2021

Report on activities

citi handlowy

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

This document is not the official version of the Report on activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2021. Official Report on activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2021, it was prepared in accordance with the requirements of the ESEF. This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

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

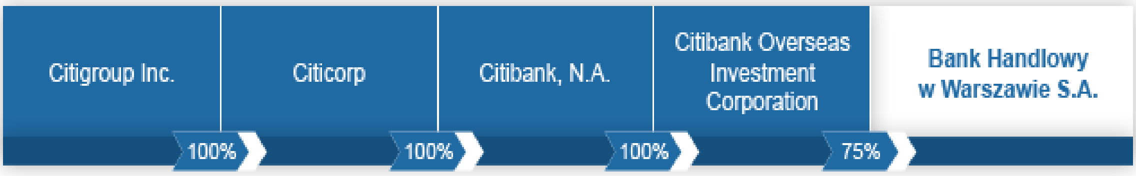
1. History of the Capital Group of Bank Handlowy w Warszawie S.A.

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

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

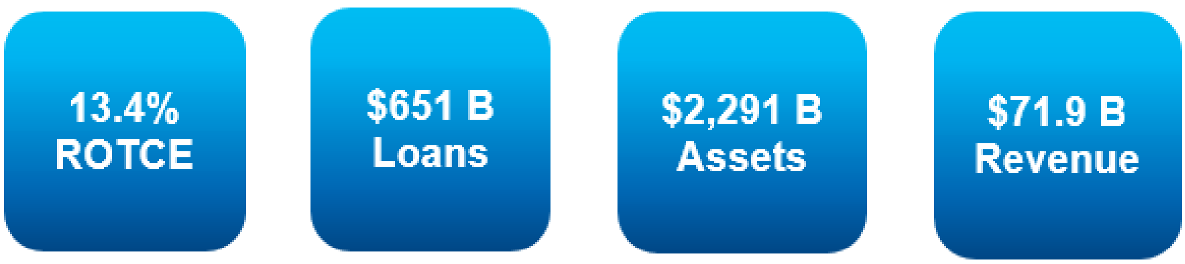
2. Ownership structure

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



Citigroup is a leading global provider of financial services. Its customer base totals approx. 200 million clients, including consumers, corporations, governments and their agencies, and various institutions in more than 160 countries. It offers a wide range of financial products and services including corporate and investment banking, consumer banking, credits, insurance, securities market services and asset management. For more information, please visit www.citigroup.com or www.citi.com.

The Citi Capital Group in numbers for 2021 *(Citi financial data for 2021)*



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

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

In the institutional client segment, Citi Handlowy focuses on fostering its leading position among banks which provide services to international corporations and the largest local companies. Small and medium enterprises sector (SME) is another group of significant clients. Concentration on acquiring new clients coupled with efforts to strengthen relations with the existing clients from selected industries, as well as support for clients who seek their business opportunities abroad (the initiative Emerging Market Champions) are the key for building the Group's market position.

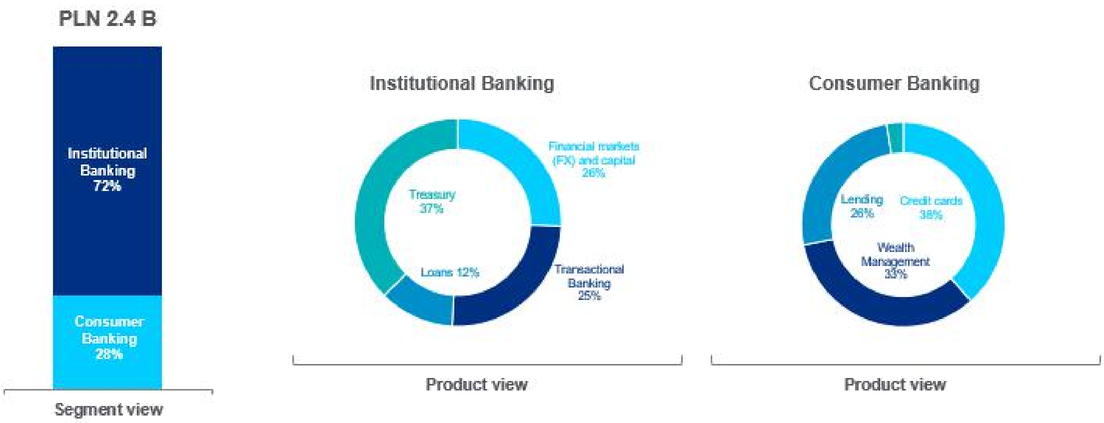
The Group's objective is to play the role of Strategic Partner to Polish enterprises, who actively supports the expansion of the Polish industry. This is tangibly reflected in the Bank's product offer with foreign exchange transactions and products associated with trade finance and secure trade transactions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

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

Moreover, Citi Handlowy is an undisputed industry leader in credit cards with access to products from Citi global product range, accepted worldwide and providing exceptional value to the client, such as, among other rewards, loyalty reward schemes. The Bank aims at further strengthening its market share in non-secured credit products by satisfying lending needs and increasing the number of clients relying on its competitive cash loan or instalment product offer as well as innovative and agile processes.

Dom Maklerski Banku Handlowego S.A. (DMBH) (the Brokerage House of Bank Handlowy) is one of the most active actors in Poland's capital market and provides a wide range of brokerage services to both individual and institutional clients.

