences*	(10,989,445)	(7,685,478)	5,183,642	-	
12	**Exposure amounts considered for regulatory purposes**	**68,957,467**	**62,803,069**	**3,339,543**	**1,002,396**	**1,812,459**

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

Information on the consolidation method used for each entity within the scope of accounting and regulatory consolidation ranges is presented in Report on Activities of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. in 2024, in chapter III. " The organizational structure of the Capital Group of Bank Handlowy w Warszawie S.A ".

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

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

III. Information regarding own funds

Information about the components of equity are presented in details in supplementary note 34 „Capital" to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024.

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

Data are presented as at the end of December 31, 2024 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

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	3,008,172	d, e
	of which: Instrument type 1	3,008,172	0
	of which: Instrument type 2	-	0
	of which: Instrument type 3	-	0
2	Retained earnings	630,594	i
3	Accumulated other comprehensive income (and other reserves)	3,894,334	g, h, e
EU-3a	Funds for general banking risk	540,200	h
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**	**8,073,300**	**0**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(51,172)	0
8	Intangible assets (net of related tax liability) (negative amount)	(863,619)	b
9	Not applicable	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(2,105)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(1,303)	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	(20,577)	
27a	Other regulatory adjustments	(9,609)	0
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(948,385)**	
29	**Common Equity Tier 1 (CET1) capital**	**7,124,915**	
Additional Tier 1 (AT1) capital: instruments			
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,124,915**	
Tier 2 (T2) capital: instruments			
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**-**	
59	**Total capital (TC = T1 + T2)**	**7,124,915**	
60	**Total Risk exposure amount**	**33,596,699**	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	21,21%	
62	Tier 1 capital	21,21%	
63	Total capital	21,21%	
64	Institution CET1 overall capital requirements	2,81%	
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical capital buffer requirement	0,06%	
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**	**13,21%**	
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)	77,670	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)	80,179	

As at 31 December 2024, the amount of regulatory own funds increased by PLN 38,531 thousand, i.e. 0.54%, compared to 31 December 2023, mainly as a result of a decrease in the value of own funds reductions by PLN 260,817.4 thousand and a decrease in revaluation reserve by PLN 201 million.

Own funds are reduced by own shares, acquired as part of the treasury shares buy-back program adopted on the basis of Resolution No. 5/2022 of the General Meeting of Shareholders of the Bank of December 16, 2022. Detailed information on the treasury shares buy-back is presented in Note 34 "Capitals and reserves" to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024.

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

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at 31.12.2024	As at 31.12.2024	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements				
1	Cash and balances with the Central Bank	5,794,345	5,794,345	
2	Amounts due from banks	8,787,780	8,787,780	
3	Financial assets held-for-trading	4,436,319	4,436,319	
4	Debt financial assets measured at fair value through other comprehensive income, including:	54,140	54,140	
5	Assets pledged as collateral	30,088,771	30,088,771	
6	Equity and other instruments measured at fair value through income statement	172,948	172,948	a
7	Amounts due from customers	21,367,246	21,367,246	
8	Tangible fixed assets	521,131	521,131	
9	Intangible assets	872,875	872,875	b
10	Current income tax receivables	-	-	
11	Deferred income tax asset	82,284	82,284	c
12	Other assets	300,264	300,264	
13	Non-current assets held-for-sale	-	-	
14	**Total assets**	**72,478,103**	**72,478,103**	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements				
1	Amounts due to banks	4,435,817	4,435,817	
2	Financial liabilities held-for-trading	2,755,905	2,755,905	
3	Hedging derivatives	72,737	72,737	
4	Amounts due to customers	53,985,032	53,985,032	
5	Provisions	120,992	120,992	
6	Current income tax liabilities	99,600	99,600	
7	Deferred tax provision	13	13	
8	Other liabilities	1,139,476	1,139,476	
9	**Total liabilities**	**62,609,572**	**62,609,572**	
Shareholders' Equity				
1	Share capital	522,638	522,638	d
2	Supplementary capital	3,001,260	3,001,260	e
3	Own shares	-20,577	-20,577	f
4	Revaluation reserve	-64,868	-64,868	g
5	Other reserves	4,039,027	4,039,027	h
6	Retained earnings	2,391,051	2,391,051	I
7	**Total equity**	9,868,531	9,868,531	
Total liabilities and equity		**72,478,103**	**72,478,103**	

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

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

		B	B	C	Subordinated loan
1	Issuer	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.	Bank Handlowy w Warszawie S.A.	Citibank Europe PLC - Lender
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: PLBH00000012	ISIN: PLBH00000012	ISIN: PLBH00000012	Not applicable
2a	Public or private placement	Public	Public	Public	Not applicable
3	Governing law(s) of the instrument	Polish law	Polish law	Polish law	Polish law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Not applicable	Not applicable	Not applicable	Not applicable
	Regulatory treatment				
4	Current treatment taking into account, where applicable, transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital	TLAC
5	Post-transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Common equity Tier 1 capital	TLAC
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo / Consolidated	Solo / Consolidated	Solo / Consolidated	Solo / Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares	Senior Non- Preferred
8	Amount recognised in regulatory capital or eligible liabilities (Currency in PLN, as of most recent reporting date)	PLN 70.594.000	PLN 21.736.000	PLN 150.638.400	PLN 1.068.250.000
9	Nominal amount of instrument (Currency in PLN)	PLN 4	PLN 4	PLN 4	EUR 250.000.000
EU-9a	Issue price				100% of nominal value
EU-9b	Redemption price	-	-	-	100% of nominal value
10	Accounting classification	Equity	Equity	Equity	Liability - amortised cost
11	Original date of issuance	24.05.02	16.06.03	28.02.01	28.11.2024
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Term
13	Original maturity date	Without maturity	Without maturity	Without maturity	28.11.2028
14	Issuer call subject to prior supervisory approval	No	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	-	-	-	-
16	Subsequent call dates, if applicable	-	-	-	-
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Floating rate	Floating rate	Floating rate	Floating rate
18	Coupon rate and any related index	-	-	-	ESTR + margin
19	Existence of a dividend stopper	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Not applicable
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Not applicable
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Incommutable	Incommutable	Incommutable	Incommutable
24	If convertible, conversion trigger(s)	-	-	-	-
25	If convertible, fully or partially	-	-	-	-
26	If convertible, conversion rate	-	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-	-
30	Write-down features	No	No	No	No
31	If write-down, write-down trigger(s)	-	-	-	-
32	If write-down, full or partial	-	-	-	-
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	-	-	-	-
34a	Type of subordination (only for eligible liabilities)	Not applicable	Not applicable	Not applicable	Contractual subordination
EU-34b	Ranking of the instrument in normal insolvency proceedings	Category No. 10	Category No. 10	Category No. 10	Category no. 6
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-	-	Senior Non-Preferred Liabilities
36	Non-compliant transitioned features	-	-	-	No

1. Adjustments and deductions from Common Equity Tier 1 items

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

Table EU PVI – Prudential Valuation adjustments (PVA)

	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1 Market price uncertainty	7,151	7,963	10	-	-	508	-	15,633	3,781	11,852
2 Not applicable										
3 Close-out cost	-	30,878	9	-	-	-	-	30,887	14,638	16,249
4 Concentrated positions	-	-	-	-	-	-	-	-	-	-
5 Early termination	-	-	-	-	-	-	-	-	-	-
6 Model risk	-	-	-	-	-	-	-	-	-	-
7 Operational risk	715	3,884	2	-	-	51	-	4,652	1,842	2,810
8 Not applicable										
9 Not applicable										
10 Future administrative costs	-	-	-	-	-	-	-	-	-	-
11 Not applicable										
12 Total Additional Valuation Adjustments (AVAs)								51,172	20,261	30,911

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

2. Disclosure of own funds and eligible liabilities

Bank as a a resolution entity that is part of of a non-EU G-SII (Citigroup) as defined in Article 4(136) of CRR, must comply with the following requirements for own funds and eligible liabilities in accordance with Article 92a of CRR :

(a) a risk-based ratio of 18% reflecting the institution's own funds and eligible liabilities expressed as a percentage of the total risk exposure amount (TLAC TREA);
(b) a non-risk-based ratio of 6,75%, reflecting the institution's own funds and eligible liabilities expressed as a percentage of the total exposure measure (TLAC TEM).

In accordance with the provisions of the CRR, the required minimum level of TLAC TREA for the Bank as at 31 December 2024 is 20.81% after increasing the combined buffer requirement, while the TLAC TREA ratio for the Bank at the consolidated level at the end of December 2024 was 24.39%. This value gives the Group the opportunity to further develop in terms of business activities.

The increase in TLAC TREA's capital ratio in 2024 compared to 2023 was driven by the use of a subordinated loan in the amount of EUR 250 million, an increase in own funds, which was partially offset by an increase in operational risk and credit risk exposures.

On 6 June 2024, Bank concluded a subordinated loan agreement with Citibank Europe PLC with the registered office in Dublin. On 19 November 2024, in in accordance with the information presented in current announcement No. 37/2024 of 19 November 2024, the Management Board of the Bank decided to use EUR 250 million of the subordinated loan from the total amount granted in the framework subordinated loan agreement. Information on the implementation of the provisions of the subordinated framework loan agreement was made public in the current announcement. The amount of the loan used is EUR 250 million, its Value of the loan drawn at the equivalent according to the average exchange rate quoted by the National Bank of Poland as at 31 December 2024 is approximately PLN 1,068 million. The loan is classified as eligible liabilities, credited towards meeting the TLAC and MREL requirements. The inclusion of the loan in the TLAC TREA indicator resulted in an increase in the ratio by 3.18 p.p. (to the level of: 24.39%) compared to the situation in which the loan would not be recognized as eligible for TLAC calculation.

Additional information on subordinated loans is presented in Table EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments.

The MREL TREA requirement for the Group was determined in accordance with the decision of the Bank Guarantee Fund of 29 November 2023 at the level of 15.36% of TREA and should be met by own funds and eligible liabilities that meet the subordination requirement.

As at 31 December2024, the combined buffer requirement for the Group was 2.81%. Pursuant to Articles 19, 21, 42 and 48 of the Act on macroprudential supervision, the amount of Common Equity Tier 1 capital used to cover the buffer cannot be allocated to cover the TREA MREL.

The MREL TEM requirement for the Group has been set at 5.91% TEM and should be met by own funds and eligible liabilities.

The Group presents the following tables on disclosure of information on own funds and eligible liabilities, in accordance with Commission Implementing Regulation (EU) 2021/763 of 23 April 2021 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council as regards supervisory reporting in the area of minimum requirements for funds and to disclose this requirement to the public (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)				
		2024-12-31	2024-12-31	2024-09-30	2024-06-30	2024-03-31	2023-12-31
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	8,193,165	8,193,165	7,302,409	7,287,556	7,197,364	7,083,074
EU-1a	Of which own funds and subordinated liabilities	8,193,165					
2	Total risk exposure amount of the resolution group (TREA)	33,596,699	33,596,699	32,020,068	30,923,643	30,346,212	30,020,075
3	Own funds and eligible liabilities as a percentage of TREA (%)	24.39	24.39	22.81	23.57	23.72	23.59
EU-3a	Of which own funds and subordinated liabilities (%)	24.39					
4	Total exposure measure of the resolution group	77,929,024	77,929,024	76,279,445	77,777,946	78,165,949	74,905,759
5	Own funds and eligible liabilities as percentage of the total exposure measure (%)	10.51	10.51	9.57	9.37	9.21	9.46
EU-5a	Of which own funds or subordinated liabilities (%)	10.51					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		no	no	no	no	no
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		-	-	-	-	-
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		-	-	-	-	-
Minimum requirement for own funds and eligible liabilities (MREL)*							
	TLAC requirementexpressed as percentage of TREA	18.00					
	TLAC requirement expressed as percentage of TEM	6.75					
EU-7	MREL requirement expressed as percentage of the total risk exposure amount (%)	15.36					
EU-8	Of which to be met with own funds or subordinated liabilities (%)	15.36					
EU-9	MREL requirement expressed as percentage of the total exposure measure (%)	5.91					
EU-10	Of which to be met with own funds or subordinated liabilities (%)	5.91					

* without combined buffer requirement

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

		a	b	c
		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII requirement for own funds and eligible liabilities (TLAC)	Memo item: Amounts eligible for the purposes of MREL, but not TLAC
Own funds and eligible liabilities and adjustments				
1	Common Equity Tier 1 capital (CET1)	7,124,915	7,124,915	-
2	Additional Tier 1 capital (AT1)	-	-	-
6	Tier 2 capital (T2)	-	-	-
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	7,124,915	7,124,915	-
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	1,068,250	1,068,250	-
EU-17a	Of which subordinated	1,068,250	1,068,250	-
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements				
18	Own funds and eligible liabilities items before adjustments	8,193,165	8,193,165	-
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	8,193,165	8,193,165	-
EU-22a	Of which own funds and subordinated	8,193,165		
Risk-weighted exposure amount and leverage exposure measure of the resolution group				
23	Total risk exposure amount	33,596,699	33,596,699	-
24	Total exposure measure	77,929,024	77,929,024	-
Ratio of own funds and eligible liabilities				
25	Own funds and eligible liabilities as a percentage of total risk exposure amount (%)	24.39	24.39	-
EU-25a	Of which own funds and subordinated (%)	24.39		
26	Own funds and eligible liabilities as a percentage of total exposure measure (%)	10.51	10.51	-
EU-26a	Of which own funds and subordinated (%)	10.51		
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements (%)	6.39	6.39	
28	Institution-specific combined buffer requirement (%)		2.81	
29	of which: capital conservation buffer requirement (%)		2.50	
30	of which: countercyclical buffer requirement (%)		0.06	
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		60,600,034	

Table EU TLAC3a: creditor ranking - resolution entity

	Insolvency ranking			Sum of 1 to n
	1 (most junior)	2	n (most senior)	
Description of insolvency rank (free text)	category no.10	category no.6	-	
Liabilities and own funds	7,124,915	1,068,250	-	8,193,165
of which excluded liabilities	-	-	-	-
Liabilities and own funds less excluded liabilities	7,124,915	1,068,250	-	8,193,165
Subset of row 4 that are own funds and liabilities potentially eligible for meeting [choose as a appropriate: TLAC/ MREL]	7,124,915	1,068,250	-	8,193,165
of which residual maturity ≥ 1 year < 2 years	-	-	-	-
of which residual maturity ≥ 2 year < 5 years	-	1,068,250	-	1,068,250
of which residual maturity ≥ 5 years < 10 years	-	-	-	-
of which residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-
of which perpetual securities	7,124,915	-	-	7,124,915

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

IV. Capital Adequacy

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

Table EU OV1 – Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a		c
		31.12.2024	30.09.2024	31.12.2024
1	**Credit risk (excluding CCR)**	**21,739,003**	**21,023,117**	**1,739,120**
2	Of which the standardised approach	21,739,003	21,023,117	1,739,120
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**	**1,384,165**	**1,297,160**	**110,733**
7	Of which the standardised approach	1,235,331	1,185,791	98,826
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	40,231	40,692	3,219
EU 8b	Of which credit valuation adjustment - CVA	108,602	70,677	8,688
9	Of which other CCR	-	-	-
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**150,359**	**150,341**	**12,029**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	150,359	150,341	12,029
EU 19a	Of which 1250% / deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,423,591**	**2,023,337**	**113,887**
21	Of which the standardised approach	1,423,591	2,023,337	113,887
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**474,488**	**-**
23	**Operational risk**	**8,899,581**	**7,051,625**	**711,967**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	8,899,581	7,051,625	711,967
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	200,448	236,672	16,036
29	**Total**	**33,596,699**	**32,020,068**	**2,687,736**

Table EU KM1 - Key metrics template

		a	b	c	d	e
		31.12.2024	30.09.2024	30.06.2024	31.03.2024	31.12.2023
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	7,124,915	7,302,409	7,287,556	7,197,364	7,083,074
2	Tier 1 capital	7,124,915	7,302,409	7,287,556	7,197,364	7,083,074
3	Total capital	7,124,915	7,302,409	7,287,556	7,197,364	7,083,074
Risk-weighted exposure amounts						
4	Total risk exposure amount	33,596,699	32,020,068	30,923,643	30,346,212	30,020,075
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	21.21	22.81	23.57	23.72	23.59
6	Tier 1 ratio (%)	21.21	22.81	23.57	23.72	23.59
7	Total capital ratio (%)	21.21	22.81	23.57	23.72	23.59
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 (%)	0.06	0.07	0.08	0.08	0.07
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 (%)	2.81	2.82	2.83	2.83	2.82
EU 11a	Overall capital requirements (%)	10.81	10.82	10.83	10.83	10.82
12	CET1 available after meeting the total SREP own funds requirements (%)	13.21	14.81	15.57	15.72	15.59
Leverage ratio						
13	Total exposure measure	77,929,024	76,279,445	77,777,946	78,165,949	74,905,759
14	Leverage ratio (%)	9.14	9.57	9.37	9.21	9.46
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)	43,707,581	43,377,779	43,439,683	41,835,188	39,721,691
EU 16a	Cash outflows - Total weighted value	56,744,761	52,286,944	62,261,850	63,031,699	62,362,010
EU 16b	Cash inflows - Total weighted value	34,686,846	29,998,478	39,297,625	40,090,511	39,837,649
16	Total net cash outflows (adjusted value)	22,154,835	22,288,466	22,964,225	22,941,188	22,524,361
17	Liquidity coverage ratio (%)	197.28	194.62	189.16	182.36	176.35
Net Stable Funding Ratio						
18	Total available stable funding	44,628,375	43,137,379	43,076,241	43,444,238	43,298,485
19	Total required stable funding	21,336,460	21,028,398	18,663,554	17,776,244	18,398,626
20	NSFR ratio (%)	209.16	205.14	230.80	244.39	235.34

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

The decrease in the total capital ratio in 2024 compared with 2023 caused by: an increase of total risk-weighted exposure for operational and credit risk. The ratio impact also came from an increase of own funds, resulting from a decrease in the value od deductions from own funds and a decrease of revaluation capital were recognized.

01 January 2025 came into force the main changes resulting from Regulation CRR3 (i.e. Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor) which has impact on Group capital adequacy.
These changes of law are intended to make standard methods of calculating requirements more sensitive and to increase the comparability of capital requirements between institutions using different calculation methods (including by using the output floor for credit risk in advanced methods or implement one common method for operational risk). The CRR3 regulations are being implemented in stages, with the largest scope of changes coming into force on 1 January 2025. In some situations, a transitional period has been established for the implementation of the target principles.

The Group estimates that on a consolidated basis, the impact of the new regulations will result in an increase in capital ratios of approximately +1.54 p.p., i.e. an increase in TCR from 21.21% as at 31 December 2024 to 22.75% as at 1 January 2025 (unaudited data). The positive impact results mainly from a change in the method for the capital requirements calculation for operational risk, with a simultaneous increase in the capital requirements for credit risk and CVA.

The change of methods for calculating the capital requirement for market risk will come into force on 1 January 2026.

The banking sector is still waiting for the finalization of legislative changes, including the adoption of regulatory technical standards for selected articles of the CRR regulation and the adoption of guidelines which may have a potential impact on the selected rules interpretation

V. Capital Buffers

The Group is required to maintain the combined buffer requirement in accordance with the Act on macroprudential supervision.

The combined buffer requirement shall be the total Common Equity Tier 1 capital required to cover the conservation buffer extended by the institution-specific countercyclical capital buffer, global systemically important institutions buffer, other systemically important institutions buffer and systemic risk buffer.

As of 31 December 2024, the Group had the following buffers:

- The capital conservation buffer, the value of which in the amount of 2.5%, results from Art. 84 of the Act on macroprudential supervision,
- The institution specific countercyclical capital buffer of 0.06%, - weighted average countercyclical buffers rates in a given country. The Group calculates the institution specific countercyclical capital buffer, taking into account the value of all credit exposures in other countries and the value of the countercyclical buffer appropriate for these countries.
  As at 31 December 2024, the countercyclical capital buffer rate for credit exposures in the territory of the Republic of Poland is 0%. In accordance with the Regulation of the Minister of Finance of 18 September 2024 on the countercyclical buffer rate, the value of the buffer for these exposures will increase to 1% as of 25 September 2025, while in accordance with the recommendation of the Financial Stability Committee, it is planned to set the countercyclical buffer rate at 2%, which is to be done gradually by increasing the countercyclical buffer rate to 1%, and then 2%, with 12-month adjustment periods.
- The 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 Systemically Important Institution buffer rate with a systemic value of 0.25%.

On 16th December 2024 the Polish Financial Supervision Authority (“PFSA”) informed, that the Bank maintain own funds to cover the additional capital charge in order to absorb potential losses resulting from stress conditions under Pillar II (P2G). The Bank's sensitivity to the possible materialization of stress scenarios was assessed as low and the P2G capital charge was set at 0.0 p.p. at the individual and consolidated level.