The structure of the Group's revenues in 2021 (the segment view presents the management system)



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

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

For the last twelve months of the Strategy, the Bank achieved the following results furthering the implementation of its long-term goals:

- supporting international activity of domestic companies, higher FX volumes by 32% YoY among global clients and commercial banking clients;
- higher number of global clients – client number increased by 3% YoY;
- development of the offer for business in the e-commerce industry and higher transaction volumes of the Bank accompanied by a growth in the scale of activity of these businesses, foreign transfers were up by 4% in 2021 vs. the prior year period;
- participation in the largest transactions in the capital market. In 2021 DMBH acted as a Local Co-Bookrunner in the IPO on Euronext Amsterdam worth EUR 3.2 billion, also DMBH acted as a Global Coordinator of the Pracuj.pl Group IPO on the WSE;
- conducting the largest public issue of Climate Awareness Bonds for the European Investment Bank supporting sustainable growth in the amount of PLN 1.25 billion, dedicated to Polish investors;
- progress in further process automation: 37% of bank account agreements in 2021 were signed electronically, the Bank processed approximately 33 million transactions electronically.

Despite the announcement of its strategic decision to exit consumer banking, the Bank also managed to have the following achievements in the consumer segment:

- increase in the average balance of investment products assets by 4% YoY and increase in the number of affluent clients (CPC) by 23% YoY;
- development of the FX offer for individual clients - introduction of a Currency Card and 10 new currencies on the foreign currency account - an increase in the volume of FX by 20% YoY.
- launch of BLIK mobile transactions;

At the same time, the Group maintains a high level of capital security: high quality assets and capitals, total capital ratio (TCR) at 20.1%, i.e. 9.4 p.p. above regulatory requirements. Due to a stable financial position, the Group was able to distribute as dividend almost 100% of profit for 2020 – the highest dividend rate for 2020 among banks listed on the WSE, which confirms the Bank's strong commitment to delivering on its obligations to its shareholders.

Bank's competitive position

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

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

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

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

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

Development prospects

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

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

The Bank wants to achieve the following financial goals:

- Increase in revenues from clients by an average of 9% annually;
- Return on capital (ROE) >12% in 2024;
- Maintained cost discipline (C/I < 50%);
- Increase in client assets by an average of 6% annually over 3 years;
- Continued dividend payout of at least 75% of net profit, subject to regulatory approval.

4.1 Institutional banking

In Institutional Banking, the Bank strives to continue to be the bank of choice for the biggest international corporations active in the Polish market and Polish businesses actively operating in foreign markets. This will be achieved thanks to a broad experience, a customized package of services and products as well as top-quality technology solutions and also by following the latest trends crucial for the clients' development. Therefore, the Bank wants to be active in the transformation of its clients consisting in adjusting their business model to the challenges of the new, post-pandemic reality. In this area, a great emphasis will be placed on solutions supporting green transformation regarding not only the power sector, but also the entire economy. What will be crucial in the segment of Institutional Banking are services for companies from industries undergoing intense digitization and those which experienced important shifts in the international supply chain. The Bank's focus remains on financial institutions and big public and local government institutions. The Bank will make efforts to propose a top-quality offer to each of the above groups, including, among others, transformation and consolidation financing products, trade financing products and hedges against the risk associated with running an international business, and also a comprehensive offer of liquidity services, and finally services related to handling the most complex transactions in the capital and debt market.

4.2 Brokerage activity

A key factor that contributes to DMBH's performance is the investment activity of institutional investors, which in turn depends on the equity market situation and new inflows of funds to the capital market. From the perspective of the national equity market, stable trends have been observed for a few years that include an increased share of remote stockbrokers in stock market turnovers, the consolidation of bank groups and structural changes in stock market turnovers. Following the market trends DMBH implements technology projects aiming at further automation and improvement of processes which ensure the cost effective service of local and international institutional clients which are interested in algorithmic trading and high-volume transactions. In the face of fierce competition and observed changes in the structure of stock market turnovers, DMBH will not aspire at all costs to become the market leader in terms of turnovers. The Company's goal is to maintain the economic effectiveness of its operations.

In the face of changes in the market of brokerage services for institutional clients, the Group perceives as particularly important the development of the retail client segment, where it discerns various opportunities to continue activities to improve the effectiveness of cooperation between DMBH and the Bank. In an environment of continuously low interest rates, investments in the capital market are a very attractive alternative to bank deposits and other methods of investing. Therefore, the Bank is planning a number of changes to continuously improve its flagship services such as Poland's unique offer of foreign markets with the CitiFX Stocks platform and model investment advice regarding foreign shares and bonds. The key initiatives in this area are: integration of the foreign market platform with handling of transactions on the WSE, addition of another asset class to the advisory services and potential integration with the advice provided at the Bank. The development of products for individual clients is of strategic importance for the Group of Bank Handlowy, therefore, the Bank is working on launching a remote process for opening a brokerage agreement, which would significantly facilitate acquisitions and cross-selling to bank clients who do not have a brokerage account yet.

Another vital area is capital market operations, where DMBH wants to further actively participate in IPO, SPO and AEO transactions as well as calls for shares and exchange of shares. Citi Handlowy is a leading bank in institutional banking in Poland and a service provider of the largest companies. The Group allows its clients to access foreign capital through the global distribution network of Citi and makes it possible to execute transactions within investment banking, capital markets and financial markets, both on the local market and on foreign markets. The competitive edge of the Bank lies definitely in its ability to offer a wide range of transaction structuring options on the capital market, both in terms of products and geography, and access to the best product teams within DMBH, Bank Handlowy and the international network of Citi. The Group aims to further support its corporate clients and develop cooperation regarding products of investment banking and capital markets in the Commercial Bank Division.

Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) announced the planned change of the stock exchange system. Ultimately, the new system will service all markets within GK GPW (GPW, BondSpot and TGE). In 2022 DMBH and the Bank are expected to integrate their activity in performance of the agreement for the sale of DMBH to the Bank, provided that the Bank obtains a consent to extend its brokerage license. The above-mentioned sales agreement covers the transfer of all brokerage activities carried out by DMBH to the Bank by transferring to the Bank the assets of DMBH via sale of its enterprise. The business model will not change as a result of the merger, and the Brokerage Office will offer the same scope of services within the banking structures as is now offered by DMBH. The merger should be finalized once the administrative proceedings at the Polish Financial Supervision Authority are completed. The awaited integration of the activities of DMBH and the Bank is expected to have a positive influence on further development of the present areas of brokerage activity. In performance of the above-mentioned sales agreement, DMBH is planned to be liquidated in the following years.

4.3 Consumer banking

In 2022, the Bank will continue its strategy with regard to client segmentation and business model. According to its plans, the Bank will expand its products and services so that it can provide the highest value possible in the target segments.

The Bank will strive to strengthen its leading position in the area of banking for affluent client segment. Aim-driven, the Bank will continue to develop its offer for Citigold Private Client (CPC) and Citigold clients. The Bank is going to increase the portfolio of clients from those segments by proactive acquisition and reinforcement of relationships with existing clients. Clients from the CPC and Citigold segments will have at their disposal a network of nine modern, fully renovated financial service centers located in eight major Polish cities. They will meet their financial and investment needs with the help of dedicated, professional personal advisors. The Bank wants to enhance the product range for those clients, both in the direct client–RM relations and on electronic platforms. For those client groups, the Bank will also continue cooperation with other Citi companies throughout the world in order to provide top quality services in the area of global banking.

In addition, in 2022, the Bank will also seek to win aspiring wealthy and mass customers, using CitiKonto, i.e. a personal account offer for everyday banking, with a unique currency offer and access to Citi Kantor, which enables quick currency exchange in electronic or mobile banking.

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

5. Major results and developments in 2021

5.1 Summary financial data of the Bank and the Group in 2021

In 2021 the Group recorded net income amounting to PLN 717.5 million, which is higher by PLN 545.1 million comparing to the 2020 profit. The increase in net profit was driven by higher revenues, which grew by PLN 285.8 million (i.e. 13.8%) to the level of PLN 2,354.1 million and lower provisions for expected credit losses, which decreased by PLN 151.5 million (i.e. 79.6%) to the level of PLN 38.8 million. The main driving factor impacting the increase in revenues was higher profits on investment debt securities along with higher commission income and clients FX income. The stand-alone net profit of the Bank (distributable) for 2021 amounted to PLN 716.0 million and was higher by PLN 557.9 million than the profit for 2020.

At the same time, in 2021, the Group maintained a strong and safe capital position, achieving a total capital ratio of 20.1% as at the end of December 2021.

PLN million	Bank		Capital Group	
	2021	2020	2021	2020
Total assets	61,681.6	60,632.4	61,862.8	60,941.5
Equity	7,316.0	7,515.2	7,383.4	7,581.0
Amounts due from customers*	21,187.2	21,673.8	21,327.6	21,914.2
Deposits *	42,770.0	43,189.2	42,781.9	43,172.0
Net profit	716.0	158.1	717.5	172.4
Capital adequacy ratio	19.8%	22.3%	20.1%	22.6%

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

5.2 Key achievements in 2021

2021 was the year of implementing the growth strategy in the key areas for the Group, which is confirmed by the following achievements and events:

- Another strong quarter in terms of the activity of Institutional Banking clients. The Group participated as a co-bookrunner in the largest IPO in Europe in 2021, worth EUR 3.2 billion (the debut of a domestic company on the Euronext exchange in Amsterdam) and additionally acted as Underwriter and Original Lender in the acquisition of a company from the alcohol industry worth EUR 300 million and PLN 820 million. At the same time, the Bank supported clients from the Commercial Banking segment, whose loan volumes increased by 13% YoY;
- Also, the Bank supported green initiatives by acting as Joint Lead Manager in the process of the first public issue of the Climate Awareness Bond issued by the European Investment Bank and financed one of the largest producers of lithium-ion batteries in Europe;
- FX volumes among Global Clients and Commercial Banking Clients increased by 32% YoY;
- As a result, the above highlights together with the realization of profits on investment debt securities, contributed to the record-breaking income of the Institutional Banking segment at the level of PLN 1,732.2 million;
- In the Consumer Banking area, the Group continued its growth in the Wealth Management area, as evidenced by the increase in the number of affluent clients (Citi Private Client – CPC) by 23% YoY. As a result, deposits of individual customers grew by 9% YoY;
- The Bank also focused on enhancing customer experience. FX volumes increased by 20% YoY, of which 52% of these volumes is realized in a dedicated tool - Citi Kantor;
- At the same time, the Bank implemented to its clients Blik mobile transactions and a virtual card.

6. Awards and honors

In 2021, the Bank, DMBH and the Kronenberg Foundation at Citi Handlowy were awarded prestigious titles and rewards:

- **Citi Handlowy tops Euromoney's Cash Management ranking, for the eighth time**
  Transaction banking of Citi Handlowy topped the prestigious ranking of the Euromoney magazine again. In 2021, the votes of its clients elevated Citi Handlowy to the first place in both categories: **"Market Leader" and "Best Service".**
- **Diversity IN Check: Citi in Poland among employers with the most advanced diversity policy**
  Diversity IN Check: Citi in Poland (Citi Handlowy and Citibank Europe plc.) made the first list of employers with the most advanced diversity management in Poland, compiled by the Responsible Business Forum. The fact that the Bank was included on the list speaks to the high level of its maturity in creating an inclusive workplace that is open to diversity. It is also yet another ranking that confirms the Bank's serious commitment to building an organization where everyone can be themselves and where differences are something that unites, and not divides people.
- **Citi Handlowy again named "SuperEthical Company"**
  In a Puls Biznesu survey of corporate operating standards, Citi Handlowy has confirmed its consistent adherence to

the highest ethical requirements. The Bank has been regularly awarded in the competition since its beginning. Citi Handlowy has retained the title of the "SuperEthical Company", which is conferred every three years. It is the only bank among only nine laureates awarded in this year's survey and one of two banks entitled to use this prestigious title.