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

Table EU CCyB1 presents geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

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 Total	**25,309,305**	**-**	**12,560**	**-**	**1,002,396**	**26,324,260**	**1,776,000**	**1,005**	**12,029**	**1,789,033**	**22,362,915**	**100**	
011 Poland	23,850,210	-	10,687	-	1,002,396	24,863,293	1,667,694	855	12,029	1,680,577	21,007,217	94	0.0000
012 Luxembourg	448,411	-	787	-	-	449,198	35,873	63	-	35,936	449,198	2	0.5000
013 United Kingdom	438,586	-	-	-	-	438,586	25,011	-	-	25,011	312,635	1	2.0000
014 United States	154,953	-	11	-	-	154,964	14,314	1	-	14,314	178,931	1	0.0000
015 Norway	89,042	-	-	-	-	89,042	7,123	-	-	7,123	89,042	0	2.5000
016 Czech Republic	81,315	-	-	-	-	81,315	6,467	-	-	6,467	80,833	0	1.2500
017 Ireland	58,801	-	-	-	-	58,801	4,704	-	-	4,704	58,801	0	1.5000
018 Switzerland	55,361	-	-	-	-	55,361	4,429	-	-	4,429	55,361	0	0.0000
019 Netherlands	28,518	-	939	-	-	29,457	2,281	75	-	2,357	29,457	0	2.0000
020 Germany	26,853	-	-	-	-	26,853	1,928	-	-	1,928	24,104	0	0.7500
021 Belgium	20,036	-	-	-	-	20,036	1,603	-	-	1,603	20,036	0	1.0000
022 France	16,217	-	-	-	-	16,217	1,297	-	-	1,297	16,217	0	1.0000
023 Republic of Korea	15,807	-	-	-	-	15,807	1,265	-	-	1,265	15,807	0	1.0000
024 Sweden	7,268	-	-	-	-	7,268	581	-	-	581	7,268	0	2.0000
025 Japan	5,998	-	-	-	-	5,998	480	-	-	480	5,998	0	0.0000
026 Italy	4,372	-	-	-	-	4,372	348	-	-	348	4,347	0	0.0000
027 Romania	2,699	-	-	-	-	2,699	216	-	-	216	2,699	0	1.0000
028 Bulgaria	2,697	-	-	-	-	2,697	216	-	-	216	2,697	0	2.0000
029 Cyprus	1,396	-	111	-	-	1,507	112	9	-	121	1,507	0	1.0000
030 Kazakhstan	529	-	-	-	-	529	42	-	-	42	529	-	0.0000
031 Other countries	235	-	25	-	-	260	17	2	-	19	232	-	0.0000

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

		a
1	Total risk exposure amount	33,596,699
2	Institution specific countercyclical capital buffer rate	0.06%
3	Institution specific countercyclical capital buffer requirement	21,267

VI. Information regarding risk

1. Credit Risk

The accounting definitions of past due and impaired exposures

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

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

  or granting to the obligor a similar protection if it would allow him to avoid or delay repayment of credit obligations,
- Bank initiates procedure to obtain an enforcement title,
- Default status contagion,
- Delay in payment equal to 90 days or more (calculation of delay is based on materiality thresholds),
- obtaining information from an external database about the delay in payment of debtor's financial liabilities in other financial institutions by 90 days or more in line with the materiality thresholds
- Status of exposure has been changed from "accrual" / "performing" to "non-accrual" / "non-performing",
- Exposure has been classified (as per internal classification) to category: "Substandard–non–performing" / "non-accrual" and "Loss",

- Obligor Risk Rating (ORR) is worse than 7- which is applied for Obligors that are defaulted,
- Justified suspicion of abuse or extorting a credit exposure, or identifying cases of a probable criminal act related to a credit exposure, documented by submitting a notification of suspected crime to the competent state authority,
- Termination of the loan agreement due to high credit risk,
- Obtaining information on the execution of a court judgment process against the debtor in an amount which, in the opinion of the bank, may result in the loss of creditworthiness,
- Lack of payment by the debtor the amount of the realized Government guarantee,
- Death, permanent disability or serious illness of the debtor (in the case of debtors running a company in the form of entrapreneurship), resulting in the inability to continue the activity,btaining information about a customer's default under agreements with other Citi group entities,
- Staying in custody or prison of the debtor (in the case of debtors running a company in the form of entrepreneurship), resulting in the inability to continue the activity;Obtaining information about a customer's default under agreements with other Citi group entities,
- In cese the Economic Loss (L) resulting form the sale of credit obligations is higher than 5%, all other remaining client exposures should be considered defaulted. Where: L=(E-P)/E, L – the economic loss related with the sale of credit obligations; E – total outstanding amount of the obligations subject to the sale, including interest and fees; P – price agreed for the sold obligations. Moment of the sale should be regarded as the moment of default.Where the price for the total portfolio was determined by specifying the discount on particular credit obligations, the materiality of credit-related economic loss should be assessed individually for each exposure within the portfolio. Where however the price was set only at the portfolio level, the materiality of credit-related economic loss may be assessed at the portfolio level.The following exceptions apply: where the reasons for the sale of credit obligations were not related to credit risk, such as where there is the need to increase the liquidity of the institution or there is a change in business strategy, on condition of the appropriate, documented justification of the treatment of the sale; or where the assets subject to the sale are publicly traded assets and measured at fair value

and other loss events could have impact on the estimated future cash flows from the financial asset that can be reliably estimated.
If Bank assesses credit exposure as a credit impaired exposure, ie. classifies it to Stage 3, such exposure needs to be considered as defaulted, non-performing.

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

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

Detailed information on the management of exposures of impaired are presented in the Annual Financial Statements of the Bank Handlowy w Warszawie SA for the year ended 31 December 2024 in explanatory note no. 3 "Risk Management" in the section "Credit risk”.

Write-offs for expected credit losses

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

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

  - loss estimated over a horizon of 12 months (this is the part of credit losses expected for the entire exposure period resulting from the default within 12 months from the reporting date),
- Stage 2: credit exposures for which there has been a significant increase in credit risk

  - credit losses are estimated for the entire duration of the exposure,
- Stage 3: credit exposures for which there is objective evidence of impairment

  - credit losses estimated as for impaired assets.

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

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

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

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

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

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

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

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

Input parameters of IFRS 9 models used to estimate expected credit losses as at 31 December 2024 are presented broken down by customer segments in the tables below.

Information on the changes in the parameters of IFRS 9 models made in 2024 is presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024.

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

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Stage 1	from 0.00 to <0.15%	-	95,065	94,935	0.34%	5	35.00%	3	115
	from 0.15% to <0.25%	1	113	58	2.98%	5	35.00%	1	-
	from 0.25% to <0.50%	-	4,254	4,239	0.34%	5	35.00%	3	5
	from 0.5% to <0.75%	-	-	-	0.00%	-	0.00%	-	-
	from 0.75% to <2.50%	-	-	-	0.00%	-	0.00%	-	-
	from 2.50% to <10.00%	-	20,000	10,000	3.39%	1	35.00%	1	70
	from 10.00% to <45.00%	-	-	-	0.00%	-	0.00%	-	-
	from 45.00% to <100.00%	-	-	-	0.00%	-	0.00%	-	-
Stage 2	No PD	-	-	-	12.16%	1	35.00%	1	-
	from 0.00 to <0.15%	-	-	-	0.00%	-	0.00%	-	-
	from 0.15% to <0.25%	-	-	-	0.00%		0.00%	-	-
	from 0.25% to <0.50%	-	-	-	0.00%	-	0.00%	-	-
	from 0.5% to <0.75%	-	-	-	0.00%	-	0.00%	-	-
	from 0.75% to <2.50%	-	4,000	2,000	3.39%	1	35.00%	3	34
	from 2.50% to <10.00%	-	5	3	3.39%	1	35.00%	1	-
	from 10.00% to <45.00%	-	-	-	0.00%	-	0.00%	-	-
	from 45.00% to <100.00%	-	-	-	0.00%	-	0.00%	-	-

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Stage 3	up to 12 months	-	-	0.00%	-
	from 13 to 24 months	-	-	0.00%	-
	from 25 to 36 months	-	-	0.00%	-
	from 37 to 48 months	-	-	0.00%	-
	from 49 to 60 months	-	-	0.00%	-
	from 61 to 84 months	-	-	0.00%	-
	over 84 months	6,337	60	35.00%	436

Table: ICG – Credit portfolio of other exposure

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Stage 1	Micro portfolio	32,039	40,263	72,150	0.00%	222	1.77%	1	1,277
	from 0.00 to <0.15%	9,304,758	4,060,318	11,744,871	0.06%	2,890	19.49%	2	73
	from 0.15% to <0.25%	2,786,871	1,886,895	4,056,745	0.15%	4,446	34.12%	1	76
	from 0.25% to <0.50%	2,787,362	4,666,496	5,725,962	0.39%	9,680	29.59%	2	98
	from 0.5% to <0.75%	-	-	-	0.00%	-	0.00%	-	-
	from 0.75% to <2.50%	3,959,753	3,305,528	6,160,821	1.06%	21,031	28.57%	2	82
	from 2.50% to <10.00%	471,204	280,971	623,643	3.28%	340	29.12%	2	269
	from 10.00% to <45.00%	21,622	13,581	33,837	6.00%	392	31.25%	1	35
	from 45.00% to <100.00%	-	-	-	0.00%	-	0.00%	-	-
Stage 2	Micro portfolio	1,457	-	1,455	0.00%	8	15.36%	2	223
	No PD	605	11,471	6,381	0.55%	278	29.37%	1	-
	from 0.00 to <0.15%	201,342	24,626	215,066	1.79%	21	34.97%	1	1,125
	from 0.15% to <0.25%	255,245	99,336	305,039	0.88%	38	34.03%	1	168
	from 0.25% to <0.50%	127,686	40,179	149,078	13.32%	76	37.30%	3	3,219
	from 0.5% to <0.75%	-	-	-	0.00%	-	0.00%	-	-
	from 0.75% to <2.50%	334,044	391,925	550,506	5.05%	400	29.13%	2	258
	from 2.50% to <10.00%	117,430	137,462	207,679	5.75%	170	27.08%	1	146
	from 10.00% to <45.00%	252,719	211,931	361,240	15.42%	331	25.12%	1	377
	from 45.00% to <100.00%	97	253	223	0.34%	4	35.00%	2	-

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

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Stage 3	Micro portfolio	9,853	80	61.99%	6,108
	up to 12 months	11,467	4	61.23%	2,514
	from 13 to 24 months	59,992	26	37.27%	935
	from 25 to 36 months	37,293	3	25.16%	9,418
	from 37 to 48 months	-	-	0.00%	-
	from 49 to 60 months	131	1	64.00%	131
	from 61 to 84 months	139,971	30	24.65%	31,030
	over 84 months	31,737	32	35.00%	2,779

Table: GCB - Housing loans portfolio

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Stage 1	from 0.00 to <0.15%	673,855	-	671,198	0.13%	1,693	13.24%	21	110
	from 0.15% to <0.25%	347,457	-	346,864	0.19%	976	12.21%	21	81
	from 0.25% to <0.50%	427,397	-	425,489	0.25%	1,165	13.13%	21	143
	from 0.5% to <0.75%	201,361	-	200,310	0.33%	574	12.75%	21	102
	from 0.75% to <2.50%	303,249	-	301,863	0.51%	880	13.04%	21	239
	from 2.50% to <10.00%	85,075	-	84,853	1.19%	231	12.59%	21	99
	from 10.00% to <45.00%	8,923	-	8,912	1.30%	33	9.08%	19	11
	from 45.00% to <100.00%	748	-	754	6.48%	2	11.81%	18	9
Stage 2	No PD	939	-	938	1.37%	3	13.85%	21	1
	from 0.00 to <0.15%	122,364	-	122,180	8.70%	276	14.69%	21	771
	from 0.15% to <0.25%	39,531	-	39,399	28.50%	124	12.24%	20	1,024
	from 0.25% to <0.50%	21,480	-	21,541	47.30%	54	11.63%	20	661
	from 0.5% to <0.75%	5,956	-	5,955	50.69%	20	8.74%	18	172
	from 0.75% to <2.50%	5,656	-	5,667	74.72%	20	6.30%	18	149
	from 2.50% to <10.00%	25	-	25	100.00%	1	5.00%	2	1
	from 10.00% to <45.00%	-	-	-	-	-	-	-	-
	from 45.00% to <100.00%	-	-	-	-	-	-	-	-

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Stage 3	up to 12 months	2,814	9	16.58%	466
	from 13 to 24 months	299	3	9.79%	29
	from 25 to 36 months	1,126	4	25.49%	287
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	507	3	99.86%	506
	over 84 months	2,625	6	100.00%	2,625

Table: GCB – Consumer loans Portfolio

	PD scale	Primary gross balance sheet exposures	Off-balance exposures	EAD after credit risk mitigation and credit conversion rate	Average PD in %	Exposures number	Average LGD in %	Average maturity	Expected Credit Loss (ECL)
Stage 1	from 0.00 to <0.15%	269,959	1,034,881	466,995	0.25%	67,325	48.05%	3	520
	from 0.15% to <0.25%	300,738	864,977	476,097	0.35%	54,750	49.41%	2	766
	from 0.25% to <0.50%	536,294	752,481	716,758	0.56%	61,347	50.89%	3	1,912
	from 0.5% to <0.75%	379,222	319,517	464,641	0.79%	34,773	51.47%	3	1,755
	from 0.75% to <2.50%	787,652	424,912	924,042	1.39%	59,067	51.27%	3	6,067
	from 2.50% to <10.00%	227,506	102,848	263,340	3.00%	18,418	50.19%	4	3,724
	from 10.00% to <45.00%	23,173	17,814	28,126	3.40%	2,859	45.75%	2	389
	from 45.00% to <100.00%	1,371	1,249	1,656	4.52%	164	51.60%	1	34
Stage 2	No PD	2,723	15,237	15,058	4.44%	3,333	47.05%	11	175
	from 0.00 to <0.15%	382,260	588,395	742,460	1.93%	46,704	49.87%	6	5,439
	from 0.15% to <0.25%	189,545	348,513	415,290	2.64%	30,455	50.16%	6	4,285
	from 0.25% to <0.50%	211,680	225,918	370,272	5.28%	25,142	51.24%	6	7,599
	from 0.5% to <0.75%	121,362	128,095	212,852	7.83%	15,077	51.32%	6	6,683
	from 0.75% to <2.50%	274,542	368,483	535,464	9.12%	43,236	50.34%	6	18,870
	from 2.50% to <10.00%	43,789	18,445	63,626	18.76%	5,655	51.04%	6	4,654
	from 10.00% to <45.00%	2,352	613	3,166	36.57%	303	51.85%	6	460
	from 45.00% to <100.00%	81	49	101	99.86%	3	55.19%	6	50

	Time in Default	EAD after credit risk mitigation and credit conversion rate	Exposures number	Average LGD in %	Expected Credit Loss (ECL)
Stage 3	up to 12 months	83,659	3,665	67.08%	56,332
	from 13 to 24 months	95,770	3,193	78.29%	75,921
	from 25 to 36 months	44,220	1,353	76.56%	34,601
	from 37 to 48 months	28,169	876	81.16%	23,670
	from 49 to 60 months	18,212	540	86.60%	16,342
	from 61 to 84 months	24,904	793	89.40%	23,022
	over 84 months	43,564	1,917	100.00%	43,564
POCI	up to 12 months	9,425	726	47.50%	(1,438)
	from 13 to 24 months	6,946	759	52.55%	(3,071)
	from 25 to 36 months	2,557	397	59.74%	(2,148)
	from 37 to 48 months	-	-	-	-
	from 49 to 60 months	-	-	-	-
	from 61 to 84 months	-	-	-	-
	over 84 months	-	-	-	-

Table EU CR1-A: Maturity of exposures

		Net exposure value					
		On demand	<= 1 year	1 to 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	6,947,099	13,457,894	4,680,048	3,981,647	85,940	29,152,628
2	Debt securities	-	6,814,526	15,105,126	9,171,521	-	31,091,173
3	**Total**	**6,947,099**	**20,272,420**	**19,785,174**	**13,153,169**	**85,940**	**60,243,801**

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	19 886 218	14 574 436	13 049 772	1 524 665	-
2	Debt securities	31 091 667	-	-	-	
3	Total	50 977 885	14 574 436	13 049 772	1 524 665	-
4	Of which non-performing exposures	169 699	47 159	29 522	17 637	-
EU-5	Of which defaulted	169 699	47 159			

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

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

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	19,731,881	660	33,917,534	523,955	346,025	1.00
2	Regional government or local authorities	1	99,255	1	49,510	9,902	20.00
3	Public sector entities	3	450	3	90	43	46.89
4	Multilateral development banks	1,843,254	-	1,843,254	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	16,231,480	1,348,048	2,045,828	118,901	223,506	10.32
7	Corporates	11,261,806	13,190,713	11,057,505	4,238,674	15,138,432	98.97
8	Retail	3,736,338	5,254,388	3,736,338	30,981	2,820,680	74.87
9	Secured by mortgages on immovable property	3,274,275	607,718	3,274,275	208,232	1,990,271	57.15
10	Exposures in default	204,842	29,529	204,842	13,603	250,648	114.74
11	Exposures associated with particularly high risk	171,815	-	171,815	-	257,723	150.00
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	1,133	-	1,133	-	1,133	100.00
16	Other items	1,215,060	-	1,215,060	-	700,640	57.66
17	**TOTAL**	**57,671,888**	**20,530,762**	**57,467,587**	**5,183,946**	**21,739,003**	**34.70**

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	33,633,428	-	-	-	727,881	-	0	-	-	1	-	80,179	-	-	-	34,441,489	80,179
2	Regional government or local authorities	-	-	-	-	49,511	-	-	-	-	-	-	-	-	-	-	49,511	4
3	Public sector entities	-	-	-	-	10	-	83	-	-	-	-	-	-	-	-	93	93
4	Multilateral development banks	1,843,254	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,843,254	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	66,800	1,582,409	-	-	219,677	-	295,840	-	-	3	-	-	-	-	-	2,164,728	309,522
7	Corporates	-	-	-	-	9,675	-	10,235	-	-	15,276,268	1	-	-	-	-	15,296,179	14,429,420
8	Retail exposures	-	-	-	-	-	-	-	-	3,767,319	-	-	-	-	-	-	3,767,319	3,767,319
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	2,209,682	-	-	-	1,247,058	25,767	-	-	-	-	3,482,507	3,482,507
10	Exposures in default	-	-	-	-	-	-	-	-	-	154,037	64,408	-	-	-	-	218,445	218,445
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	171,815	-	-	-	-	171,815	123,882
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	-	-	-	-	-	-	-	-	-	1,133	-	-	-	-	-	1,133	1,133
16	Other items	486,315	-	-	-	35,132	-	-	-	-	693,613	-	-	-	-	-	1,215,060	1,215,060
17	**TOTAL**	**36,029,796**	**1,582,409**	**-**	**-**	**1,041,885**	**2,209,682**	**306,158**	**-**	**3,767,319**	**17,372,113**	**261,991**	**80,179**	**-**	**-**	**-**	**62,651,533**	**23,627,563**

1.1. Non-performing and forborne exposures

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

As of 31st December of 2024, the Group's gross NPL ratio was 2.1%.

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

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

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

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

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

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005 Cash balances at central banks and other demand deposits	**5,308,043**	5,308,043	0	-	-	-	(16)	(16)	-	-	-	-	-	-	-
010 Loans and advances	29,057,131	26,346,767	2,710,365	643,246	-	643,246	(121,361)	(41,810)	(79,552)	(426,388)	-	(426,388)	(52,556)	14,527,277	47,159
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	180,031	13	180,018	10,856	-	10,856	(183)	(0)	(183)	(10,835)	-	(10,835)	-	2	-
040 Credit institutions	8,788,435	8,780,087	8,349	-	-	-	(651)	(308)	(344)	-	-	-	-	8,206,224	-
050 Other financial corporations	4,107,479	4,107,464	15	-	-	-	(2,130)	(2,130)	(0)	-	-	-	(8,677)	350,357	-
060 Non-financial corporations	9,935,532	8,851,149	1,084,384	266,850	-	266,850	(60,207)	(24,061)	(36,146)	(146,338)	-	(146,338)	(43,879)	3,595,273	40,879
070 Of which SMEs	3,578,915	2,980,733	598,182	216,346	-	216,346	(33,424)	(11,122)	(22,302)	(110,512)	-	(110,512)	(32,492)	1,742,428	30,047
080 Households	6,045,654	4,608,054	1,437,600	365,540	-	365,540	(58,190)	(15,311)	(42,879)	(269,215)	-	(269,215)	-	2,375,421	6,280
090 Debt securities	31,091,667	31,091,667	-	-	-	-	(493)	(493)	-	-	-	-	-	-	-
100 Central banks	999,202	999,202	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	13,356,330	13,356,330	-	-	-	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	13,889,991	13,889,991	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	2,846,144	2,846,144	-	-	-	-	(493)	(493)	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	20,529,599	17,914,666	2,614,933	34,444	-	34,444	(28,365)	(15,567)	(12,798)	(4,891)	-	(4,891)		1,502,622	7,872
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	147,851	122,583	25,268	-	-	-	(318)	(268)	(50)	-	-	-		499	-
180 Credit institutions	1,339,807	1,339,807	-	-	-	-	(389)	(389)	-	-	-	-		-	-
190 Other financial corporations	248,793	248,753	40	-	-	-	(185)	(185)	(0)	-	-	-		-	-
200 Non-financial corporations	13,521,965	12,641,031	880,934	28,333	-	28,333	(17,745)	(13,529)	(4,216)	(1,507)	-	(1,507)		1,491,427	7,872
210 Households	5,271,183	3,562,492	1,708,691	6,111	-	6,111	(9,727)	(1,195)	(8,532)	(3,384)	-	(3,384)		10,696	-
220 Total	**85,986,440**	**80,661,142**	**5,325,297**	**677,690**	**-**	**677,690**	**(150,236)**	**(57,886)**	**(92,350)**	**(431,279)**	**-**	**(431,279)**	**(52,556)**	**16,029,899**	**55,031**

* Debt securities include financial assets in the form of securities valued at amortized cost with a gross carrying amount of PLN 1 203 as at December 31, 2024. From the credit risk assessment perspective, these instruments do not differ from loans and advances. As of December 31, 2024, all these exposures were in the serving category

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

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**822,993**
020	Inflows to non-performing portfolios	137,430
030	Outflows from non-performing portfolios	(317,177)
040	Outflows due to write-offs	(109,719)
050	Outflow due to other situations	(207,458)
060	**Final stock of non-performing loans and advances**	**643,246**

Table EU CQ1: Credit quality of forborne exposures

	a	b	c	d	e	f	g	h
	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	424,341	110,583	110,583	110,583	(22,897)	(40,858)	231,691	15,009
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	-	-	-	-	-	-	-	-
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	-	-	-	-	-	-	-	-
060 Non-financial corporations	424,208	75,519	75,519	75,519	(22,878)	(30,866)	231,201	14,519
070 Households	132	35,065	35,065	35,065	(19)	(9,992)	490	490
080 Debt Securities	-	-	-	-	-	-	-	-
090 Loan commitments given	177,299	0	0	0	(1,060)	(0)	37,108	0
100 Total	**601,640**	**110,583**	**110,583**	**110,583**	**(23,957)**	**(40,858)**	**268,798**	**15,009**