- **First place in the "Socially Sensitive Bank" category in the 12th edition of the Golden Banker ranking organized by "Puls Biznesu" and Bankier.pl.**
  Together with the Citi Handlowy Foundation, the bank was also named a "socially sensitive bank" for its #SilentHeroes campaign, a title that is very important and meaningful during the challenging time of the pandemic. These intervention activities are organized by 2,000 volunteers from Citi in Poland. They are a series of initiatives developed overnight to address the needs of the groups most affected by the pandemic. Healthcare professionals received nationally innovative medical equipment – mobile ultrasound devices and respirators, video laryngoscopes, PPE for doctors and training in using the new equipment. 7 ambulances were thus additionally equipped. During the first weeks of lockdown, volunteers prepared over 8,300 meals for the paramedics in Warsaw and Olsztyn to help them get through the most difficult time of chaos. Moreover, over 100 computers were donated to children to help them with remote education, while over 1,000 packages with basic necessities were delivered to the elderly.
- **6th consecutive Golden Banker for the Citi Handlowy Credit Card in the 12th edition of the Golden Banker ranking organized by "Puls Biznesu" and Bankier.pl.**
  For the sixth time, the Citi Handlowy credit card has won the Golden Banker ranking as the best product on the market in its category, thus confirming its position as a market leader. The Citibank-BP Motocard Credit Card was awarded for "zero issuance, renewal and maintenance fee, as well as access to a high limit and one of the market's longest interest-free periods," reads the justification.
- **Citi Handlowy named Poland's best investment bank according to Euromoney**
  The British magazine Euromoney named Citi Handlowy "The Best Investment Bank in Poland" in the year 2020 in the prestigious Euromoney's Awards for Excellence. Last year, the Bank in cooperation with Citi supported Polish enterprises in the largest international M&A transactions.
- **Medals of NBP and ZBP for the 150th anniversary of Citi Handlowy**
  During a virtual gala, presidents of the National Bank of Poland (NBP) and the Polish Bank Association (ZBP) presented merit medals for supporting the development of banking in Poland to 100 employees of Citi Handlowy. The awards for the employees were the culmination of the "150 years of progress" – celebrations of the anniversary of the oldest Polish commercial bank. 25 employees of Citi Handlowy received honorary badges of the National Bank of Poland, while 75 employees received medals of the Polish Bank Association. These are representatives of consumer, corporate and transactional banking, as well as employees of the risk and finance departments, support sectors and the Citi Handlowy Foundation.
- **Citi Handlowy in the WIG-ESG index**
  Citi Handlowy is part of the WIG-ESG index, which comprises companies considered socially responsible, i.e. those that follow the principles of socially responsible business, in particular in terms of environmental, social, economic and corporate governance issues. In 2019, the WIG-ESG Index replaced the previous RESPECT Index which also, throughout its existence, included Citi Handlowy.
- **3rd place in the Institutional Investor 2021 ranking for analysts from the Analysis Bureau of the Brokerage House of Citi Handlowy.**
  In the Institutional Investor 2021 Western Europe & Emerging EMEA research, the analysts from the Analysis Bureau of the Brokerage House of Citi Handlowy, jointly with the teams from the Czech Republic and Hungary, took the 3rd place as ones of the best analysis teams in the "CE3" category. As regards individual rankings, Piotr Dzięciołowski took 2nd place in the Utilities sector and Andrzej Powierża ranked 4th in the Financials sector, thus confirming their high positions. The research was carried out by the Institutional Investor, with over 10,000 votes cast in EMEA.

II. Poland's economy in 2021

1. Main macroeconomic trends

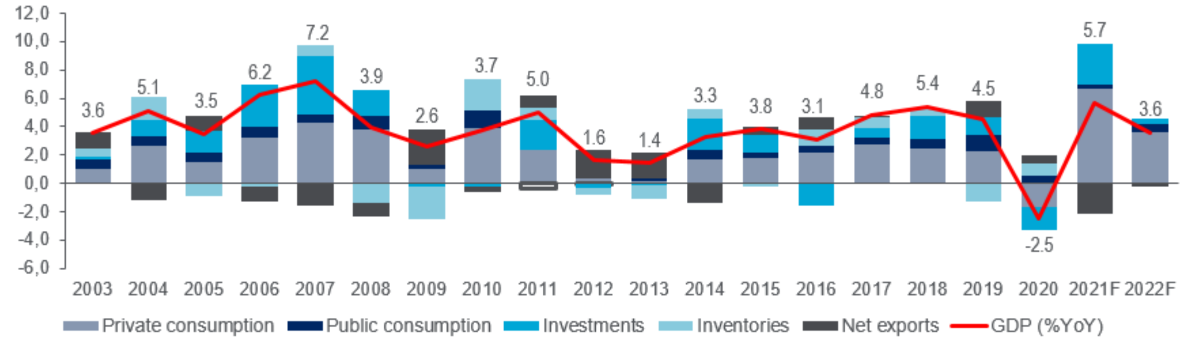
External environment

The year 2021 was marked by a global economic recovery; in 2021 the world's GDP probably grew by around 5.7% YoY as compared to the drop by 3.5% YoY in 2020. The progress made in the vaccination programs allowed for imposing less stringent restrictions on activity in multiple countries. Economic data were surprising in a positive sense especially in the first part of the year, leading to gradual upgrades of the GDP forecasts for the global economy. At the same time, inflationary pressure increased in lockstep with the quick recovery of global demand and insufficient improvement in supply as well as higher prices of commodities and food in the global economy; inflation data continued to be surprisingly high. In response to higher inflation and activity, central banks started to become more hawkish and raise interest rates.