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

	a	b	c	d	e	f	g	h	i	j	k	l
	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	5 308 043	5 308 043	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	29 057 131	29 032 425	24 707	643 246	127 269	63 654	57 525	72 109	113 449	134 225	75 015	643 246
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	180 031	180 025	6	10 856	-	-	-	-	-	-	10 856	10 856
040 Credit institutions	8 788 435	8 788 435	-	-	-	-	-	-	-	-	-	-
050 Other financial corporations	4 107 479	4 107 415	64	-	-	-	-	-	-	-	-	-
060 Non-financial corporations	9 935 532	9 928 134	7 398	266 850	27 891	473	54	24 599	62 761	118 635	32 437	266 850
070 Of which SMEs	3 578 915	3 578 382	533	216 346	27 887	473	54	24 595	42 094	94 137	27 107	216 346
080 Households	6 045 654	6 028 415	17 239	365 540	99 378	63 181	57 471	47 510	50 687	15 590	31 722	365 540
090 Debt securities	31 091 667	31 091 667	-	-	-	-	-	-	-	-	-	-
100 Central banks	999 202	999 202	-	-	-	-	-	-	-	-	-	-
110 General governments	13 356 330	13 356 330	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	13 889 991	13 889 991	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	2 846 144	2 846 144	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	20 529 599			34 444								34 444
160 Central banks	-			-								-
170 General governments	147 851			-								-
180 Credit institutions	1 339 807			-								-
190 Other financial corporations	248 793			-								-
200 Non-financial corporations	13 521 965			28 333								28 333
210 Households	5 271 183			6 111								6 111
220 Total	**85 986 440**	**65 432 134**	**24 707**	**677 690**	**127 269**	**63 654**	**57 525**	**72 109**	**113 449**	**134 225**	**75 015**	**677 690**

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

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	**On-balance-sheet exposures**	60 792 043	643 246	643 246	60 792 043	(548 242)		-
011	Poland	45 620 161	642 309	642 309	45 620 161	(545 184)		-
012	United Kingdom	6 157 798	472	472	6 157 798	(1 046)		-
013	Ireland	2 323 738	-	-	2 323 738	(26)		-
014	USA	2 045 673	-	-	2 045 673	(0)		-
015	Austria	1 012 132	-	-	1 012 132	(5)		-
016	Other countries	3 632 541	465	465	3 632 541	(1 981)		-
	-	-	-	-	-		-	
080	**Off-balance-sheet exposures**	20 564 043	34 444	34 444			(33 256)	
081	Poland	18 386 605	34 444	34 444			(30 394)	
082	USA	582 066	-	-			(796)	
083	Ireland	307 067	-	-			(388)	
084	United Kingdom	269 765	-	-			(468)	
085	Switzerland	210 326	-	-			(34)	
086	Other countries	808 214	-	-			(1 176)	
150	**Total**	**81 356 087**	**677 690**	**677 690**	**60 792 043**	**(548 242)**	**(33 256)**	**-**

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

		a	b	c	d	e	f
		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	5	-	-	-	(0)	-
020	Mining and quarrying	449	-	-	-	(0)	-
030	Manufacturing	3 534 787	129 484	129 484	129 484	(107 385)	-
040	Electricity, gas, steam and air conditioning supply	1 340 128	-	-	-	(1 523)	-
050	Water supply	8 581	210	210	210	(213)	-
060	Construction	116 071	54 156	54 156	54 156	(40 088)	-
070	Wholesale and retail trade	2 773 267	63 565	63 565	63 565	(37 252)	-
080	Transport and storage	149 252	967	967	967	(232)	-
090	Accommodation and food service activities	13 898	50	50	50	(135)	-
100	Information and communication	425 401	602	602	602	(1 869)	-
110	Financial and insurance actvities	-	-	-	-	-	-
120	Real estate activities	235 136	-	-	-	(89)	-
130	Professional, scientific and technical activities	931 247	11 329	11 329	11 329	(8 426)	-
140	Administrative and support service activities	408 485	-	-	-	(2 831)	-
150	Public administration and defense, compulsory social security	-	-	-	-	-	-
160	Education	2 431	-	-	-	(15)	-
170	Human health services and social work activities	236 103	-	-	-	(836)	-
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Other services	27 140	6 486	6 486	6 486	(5 651)	-
200	**Total**	**10 202 382**	**266 850**	**266 850**	**266 850**	**(206 545)**	**-**

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 PFE measure (Potential Future Exposure, „PFE"), 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 PFE amount are dependent on market factors determining the values for particular transaction in the customer portfolio. In case there is No. sufficient data, to simulate the value of the transactions' portfolio more simplified method are used, same as for the purpose of capital requirement calculation.
Pre-settlement risk exposure is managed and reduced through the initial or variation margin deposits as well as conducting transactions using clearing houses.

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

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

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

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

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

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

The Group's policies for securing collateral vary according to the counterparty business segment. Most common form of collateral accepted to mitigate credit risk of counterparty, with whom the derivate transactions ("transactions") are entered, is financial securing in the form of transfer of the rights to cash or security deposit according to Art. 102 of Banking Act (cash deposit). The amount of security depends on the difference of the current Mark to Market value of a transaction and a limit agreed. In principle, margining in the form of cash due to its nature does not expose the Group to the risk of unfavourable changes in collateral value. Generally the transactions are provided under frame agreements, which in case of breach by counterparty allow for an early termination of transaction by the other party and settlement the positive and negative values of transactions covered by given frame agreement in one net amount. The exposure resulting from counterparty risk together with other exposures is included in the periodical credit analysis of a customer.
The Group applies credit value adjustment to the market value of a derivative contract to take into account the credit risk of the counterparty. All Commercial and Corporate Banking Subsector customers are taken into account for derivatives assessment correction calculation
The Group differentiates the valuation of counterparty risk due to the availability of CDS quotations:

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

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

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

The Group does not use CDS transactions.

Table EU CCR1 – Analysis of CCR exposure by approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.40	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.40	-	-	-	-
1	SA-CCR (for derivatives)	489,369	667,411		1.40	2,791,223	1,612,765	1,612,765	1,238,179
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**					**2,791,223**	**1,612,765**	**1,612,765**	**1,238,179**

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	711,220	108,602
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	711,220	108,602

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	-	1 726 778	-	-	100 830	355 087	-	-	-	-	-	2 182 696
7	Corporates	-	-	-	-	-	231 745	-	-	925 083	-	-	1 156 827
8	Retail	-	-	-	-	-	-	-	21	-	-	-	21
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**1 726 778**	**-**	**-**	**100 830**	**586 832**	**-**	**21**	**925 083**	**-**	**-**	**3 339 543**

Table EU CCR5 – Composition of collateral for CCR exposures

	a	b	c	d	e	f	g	h
	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	
Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	-	820 580	-	96 962	-	-	-	-
2 Cash – other currencies	-	571 353	-	-	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 Total	**-**	**1 391 933**	**-**	**96 962**	**-**	**-**	**-**	**-**

Table EU CCR8 – Exposures to CCPs

		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**37,383**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,715,609	34,312
3	(i) OTC derivatives	1,710,804	34,216
4	(ii) Exchange-traded derivatives	4,804	96
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	142,395	2,848
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

3. Information regarding credit risk mitigation techniques

Information regarding the policies for collateral management and main types of accepted collateral are presented in supplementary note 3„Risk Management" to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024.

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

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

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

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

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

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

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

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

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

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

In the field of the funded credit protection the Group considers cash collateral and real estates in case of credit risk mitigation of retail exposures in accordance with the principles set in the Regulation No. 575/2013.
Currently only guarantees issued by the State Treasury, BGK or guaranteed by central governments are recognized by the Group as unfunded credit risk mitigation techniques for capital adequacy calculation.

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

In order to prevent adverse events resulting from excessive concentration, the Bank reduces the concentration risk by setting limits and concentration standards resulting from external regulations and internal analyses conducted by the Bank.

Concentration risk management in respect of lending activities at the Bank concerns, among m.in, the risk arising from exposures within individual industries, currencies, country or secured by the same type of collateral.

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

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

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

1) exposures or contingent exposures to central governments and central banks;

2) exposures or contingent exposures to local governments and local authorities;

3) exposures or contingent exposures to public sector entities;

4) exposures or contingent exposures to multilateral development banks;

5) exposures or contingent exposures to institutions;

6) exposures or contingent exposures to corporates;

7) items representing securitisation positions.

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

5. Information regarding exposure to securitisation positions

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

At the end of 2024 year the total gross item constituting securitization exposures amounted to PLN 1 .002.889 M. Securities purchased by the Group are not traded on the market. The Group intends to maintain investments until the maturity date. The expected maturity date of the securities is February 2028. The Group classifies securitization's assets as receivables from customers in accordance with IFRS 9 and value them at amortized cost.

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

- Analysis of the originator including the processes of credit and debt collection, qualitative and quantitative analysis, the condition of maintaining a material net economic interest, reputation, data related to the quality of previous securitization,
- Risk analysis of the exposure underlying the securitization position i.e. the quality, concentration, delays in repayment and the level of losses, the level of recovery rates
- The terms and structure of the transaction reducing identified risks and defining the division into tranches, level of support and security, payment streams, events of default and default indicators
- Monitoring including, among others, verification of the quality of the exposures underlying the securitization

position, timeliness of payments and service, compliance with the transactions conditions, the financial situation of the institutions participating in the transaction, etc.

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

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

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

As at the end of December 2024, the securitisation exposure held did not meet the STS requirements.

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

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

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

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

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

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

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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
1	**Total exposures**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,002,396**	**-**	**1,002,396**
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	1,002,396	-	1,002,396
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	1,002,396	-	1,002,396
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
	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**	1,002,396	**-**	**-**	**-**	**-**	**-**	**-**	**1,002,396**	**-**	**-**	**-**	**150,359**	**-**	**-**	**-**	**12,029**	**-**
2 Traditional securitisation	1,002,396	-	-	-	-	-	-	1,002,396	-	-	-	150,359	-	-	-	12,029	-
3 Securitisation	1,002,396	-	-	-	-	-	-	1,002,396	-	-	-	150,359	-	-	-	12,029	-
4 Retail underlying	1,002,396	-	-	-	-	-	-	1,002,396	-	-	-	150,359	-	-	-	12,029	-
5 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

6. Market Risk

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

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

Table EU MR1 – Market risk under the standardised approach

		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	1,406,896
2	Equity risk (general and specific)	16,694
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**1,423,591**

Interest rate risk on non-trading portfolios (IRRBB)

Interest rate risk on non-trading portfolios (IRRBB) is the risk associated with changes in a bank's assets and liabilities due to changes in interest rates.

From the points of view of interest rate risk management Group divides its portfolio into banking and trading portfolios, taking into account the applicable accounting standards in the area of valuations.

The accounting classification for trading book includes financial assets and liabilities reported at fair value through profit and loss, excluding derivative transactions in hedge accounting program (fair value or cash flow), which aim is to secure price risk of banking book transactions.

The bank manages the interest rate risk arising from both positions in the trading and banking portfolio. The aim of interest rate risk management in the banking book is to minimize the risk related to the possibility of unfavorable changes in market interest rates and the negative impact of these changes on the interest result and, further, the financial result of the Bank. The interest rate risk in the banking book is reflected in the sensitivity of the economic value and net interest income to various scenarios of possible changes in the level and shape of the yield curve and changes in the relationships between different market rates.

The interest rate risk management process is supervised by the Supervisory Board, which approves the "Principles of prudent and stable risk management in the Bank Handlowy w Warszawie S.A. Capital Group", covering the overarching risk management framework and defining the framework for the strategy for managing individual types of risks. The Supervisory Board accepts the "Risk Appetite of the Bank Handlowy w Warszawie S.A. Capital Group". The General Risk Appetite is defined as strategic limits for significant risks and tolerance thresholds for established strategic limits, constituting a system of warning indicators, as well as complementary Risk Appetite measures resulting from risk management principles or supervisory requirements. The Supervisory Board receives regular, quarterly information on the interest rate risk profile.

The Management Board ensures the operation of the risk management system, among others: by introducing a BHW organizational structure with well-defined, transparent and consistent scope of responsibilities, adapted to the profile of risk undertaken and ensuring the separation of the risk measurement, monitoring and control functions from business activities related to risk taking (ensuring the independence of risk management at the first level from risk management at the second level) and by supervising risk management at the first and second levels.

Interest rate risk management is carried out at the strategic and operational level. The division into risk management levels depends on the nature and type of decisions made by individual decision-making bodies at the Bank, affecting the profile and level of interest rate risk.

The strategic perspective of risk management lies within the decision-making competences of the Assets and Liabilities Management Committee (ALCO). ALCO was established to conduct management and supervision activities, among others: over market risk in the non-trading and trading portfolio, monitoring and shaping the balance sheet structure, including counteracting unfavorable changes in the balance sheet structure, monitoring and shaping investment activities in securities, as well as managing the risk of changes in the value of capital. ALCO manages interest rate risk by setting risk limits for banking portfolios and by conducting monthly reviews of the exposure size and the result of managing these portfolios.

Operational management of interest rate risk is carried out in the Asset and Liability Management Department, which is authorized to open risk positions within the adopted limits.

Identification of interest rate risk

Interest rate risk may occur when assets and liabilities, including capital and derivatives meeting the requirements of hedge accounting:
- have different maturities;
- their interest rates change at different times;
- their interest rates are related to various interest rate curves (basis risk);
- options are included.

Measurement and monitoring of interest rate risk

Measures used to measure market risk exposure for banking portfolios are among others:

a) **Net interest income measures** - Measures of changes in expected future profitability within a given time horizon resulting from interest rate movements or from credit spread, e.g.:
    - Interest Rate Exposure (IRE) - potential increase / decrease in accrual income due to a +/-100bps move in interest rates.

b) **Economic value (EV) measures** - Measures of changes in the net present value of interest rate sensitive instruments over their remaining life resulting from interest rate movements, in case of IRRBB; or of changes in the credit spread in case of CSRBB.
    - **EVE** –economic value of equity.
    - **Economic Value Sensitivity (EVS) –** measure of the potential change in the economic value of the accrual portfolio for a pre-defined change in interest rates.

c) **Stress Tests –** the potential changes in the financial result under stress in order to assess the potential impact on the Bank's financial position. Stress tests measure the potential impact of significant changes of the level of interest rates or shape of interest rate curves on opened non trading book positions. The Group performs stress tests for defined scenarios of interest rate movements, which are combinations of market factors defined as large moves and stress moves occurring both in Poland and abroad. The amounts of assumed shifts of market factors are reviewed at least once a year and adjusted accordingly to changes in the market conditions of the Group's operations.

d) **DV01 -** is generally defined as change in value of the position due to the change by 1 basis point change in rates. For reporting purposes, DV01 is considered a 1 basis point increase in rates.

e) **CR01 -** the change in value due to a 1 basis point move in credit spreads.

f) **SOT_NII –** an indicator meaning decline of a one-year net interest income in relations to Tier1 capital, resulting from a sudden and unexpected change in interest rates as set out in any of the two supervisory shock scenarios set out in Article 1(2) of Commission Delagated Regulation (UE) 2024/856 of 1 December 2023.

g) **SOT_EVE -** an indicator meaning decline of economic value of equity in relations to Tier1 capital, resulting from a sudden and unexpected change in interest rates as set out in any of the six supervisory shock scenarios set out in Article 1(1) of Commission Delagated Regulation (UE) 2024/856 of 1 December 2023

The Group's interest rate risk is monitored on a daily, monthly or quarterly basis. The interest rate gap and the exposure level measured by IRE, DV01 and CR01 are reported on a daily basis. The monthly frequency concerns stress tests and the measurement of the sensitivity of interest income, while the economic value of equity is reported on a quarterly basis.

In 2024, the interest rate risk of the Bank's Capital Group resulted mainly from the mismatch in the repricing dates of assets and liabilities.

Principles of interest rate risk management

The Bank hedges positions resulting from the management of assets and liabilities, including in particular positions resulting from the interest rate risk of the banking book, by: purchasing from counterparties or directly from the issuer or issue agent of debt securities (Treasury and non-Treasury) to the AFS portfolio and conducting derivative transactions as part of hedge accounting. In the context of hedging the interest rate risk arising from the activities of other businesses in the Bank, the Bank stabilizes the interest margin as part of the process of transferring interest rate risk from customer business units to the operating unit centralizing interest rate risk management.

The Group has defined principles of applying fair value hedge accounting. The basic type of risk hedged under hedge accounting is the risk of changes in interest rates to which the portfolio of securities measured at fair value through other comprehensive income with a fixed interest rate is exposed. At the end of each month in which the hedging relationship existed, the Group assesses the effectiveness of the hedge used by analyzing changes in the fair value of the hedged instrument and the hedging instrument related to the hedged risk. The hedged item is part of the portfolio of securities valued at fair value by the other comprehensive income at a fixed interest rate, denominated in PLN. In all cases, the hedging instrument is an interest rate swap (IRS), which exchanges a fixed interest rate for a variable one.

Risk control and risk mitigation

In order to control and limit the interest rate risk of the banking book, the Group uses limits and threshold values and conducts risk-limiting transactions based on information about the risk level.

From the point of view of the types of interest rate risk of the banking book, we distinguish: repricing mismatch risk, yield curve risk, basis risk and customer option risk, and credit spread risk.

Supervisory outlier tests

In addition to the internal scenarios, Supervisory Outlier Tests are performed, including 6 standard supervisory scenarios for measuring the change in the economic value of equity and 2 standard supervisory scenarios for measuring the change in net interest income; test assumptions are implemented in accordance with the EBA Guidelines on IRRBB in and in the Commission Delegated Regulations (EU), including Commission Delegated Regulation (EU) No 2024/856 of 1 December 2023 regarding regulatory technical standards specifying supervisory stress-test scenarios.

As for the longest maturity after revaluation assigned to non-maturing deposits, it is 1 year for retail deposits and 5 years for other deposits. The maturity limit for retail non-maturing deposits to 1 year is related to the information provided by Citigroup on April 15, 2021 regarding planned changes to the strategy in the Retail Banking area.

The EU IRRBB1 table presents data for the Group. The worst of these scenarios (WCS - worst case scenario) is applied to the Tier 1 Capital of the Capital Group.

The results of the scenarios in question show that both the Bank's interest income and the economic value of equity are sensitive to a decrease in interest rates.

Presented below are changes in the economic present value of equity (EVE), calculated in accordance with six shock scenarios used for supervisory purposes; and changes in net interest income (NII), calculated in accordance with two shock scenarios used for supervisory purposes, as of December 31, 2024 and for the comparative period, i.e. June 30, 2024.

The threshold value used for the supervisory outlier test for economic value of equity is 15% of Tier 1 Capital. For EVE sensitivity, the result of the SOT EVE supervisory test as at December 31, 2024 was - 2.7%, which means that the 15% threshold was not exceeded, while as at June 30, 2024 - 9.7% and was also not exceeded. Changes in the economic value of equity compared to the first half of 2024 result from two reasons: firstly - the implementation of a new, more precise tool for consolidating financial forecasting, secondly - from changes in the structure of the Group's balance sheet.

The threshold value used for the interest income sensitivity test is 5% of Tier 1 Capital. As of December 31, 2024, the result of the SOT NII supervisory test was -6%. Due to the above, the Bank is taking steps to change the structure of the balance sheet and stabilize the interest income over an annual horizon.

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

Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income (NII)	
	31.12.2024	30.06.2024	31.12.2024	30.06.2024
1 Parallel up	-9,099	-55,747	414,971	415,437
2 Parallel down	-195,422	-677,934	-427,434	-429,402
3 Steepener	44,536	-362,497		
4 Flattener	-156,183	-15,410		
5 Short rates up	-149,817	-30,864		
6 Short rates down	-37,721	-704,541		
Worst case scenario	-195,422	-704,541		
Tier 1 - Grupa	7,124,915	7,287,556		
Result	**-2.74%**	**-9.67%**		

Additional information on interest trade risk is presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024, in note 3 "Risk management" in the "Market risk" section.

7. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition of operational risk includes legal risk - which is the risk of loss (including litigation costs, settlements and penalties) resulting from instable legal environment as well as wrongly defined contractual obligations in any aspect of the bank's business - but excludes strategic and reputation risks. Bank also recognises the impact of Operational Risk on the reputation risk associated with Bank's business activities.

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

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

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

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

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

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

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

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

		a	b	c	d	e
		Relevant indicator				
	Banking activities	Year-3	Year-2	Last year	Own funds requirements	Risk exposure amount
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	3,923,633	4,540,645	4,289,505	711,967	8,899,581
3	Subject to TSA:	3,923,633	4,540,645	4,289,505		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

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

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

Total Group's gross losses accounted to operational risk cost (absolute value, including gains, excluding recoveries) recorded in the year 2024, split by operational risk event types and categories (in accordance with appendix 1 to Recommendation M) are presented in the table below.

Table Total operational risk gross losses by types of events

Events' types and categories	Amount
Clients, Products & Business Practices - Related Events	**13,245**
Product Design	11,710
Suitability, Disclosure & Fiduciary	1,009
Business Practices or Market Conduct	526
External Theft and Fraud	**2,033**
Credit Card Fraud	743
Electronic Banking and Internet Fraud	527
Debit/ATM Card Fraud	394
Inventory Theft	317
Other Frauds	53
Execution, Delivery & Process Management - Related Events	**1,871**
Transaction Capture, Execution & Maintenance	1,677
Monitoring and Reporting	169
Third Party Management - External/Internal	15
Customer Account Initiation & Documentation	10
Employment Practices and Workplace Environment - Related Events	**369**
Physical Damage to Buildings and Facilities	369
Employment Practices and Workplace Environment - Related Events	**108**
Employee Relations	86
Różnorodność i dyskryminacja	22
Systems & Technology	**93**
Other Systems & Technology	56
Systems Strategy Misaligned With Business Objectives	27
Disruption Of Services and Processing Capabilities	10
Total	**17,719**

Gross value of operational losses accounted in the year 2024 (by booking date) amounted to PLN 17 719 thousand. 76% (PLN 13 489k) out of this amount relates to events, which occurred for first time in prior years. Relation of gross losses to Group revenues as of 2024 amounts to 0,39%. The total amount of losses consists of over 215 registered events (including homogenous events with financial effects not exceeding PLN 50k, aggregated on a monthly basis). In terms of severity, in the year 2024 Group registered 5 events >PLN 400k amounted to PLN 14 619k: PLN 10 636k - Cumulated losses related to TSUE sentence associated with credit products denominated in foreign currency (since 2007), 1 601k - cumulated losses related to TSUE sentence related to refund of fees for early-repaid credit products (since 2020), PLN 909k - cumulated provisions and losses related to related to option transactions from the option crisis period in Poland 2009-2010, PLN 758k - provision for the ongoing legal dispute concerning the enforceability of the Bank Enforcement Order, PLN 695k - missed statutory deadline to process Client's tax reclaim on foreign market. In the bucket >PLN 100k and <PLN 400k Group registered 8 events amounted to PLN 1 459k. The remaining events didn't exceed PLN 100k.