In 2022, global economy is bound to slow down, but the economic growth (with expected growth of the GDP by around 4.1% YoY) will most probably remain above the long-term trend, thus allowing for further recovery of the pandemic losses. Inflation will remain high, and central banks will gradually tighten monetary policy. We expect the USA to raise its interest rates five times in 2022, and the Fed to begin reducing its balance sheet. We also assume that the ECB will gradually tighten its policy and increase interest rates not earlier than in 2023. The development of the epidemic situation will continue to be one of the main risk factors for the economic activity and price pressure.

Gross Domestic Product („GDP")

Contribution to GDP growth (%) – forecast of March 21, 2022

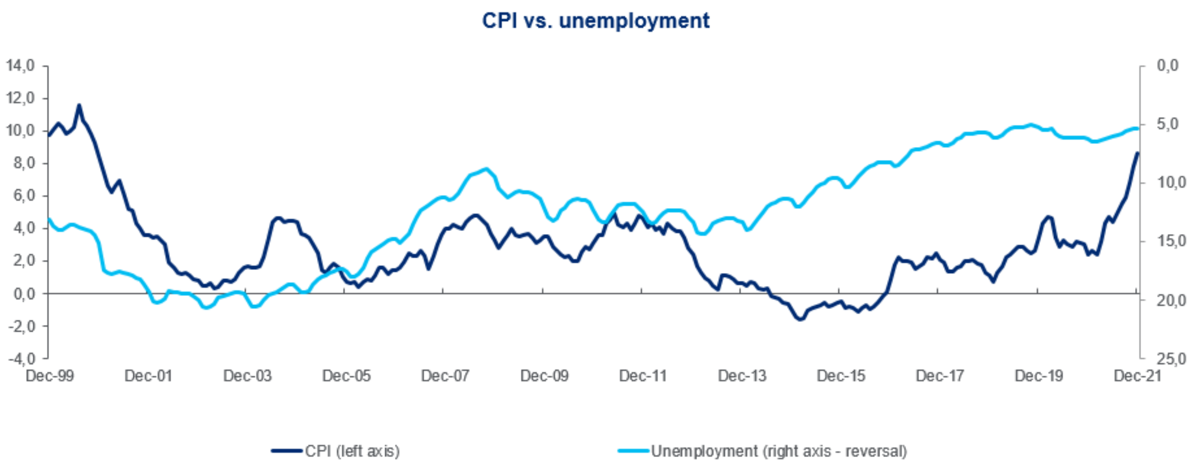


Source: Chief Statistical Office, Citi Handlowy forecasts

Poland's Gross Domestic Product increased in 2021 by 5.7%, as compared to a drop by 2.5% in 2020. This was an outcome of higher private consumption by 6.2%, following a drop by 3.0% in 2020, and capital expenditures higher by 8.0% against a drop by 9% in the previous year. The GDP data continued to be a positive surprise over the subsequent quarters, and high activity was supported by a much smaller scale of restrictions as compared to 2020. Private consumption was supported by a good situation in the labor market and accumulated household savings. Investments experienced a recovery due to improved sentiments among companies. The unemployment rate decreased slightly during the year, from 6.3% to 5.4%, and according to the LFS methodology, it decreased to 2.9% from 3.4%, remaining among the lowest rates in the European Union. The growth of remuneration in the companies sector accelerated to 8.6% from 4.7% in 2020, including especially in the sectors most affected by the pandemic. The industry was the best-performing sector throughout the entire year. Industrial output went up by 15.4% YoY in 2021, after a 1% drop in 2020, remaining above the pre-pandemic trend. The construction sector performed poorer than the industry, with an around 0.4% YoY increase in construction output compared to a 2.2% drop in 2020. The services sector performed significantly better than in 2020. In 2022, we expect the GDP to grow at around 3.6%, and in 2023 at around 2.9%.

Economic growth will be influenced by the development of the epidemic situation and potential changes in the relations between Poland and the European Commission. A potential easing of the tension later during the year and the inflow of funds under the Reconstruction Fund in the second half of 2022 would have a positive impact on investments and growth.