All operational risk events exceeding set significance thresholds are analyzed by independent control units in view of root causes and corrective actions. Corrective actions are monitored by management to avoid repetitive losses. The Group undertakes series of actions aiming at operational risk mitigation such as verification of adequacy of applied controls, enhancements to control processes in areas of identified weaknesses, enhancements of fraud detection systems, revision of limits mitigating risk exposure, strengthening of independent verifications, enhancements to maker/checker controls and staff training. Members of the Management Board approval is required for all losses exceeding established thresholds, in view of analyses of causes of the losses and adequacy of corrective actions. Risk appetite limit set for the year 2024 was not exceeded.

VII. Information related to the liquidity

Liquidity risk management

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

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

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

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

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

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

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

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

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

The main source of funding the Group's activity, including liquid assets portfolio, is deposit base, where at end of December 2024 deposits constituted 79% 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 LCR calculation.

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

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

In accordance with the Regulation No. 575/2013 the Group monitors and maintains an adequate level of Liquidity Coverage Ratio (LCR). As of December 31, 2024 LCR was 225% and was 29 percentage points higher than as of September 30, 2024. The change in the ratio is primarily influenced by changes in the level of liquid assets and the level of deposits from non-financial enterprises, and the change for the 4th quarter of 2024 compared to the 3rd quarter resulted mainly from short-term operations on wholesale markets.

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 2024, as well as the applied internal measures in the area of the liquidity risk management, are included in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024 in explanatory note no. 3 "Risk Management".

As the result of the assessment of the level of liquidity risk and current and structural liquidity ratios (ILAAP), documented during the review of the Risk Management System (Risk and Capital Management Committee held in March 2024) and resulting from the delegations held by the Assets and Liabilities Management Committee, in the process of adopting the annual "Financing and Liquidity Plan" (the last one plan, reviewed and approved in December 2023), did not recommend any changes to the existing liquidity risk limits, considering that they are appropriate to the profile and scale of the Bank's operations.

Table EU LIQ1 – Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.12.2024	30.09.2024	30.06.2024	31.03.2024	31.12.2024	30.09.2024	30.06.2024	31.03.2024
EU 1b	Number of data points used in the calculation of averages	0	0	0	0	0	0	0	0
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					43,707,581	43,377,779	43,439,683	41,835,188
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	20,928,138	20,769,890	20,612,781	20,434,108	1,824,192	1,808,918	1,786,287	1,760,084
3	Stable deposits	10,364,360	10,303,747	10,159,807	10,086,858	518,218	515,187	507,990	504,343
4	Less stable deposits	10,563,777	10,466,143	10,452,974	10,347,250	1,305,974	1,293,731	1,278,297	1,255,741
5	Unsecured wholesale funding	35,255,084	34,849,282	35,032,135	34,471,495	13,496,272	13,259,399	13,592,712	13,446,805
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	22,018,501	21,685,611	21,883,347	21,655,746	5,504,625	5,421,403	5,470,837	5,413,937
7	Non-operational deposits (all counterparties)	13,236,583	13,163,671	13,148,788	12,815,749	7,991,646	7,837,996	8,121,876	8,032,868
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	51,754,802	47,323,768	56,635,297	57,339,305	39,973,414	35,603,023	45,088,861	45,898,279
11	Outflows related to derivative exposures and other collateral requirements	38,808,866	34,443,617	43,981,332	44,823,541	38,808,866	34,443,617	43,981,332	44,823,541
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	12,945,935	12,880,151	12,653,964	12,515,764	1,164,548	1,159,406	1,107,529	1,074,738
14	Other contractual funding obligations	870,211	1,075,678	1,318,673	1,470,199	870,211	1,075,678	1,318,673	1,470,199
15	Other contingent funding obligations	5,806,712	5,399,261	4,753,170	4,563,320	580,671	539,926	475,317	456,332
16	TOTAL CASH OUTFLOWS					56,744,761	52,286,944	62,261,850	63,031,699
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	6,475,865	7,863,634	9,624,363	9,933,360	46,546	90,428	-	-
18	Inflows from fully performing exposures	1,581,792	1,435,533	1,687,356	1,708,507	1,319,124	1,175,580	1,458,123	1,480,347
19	Other cash inflows	33,321,176	28,732,470	37,839,502	38,610,165	33,321,176	28,732,470	37,839,502	38,610,165
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	41,378,832	38,031,637	49,151,221	50,252,031	34,686,846	29,998,478	39,297,625	40,090,511
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	41,378,832	38,031,637	49,151,221	50,252,031	34,686,846	29,998,478	39,297,625	40,090,511
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					43,707,581	43,377,779	43,439,683	41,835,188
22	TOTAL NET CASH OUTFLOWS					22,154,835	22,288,466	22,964,225	22,941,188
23	LIQUIDITY COVERAGE RATIO					197.28	194.62	189.16	182.36

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**	**8052,723**	**-**	**-**	**-**	**8052,723**
2	*Own funds*	8052,723	-	-	-	8052,723
3	*Other capital instruments*		-	-	-	-
4	**Retail deposits**		**21392,102**	**83,085**	**1,343**	**19857,566**
5	*Stable deposits*		10571,106	-	-	10042,551
6	*Less stable deposits*		10820,995	83,085	1,343	9815,015
7	**Wholesale funding:**		**35073,393**	**34,968**	**1073,505**	**16700,857**
8	*Operational deposits*		24321,145	-	-	12160,572
9	*Other wholesale funding*		10752,249	34,968	1073,505	4540,285
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**-**	**1518,821**	**3,334**	**15,562**	**17,228**
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		1518,821	3,334	15,562	17,228
14	**Total available stable funding (ASF)**					**44628,375**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**-**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		-	-	-	-
16	**Deposits held at other financial institutions for operational purposes**		**-**	**-**	**-**	**-**
17	**Performing loans and securities:**		**8,452,677**	**5,865,823**	**14,764,810**	**16,727,309**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		4,058,656	4,462,267	-	2,231,133
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		380,877	449,910	2,041,434	2,304,477
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,196,217	953,646	11,082,612	10,495,152
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		2,816,928	-	1,640,765	1,696,547
25	**Interdependent assets**		-	-	-	-
26	**Other assets:**		**2,388,394**	**3,261**	**2,265,634**	**3,045,648**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				469,675	399,223
29	*NSFR derivative assets*		286,959			286,959
30	*NSFR derivative liabilities before deduction of variation margin posted*		1,611,912			80,596
31	*All other assets not included in the above categories*		19,848	3,261	2,265,634	2,278,869
32	**Off-balance sheet items**		**-**	**-**	**20,594,664**	**1,242,692**
33	**Total RSF**					**21,336,460**
34	**Net Stable Funding Ratio (%)**					**209,16**

The Group is reviewing liquidity ratios calculation methodology, in particular from operational deposit identification standpoint. In the most conservative approach LCR and NSFR ratios would be reduced to 181%, and 200% as of 31 Dec 2024, respectively, which would still exceed the prudential thresholds applied by the Group's and significantly above regulatory thresholds.

VIII. Internal Capital Adequacy Assessment

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

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

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

Below we present the specific, measurable risks identified as material in the Group in 2024:

- credit risk (retail and wholesale),
- counterparty credit risk,
- market risk (Trading),
- market risk (Non-trading),
- liquidity risk,
- operational risk,
- compliance risk,
- capital risk,
- climate and environmental risk for credit, strategic and compliance risk.

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

The internal capital requirements for credit and counterparty risk were estimated according to advanced approach based on internal ratings for the following exposure classes: exposures to institutions, corporates, regional governments and local authorities and public sector entities. For exposures different than mentioned above internal capital requirements were calculated according to standardized approach specified in the Regulation No. 575/2013.
Capital requirement for operational risk has been calculated using standardized methodology approach specified in the Regulation No. 575/2013. Calculated capital requirement, according with the accepted methodology, was increased by add-on, as stress tests showed necessity to increase internal capital for operational risk.
Internal capital for market risk in trading book is based on an integrated measure, which takes into account both the value at risk (VaR), and the size of losses in stress scenarios, estimating unexpected loss on the trading portfolio with the probability of 99.9% in 1Y time horizon. In the case of banking book (accrual) portfolios quantification of internal capital, is based on a combination of potential maximum decrease in net interest income of the bank in the perspective of one year in conjunction with the maximum negative impact of changes in interest rates on the economic value of the bank's capital, determined in stress scenarios with the probability of 99.9% in 1Y time horizon.
In the case of liquidity risk, the amount of internal capital allocation is based on current and projected elements of supervisory measures, taking into account the stress scenarios within the next 12 months.

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

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

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

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

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

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

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

IX. Unencumbered assets

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

Table EU AE1 - Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	2 734 915	589 856			72 858 468	35 730 716		
030	Equity instruments	-	-	-	-	166 981	-	166 981	-
040	Debt securities	589 856	589 856	589 856	589 856	35 355 181	34 352 990	35 355 181	34 352 990
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	1 002 191	-	1 002 191	-
070	of which: issued by general governments	589 856	589 856	589 856	589 856	9 640 190	9 640 190	9 640 190	9 640 190
080	of which: issued by financial corporations	-	-	-	-	17 214 266	16 212 075	17 214 266	16 212 075
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	2 145 059	-			37 336 305	1 377 725		

Table EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010		040	
130	**Collateral received by the disclosing institution**	**-**	**-**	**12 115 619**	**9 951 100**
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	9 951 100	9 951 100
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	7 573 902	7 573 902
200	of which: issued by financial corporations	-	-	2 377 197	2 377 197
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	79 830	-
230	Other collateral received	-	-	2 084 689	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and securitisations issued and not yet pledged**			**-**	**-**
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**2 734 915**	**589 856**		

Table AE3 – Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	3,984,081	2,188,821

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

Other assets disclosed above secure settlement of derivatives transactions. The terms and conditions of the transactions executed to date are standard and typical for such dealings.
EHQLA and HQLA are: instrument recognized by NBP as collateral in repo transactions, balance in central banks decreased by obligatory reserve and cash.
Encumbered assets in form of debt instrument blocked by clearing houses or margin deposits result from derivatives transactions concluded by the Bank.