Inflation

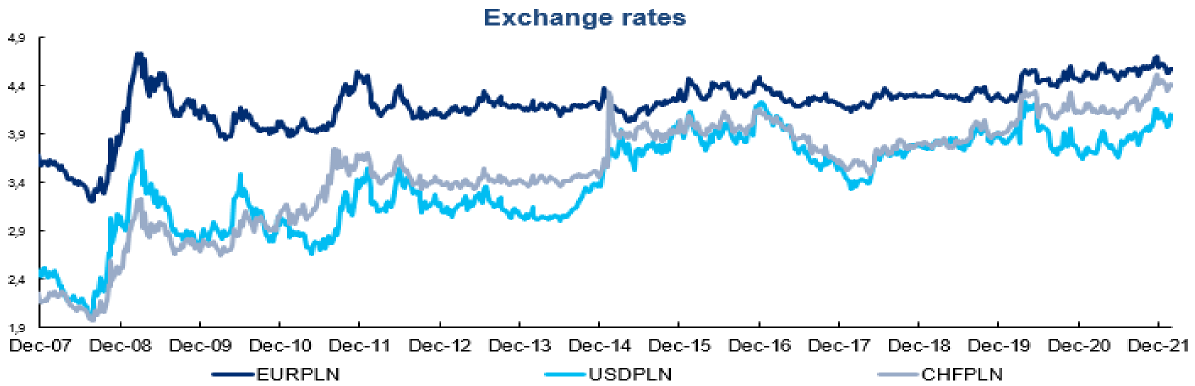


Source: NBP, Chief Statistical Office

Price levels of consumer goods and services in 2021 rose on average by 5.4% as compared with 3.4% in 2020. Inflation increased, above all, due to higher oil prices and administered prices, including those of electricity, gas, fuel and waste collection fees, as well as net inflation and gradual acceleration of the increase of food prices. During the year, there was a visible, gradual increase of inflation to 8.6% in December 2021 from 2.4% in December 2020. The year-average net inflation went up to 4.1% from 3.9% in 2020. Consumer price dynamics proved higher than expected due to higher electricity prices, stronger demand and continued supply shortages during a good situation in the labor market, as enterprises were able to pass some of the higher costs on to consumers. In 2022, we expect further growth of the year-average inflation, mainly as a result of higher electricity and gas prices, as well as demand pressure arising from a good situation in the labor market accompanied by a higher-than-potential GDP growth rate.

In response to the growing inflation and economic recovery, the Monetary Policy Council (RPP) started monetary tightening. The RPP raised the reference rate from 0.1% to 1.75% as at the end of the year. At the same time, the National Bank of Poland (NBP) suspended the asset purchase program. The RPP will probably continue to raise interest rates, and the reference rate may exceed 4% in 2022.

2. Money and forex markets



Source: Reuters, Citi Handlowy

In 2021, the Polish zloty declined by about 2.7% on average versus the euro and appreciated by about 1% against the US dollar. The depreciation of the Polish zloty against the euro was influenced by the appreciation of the US dollar on the world's markets and the long period of low interest rates with the preference of the RPP for a weak zloty. Moreover, the gradual deterioration on the current account may have also contributed to the weakening of the zloty. The initiation of interest rate increases and a change in the RPP's approach to the zloty contributed to the appreciation of the zloty in late 2021. The EUR/PLN rate decreased from 4.61 as at the end of December 2020 to 4.60 as at the end of 2021 and the USD/PLN rate increased from 3.76 to 4.06 in the same period.

Monetary market rates increased in 2021 in the wake of growing NBP interest rates. The WIBOR 3M rate was 2.54% at the end of December, as compared with 0.21% at the end of December 2020. NBP interest rate increases affected more the short end of the swap curve and the bond yield curve, which became flatter as a result. In 2021, the yield of 2-year bonds increased by 326 bps, to 3.36% as at the end of 2021 from 0.10% as at the end of 2020. The yield of 10-year bonds increased by 245 bps, to 3.70% as at the end of 2021 from 1.25% as at the end of 2020.

3. Capital market

2021 proved to be a year of dynamic growths in global stock markets. The exceptionally loose monetary policy of the most important central banks (Federal Reserve System – the Fed and the European Central Bank ECB) had a positive influence on the sentiments in the world's stock exchanges. A clear recovery in global economy translated into significantly improved results of companies, and the positive sentiment was additionally supported by the record-high inflows to investment funds exposed to equity instruments. The ever higher inflation boosted investors' expectations regarding the beginning of monetary policy tightening, and the growing yields on national debt were especially favorable to the valuations of financial sector companies. Positive trends on global stock exchanges supported greatly the local stock market.

In such an environment, all the main indices on the WSE recorded two-digit increases. Last year, the broadest market index, WIG, gained 21.5% YoY. The index of the biggest companies, WIG20, increased by 14.3% YoY (16.8% including dividends). The highest rate of return was achieved by the mid-cap company index, mWIG40, which recorded an increase by 33.1% YoY. sWIG80 continued dynamic growths and ended 2021 24.6% above the level recorded at the end of 2020.

Cyclical companies stood out positively among the sector sub-indices. Dynamic increases were recorded by clothing companies (+83.8% YoY) and banks (+81.3% YoY). The shares of the media and fuel sectors were also in high demand, with their sub-indices going up by 45.0% and 31.1%, respectively. On the other hand, the two sectors that were the leaders of growths in 2020 experienced depreciation. The index of gaming companies lost 22.8%, whereas the mining sector fell by 19.3% YoY.

2021 brought further recovery in the IPO market. Over the last 12 months, the main floor on the WSE saw the IPO of 16 companies (vs. 7 débuts recorded in 2020), including four entities which transferred from New Connect. The value of the offerings exceeded PLN 9.1 billion and was slightly lower than in the previous year (almost PLN 9.5 billion). Simultaneously, the delisting of companies from the WSE also continued. In that period, the shares of 19 entities were removed from the WSE main floor (against 24 in the previous year). Consequently, at the end of December 2021, 430 companies were traded on the WSE (compared to 433 a year before), including 47 foreign ones. Total capitalization of companies listed on the main floor exceeded PLN 1,312 billion (+23% YoY), 53% of which was represented by domestic companies (PLN 701 billion in nominal terms).

Stock market indices, as at 31 December 2021

Index	2021 (1)	2020 (2)	Change (%) (1)/(2)	2019 (3)	Change (%) (2)/(3)
WIG	69,296.26	57,025.84	21.5%	57,832.88	(1.4%)
WIG-PL	70,792.15	58,270.52	21.5%	59,064.17	(1.3%)
WIG-div	1,255.85	1,102.18	13.9%	1,051.08	4.9%
WIG20	2,266.92	1,983.98	14.3%	2,150.09	(7.7%)
WIG20TR	4,243.99	3,633.75	16.8%	3,914.45	(7.2%)
WIG30	2,764.93	2,312.73	19.6%	2,472.20	(6.5%)
mWIG40	5,291.72	3,976.50	33.1%	3,908.20	1.7%
sWIG80	20,056.08	16,096.36	24.6%	12,044.34	33.6%
Sector sub-indices					
WIG-Banks	8,640.27	4,765.33	81.3%	6,768.39	(29.6%)
WIG- Construction	3,763.20	3,662.06	2.8%	2,278.75	60.7%
WIG-Chemicals	9,822.11	7,697.82	27.6%	8,390.97	(8.3%)
WIG-Energy	2,415.19	2,040.76	18.3%	1,961.62	4.0%
WIG-Games	22,304.77	28,873.53	(22.8%)	18,765.23	53.9%
WIG-Mining	4,539.55	5,625.47	(19.3%)	3,089.84	82.1%
WIG-IT	4,706.08	3,863.01	21.8%	2,834.29	36.3%
WIG-Medicines	5,096.92	4,682.94	8.8%	5,197.43	(9.9%)
WIG-Media	8,762.86	6,042.75	45.0%	5,375.11	12.4%
WIG-Automotive	6,728.61	3,981.19	69.0%	3,521.67	13.0%
WIG-Developers	2,841.12	2,385.90	19.1%	2,460.44	(3.0%)
WIG-Clothing	9,479.24	5,158.73	83.8%	5,665.06	(8.9%)
WIG-Oil & Gas	6,494.21	4,954.47	31.1%	6,489.03	(23.6%)
WIG-Food	4,484.31	3,641.75	23.1%	3,126.05	16.5%
WIG-Telecom	1,172.18	977.01	20.0%	873.56	11.8%

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

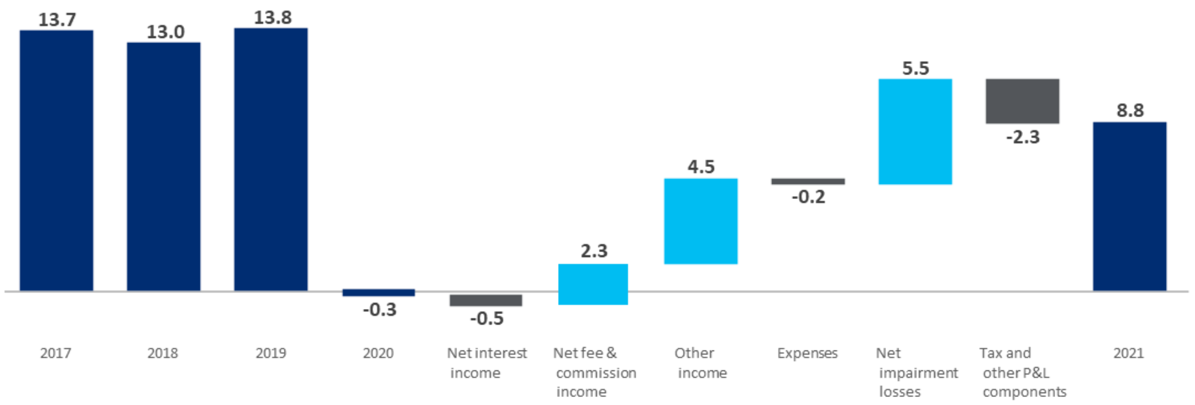
Value of trading in shares and bonds, volume of trading in derivatives on WSE, as at 31 December 2021

	2021 (1)	2020 (2)	Change (%) (1)/(2)	2019 (3)	Change (%) (2)/(3)
Shares (PLN million)*	661,969	622,249	6.4%	390,533	59.3%
Bonds (PLN million)	4,196	3,249	29.1%	3,178	2.3%
Futures (‘000 contracts)	23,414	22,231	5.3%	13,457	65.2%
Options (‘000 contracts)	556	749	(25.8%)	504	48.7%

*Source: WSE, Dom Maklerski Banku Handlowego S.A, *data including session and block transactions.*

4. Banking sector

Net profit of the banking sector (PLN billion)



Source: PFSA, own calculations

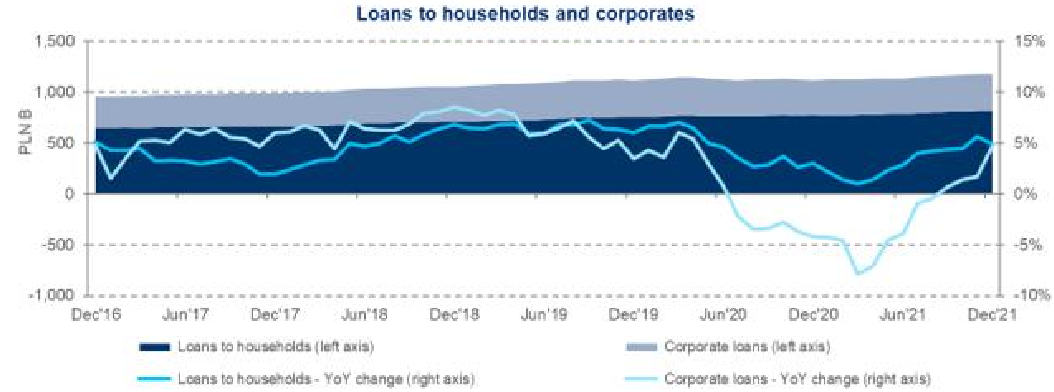
Financial results

According to the data published by the Polish Financial Supervision Authority ("KNF"), the banking sector generated a net profit of PLN 8.8 billion in 2021, as compared with PLN 322 million loss posted in 2020. While the shift in the monetary cycle initiated in October last year had a marked impact on the interest income of the last quarter of 2021, it occurred too late to have a significant influence on the interest income for the entire 2021, amounting to PLN 46.6 billion, i.e. 1.2% YoY (PLN 0.5 billion) less than in 2020. On the other hand, it isn't until 2021 that banks were able to fully recognize increased net fee and commission income resulting from the revision of the table of fees and commissions for banking services and products as well as from high transaction volumes of clients and investment activity, also on the foreign exchange market. In consequence, the commission income increased by 15.3% YoY (PLN 2.3 billion) and exceeded the never-recorded-before level of PLN 17 billion. Moreover, the banking sector recorded a significant improvement in other income, from almost zero in 2020 to almost PLN 4.5 billion. As a result, the total revenues of the banking sector increased by 10.0% YoY (PLN 6.2 billion) exceeding the level of PLN 68 billion.