X. Leverage Ratio

Information on the leverage ratio as of December 31, 2024, summary reconciliation of accounting assets and leverage ratio exposures, leverage ratio common disclosure, split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) are presented in the following tables in accordance with Commission Implementing Regulation (EU) 2021/637:

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

		a
		Applicable amount
1	Total assets as per published financial statements*	74,619,041
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	91,089
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	-1,092,959
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)	5,945,226
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	-1,633,373
13	**Total exposure measure**	**77,929,024**

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

Table EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		31.12.2024	30.06.2024
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	61,112,317	65,141,686
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)	(364,745)	(347,053)
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)	(865,724)	(963,001)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**59,881,847**	**63,831,632**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1,659,860	1,289,606
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	2,066,119	2,241,124
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	3,725,979	3,530,730
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	8,520,923	5,627,318
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	8,520,923	5,627,318
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	20,564,043	18,151,963
20	(Adjustments for conversion to credit equivalent amounts)	(14,763,768)	(13,363,697)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	5,800,275	4,788,265
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-

Capital and total exposure measure			
23	**Tier 1 capital**	**7,124,915**	**7,287,556**
24	**Total exposure measure**	**77,929,024**	**77,777,946**
Leverage ratio			
25	Leverage ratio (%)	9.14	9.37
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	9.14	9.37
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	9.14	9.37
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	14,176,808	8,886,678
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	8,520,923	5,627,318
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)	83,584,909	81,037,306
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)	83,584,909	81,037,306
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)	8.52	8.99
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)	8.52	8.99

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

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**69,268,494**
EU-2	Trading book exposures	1,654,731
EU-3	Banking book exposures, of which:	67,613,763
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	35,702,742
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	4
EU-7	Institutions	9,901,145
EU-8	Secured by mortgages of immovable properties	3,274,275
EU-9	Retail exposures	3,736,338
EU-10	Corporates	11,540,395
EU-11	Exposures in default	204,842
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,254,022

The main factor impacting the leverage ratio was decrease of Tier 1 capital, mostly as a result of changes in the value of assets measured at fair value.

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

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

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

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

XI. Information regarding the remuneration polic

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

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

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

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

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

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

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

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

In 2024 there were seven meetings of the BHW Nomination and Remuneration Committee.

As at December 31, 2024 the BHW Nomination and Remuneration Committee was composed of:

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

In 2024, the Bank analyzed the roles and responsibilities of their employees in the context of the main risks manageable at the Bank as well as the quantitative and qualitative criteria described in the Commission Delegated Regulation (EU) 2021/923 of March 25, 2022 supplementing the Directive of the European Parliament and the European Council 2013/36/EU with regard to regulatory technical standards specifying criteria for determining management responsibilities, control functions, significant business units and significant impact on the risk profile of a significant business unit, and specifying criteria for determining employees or categories of employees whose professional activities affect on the risk profile of these institutions in a manner comparable to that of the employees or categories of employees referred to in Art. 92 sec. 3 of this directive. On this basis, the established a list of persons who have a significant impact on the Bank's risk profile and therefore should be subject to the provisions of the Eligible Persons Remuneration Policy. Once a year, by December 31, the current list is submitted to the Management Board and Supervisory Board of the Bank. The list of employees covered by the Eligible Persons Remuneration Policy includes:

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

The philosophy of awarding the persons under the Remuneration Policy for Identified Staff, adopted by the Group, implies the compensation differentiation of particular employees based on the financial and non-financial criteria, such as attitude to take risk and assurance of compliance to reflect their current and future contribution and to supplement mechanisms of efficient risk control by limiting the motivation for taking unreasonable risk impacting the Group and its activities and by rewarding the proper balance between risk and rate of return. According to this philosophy, the payment of variable remuneration to staff under the Remuneration Policy for Identified Staff depends on both the short-term and long-term evaluation of the individual performance and the financial results of the Bank or specific organizational unit, whereby the persons responsible for control functions are not assessed for the financial results within business areas they control. The assessment of the Bank’s results is based on the data from three financial years, which takes into account the business cycle of the Bank and risk of its economic activities. In case of staff employed less for than 3 years when evaluating the Bank’s results the data includes the span of time from the establishing working relationship. The variable remuneration for 2024, granted January 14, 2024 was divided into non-deferred and deferred portions. The deferred portion is subject to deferral over 4 or 5 years and will be paid out respectively in years 2026-2029 or in years 2026-2031, subject to conditions provided for in the Remuneration Policy for Identified Staff. Information on adopted solutions binding in 2024 was given in Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ending 31 December 2024 in the explanatory note 46 “Employee benefits”.

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

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

- less than PLN equivalent of EUR 50,000, and at the same time below 1/3 of total compensation (conditions to be met jointly)– No deferral,

- between PLN equivalent of EUR 50,000 and equivalent of EUR 500 thousand – deferral over 4 or 5 years of 40% of the variable remuneration and 6 or 12 months retention period for each tranche of the award,
- above the equivalent of EUR 500 thousand– deferral over 4 or 5 years of 60% of the variable remuneration and 6 or 12 months retention period for each tranche of the award.

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

For 2024 55 individuals with Identified Staff status as of December 31, 2024 were granted variable remuneration below PLN equivalent of EUR 50,000 and below 1/3 of total compensation. Therefore, for this population no deferral applied. Their total remuneration amounted to PLN 34 771 k with PLN 28 500 k – fixed and PLN 6 270 k – variable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2024 Supervisory Board after obtaining Nomination and Remuneration Committee opinion positively assessed funcioning of remuneration policy in the Bank. Outcome of this assessment was covered in Report on the activity of the Supervisory Board of the Bank.

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

Table 1. EU REM1 – Remuneration awarded for the financial year

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

			a	b	c	d
			MB Supervisory function [1]	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	8	7		82
2		**Total fixed remuneration**	**2,025**	**12,932**		**52,366**
3		Of which: cash-based	2,025	11,590		47,719
4		(Not applicable in the EU)	-	-		-
EU-4a		Of which: shares or equivalent ownership interests	-	-		-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-		-
EU-5x		Of which: other instruments	-	-		-
6		(Not applicable in the EU)	-	-		-
7		Of which: other forms	-	1,342		4,647
8		(Not applicable in the EU)	-	-		-
9	Variable remuneration	Number of identified staff	-	7		82
10		**Total variable remuneration**	**-**	**11,594**		**22,612**
11		Of which: cash-based	-	2,737		10,755
12		Of which: deferred	-	-		-
EU-13a		Of which: shares or equivalent ownership interests	-	8,857		11,857
EU-14a		Of which: deferred	-	6,120		7,392
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-		-
EU-14b		Of which: deferred	-	-		-
EU-14x		Of which: other instruments	-	-		-
EU-14y		Of which: deferred	-	-		-
15		Of which: other forms	-	-		-
16		Of which: deferred	-	-		-
17	**Total remuneration (2 + 10)**		**2,025**	**24,526**		**74,978**

[1] Excluded the remuneration of a member of the Management Board for the period of serving on the Management Board, who as at 31 January 2024 held the position of a member of the Supervisory Board.

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Table 2. EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	1
7	Severance payments awarded during the financial year - Total amount	-	-	-	277
8	Of which paid during the financial year	-	-	-	277
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	277

Table 3. EU REM3 – Deferred remuneration*

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

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	3,293	1,513	1,780	-13	-16	-29	1,873	1,037
2	Cash-based	952	476	476	6	7	14	476	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	2,341	1,037	1,304	-19	-24	-42	1,397	1,037
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	15,007	4,085	10,922	-57	-307	-365	2,632	2,000
8	Cash-based	2,013	725	1,288	4	21	25	725	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	12,994	3,359	9,635	-61	-328	-389	1,906	2,000
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	22,446	7,693	14,753	-102	-742	-843	7,693	-
20	Cash-based	2,791	1,402	1,389	8	19	27	1,402	-
21	Shares or equivalent ownership interests	714	20	694	0	-105	-105	20	-
22	Share-linked instruments or equivalent non-cash instruments	18,941	6,271	12,670	-110	-655	-765	6,271	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	**40,746**	**13,291**	**27,455**	**-172**	**-1,065**	**-1,237**	**12,198**	**3,037**

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

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	1
2	1,500,000 to below 2,000,000	2
3	2,000,000 to below 2,500,000	-
4	2,500,000 to below 3,000,000	-
5	3,000,000 to below 3,500,000	-
6	3,500,000 to below 4,000,000	-
7	4,000,000 to below 4,500,000	-
8	4,500,000 to below 5,000,000	-
9	5,000,000 to below 6,000,000	-
10	6,000,000 to below 7,000,000	-
11	7,000,000 to below 8,000,000	-

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

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

	a	b	c	d	e	f	g	h	i	j
	Bank Management body remuneration			Bank Business areas						Group
	MB Supervisory function [1]	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All others	Total
1 **Total number of identified staff**										97
2 Of which: members of the MB	8	7	15							
3 Of which: other senior management				-	-	-	-	-	-	
4 Of which: other identified staff				39	10	-	15	18	-	
5 Total remuneration of identified staff	2,025	24,526	26,551	44,833	7,091	-	10,520	12,535	-	
6 Of which: variable remuneration	-	11,594	11,594	16,798	1,571	-	1,883	2,360	-	
7 Of which: fixed remuneration	2,025	12,932	14,957	28,035	5,520	-	8,636	10,174	-	

[1] Excluded the remuneration of a member of the Management Board for the period of serving on the Management Board, who as at 31 January 2024 held the position of a member of the Supervisory Board.

XII. Key capital metrics after the retrospective profit incorporation

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

The data for March 31st 2024 and December 31st 2023 have been recalculated taking into account the profit for 2023 after its approval by the General Meeting of Shareholders.

Key capital metrics after the retrospective profit incorporation

		a	b	c	d	e
		31.12.2024	30.09.2024	30.06.2024	31.03.2024	31.12.2023
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	7,124,915	7,302,409	7,287,556	7,199,816	7,086,384
2	Tier 1 capital	7,124,915	7,302,409	7,287,556	7,199,816	7,086,384
3	Total capital	7,124,915	7,302,409	7,287,556	7,199,816	7,086,384
Risk-weighted exposure amounts						
4	Total risk exposure amount	33,596,699	32,020,068	30,923,643	30,346,212	30,020,075
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	21.21	22.81	23.57	23.73	23.61
6	Tier 1 ratio (%)	21.21	22.81	23.57	23.73	23.61
7	Total capital ratio (%)	21.21	22.81	23.57	23.73	23.61
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 (%)	0.06	0.07	0.08	0.08	0.07
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 (%)	2.81	2.82	2.83	2.83	2.82
EU 11a	Overall capital requirements (%)	10.81	10.82	10.83	10.83	10.82
12	CET1 available after meeting the total SREP own funds requirements (%)	13.21	14.81	15.57	15.73	15.61
Leverage ratio						
13	Total exposure measure	77,929,024	76,279,445	77,777,946	78,165,949	74,905,759
14	Leverage ratio (%)	9.14	9.57	9.37	9.21	9.46
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

XIII. Declaration of the Management Board of Bank

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

- declares that, to the best of its knowledge, the information disclosed in the document "Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as at December 31, 2024" in accordance with part eight of Regulation No. 575/2013, are adequate to the actual state; the adequacy of risk management arrangements at the Bank ensures that the applied risk management systems are appropriate from the point of view of the risk profile and strategy of the Bank and the entire Group.
- approves this document "Information on capital adequacy of the Capital Group of Bank Handlowy w Warszawie S.A. as at December 31, 2024", 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
11.03.2025	Elżbieta Światopełk-Czetwertyńska	The President of Management Board
11.03.2025	Maciej Kropidłowski	Vice-president of Management Board
11.03.2025	Katarzyna Majewska	Vice-president of Management Board
11.03.2025	Barbara Sobala	Vice-president of Management Board
11.03.2025	Andrzej Wilk	Vice-president of Management Board
11.03.2025	Patrycjusz Wójcik	Vice-president of Management
11.03.2025	Ivan Vrhel	Member of Management Board