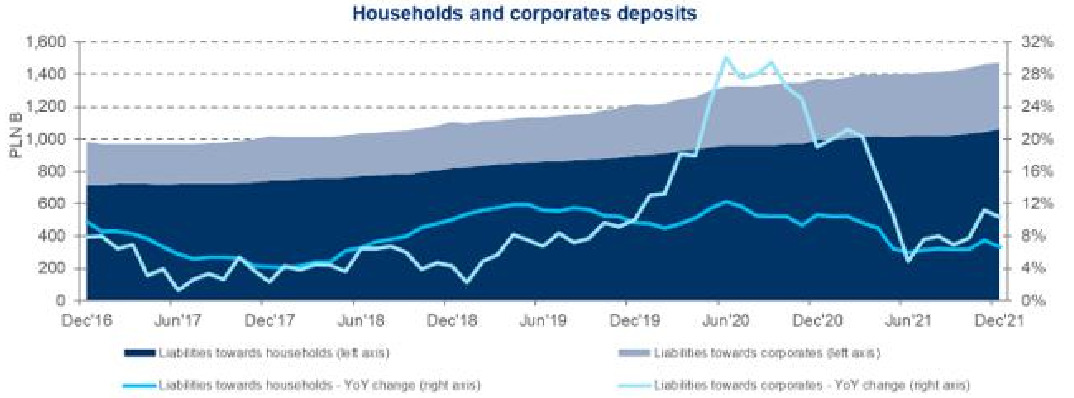
Unlike in revenues, in costs the banking sector had a lot less room to improve its performance. The effects of continued optimization of employment and branch network were absorbed by the pay pressure and higher IT expenditures. A major reduction of both contributions to the Bank Guarantee Fund (BFG) (down by 30% YoY in total) acted in favor of banks. Depreciation & amortization also fell by 1.8% YoY (PLN 86 million). Nevertheless, total operating expenses of banks increased slightly by 0.7% YoY (PLN 235 million), to PLN 35 billion. The considerably lower increase of costs than the increase of revenues translated into an improvement of the I/C ratio by nearly -5 p.p., to 52%.

However, the major contributor to the improvement of the total net result of banks were, above all, the net impairment write-offs and provisions. 2020 was especially affected in this respect due to new provisions for legal risk and proposed settlements regarding CHF mortgage loans (around PLN 10 billion in total), and also due to the provisions for potential credit losses related to COVID-19 (around PLN 3 billion). In 2021, a portion of this last kind of provisions was released upon a revision of the risk models and following an improvement of the macroeconomic situation, thus having a positive influence on the sector's results. At the same time, the banking sector set up at least PLN 7 billion in new provisions for litigations and settlements related to CHF mortgages (no exact data are available as the period of publication of banks' 2021 reports has not ended yet). Based on the KNF data, the provisions and commissions result led in 2021 to total losses of nearly PLN 13.4 billion, significantly less than in 2020 (-29% YoY, PLN 5.5 billion). On the other hand, the profits of the banking sector were also reduced by the higher bank levy (estimated at PLN 5 billion, +10% YoY) and the significantly higher income tax (PLN 6 billion, +50% YoY).

Data regarding the quality of the loan portfolio as at the end of December 2021 show a quick recovery from the crisis caused by the pandemic. The share of stage 3 loans (more than 90 days past due) fell from 6.5% at the end of 2020 to the all-time low of 5.4%. Improvement was also recorded in the portfolio of household loans (-1.0 p.p. YoY, to 5.0%), in particular in unsecured loans (-1.6 p.p. YoY, to 9.4%) and corporate loans (-1.7 p.p. YoY, to 7.3%). One should especially note the improvement in the timely repayment of loans of SMEs – the share of NPL decreased by as much as 1.5 p.p. YoY. This is all the more important as clients from this segment are usually the first to experience the consequences of economic crises and on the greatest scale, and at the same time they need more time to return to regular repayments. Meanwhile, as at the end of December, the share of stage 3 loans in this segment leveled at 10.7% – the lowest level since the end of 2017, when the methodology changes were implemented under IFRS9, distorting comparisons with the previous periods.



Source: NBP, own calculations



Source: NBP, own calculations

In 2021, the growth rate of loans to the non-financial sector increased substantially from 1.0% YoY (PLN +12 billion) as at December 2020 to 4.4% YoY (PLN +55 billion). The improvement in the dynamic was possible, above all, due to loans to non-financial companies, the volume of which increased by 4.7% YoY at the end of the year (PLN 16 billion), whereas at the end of 2020 the dynamic in this category was -4.2% YoY (PLN 15 billion). However, after the period of the strictest lockdown measures, the greatest recovery was recorded in overdraft facilities (13.9% YoY, PLN 20.7 billion); meanwhile, negative dynamics were seen in investment loans and real property loans (-0.5% YoY, PLN 625 million, and 5.6% YoY, PLN 3.7 billion, respectively). In each of the above groups, higher dynamic was observed in PLN loans than in FX loans despite the relatively stable rate of the zloty against the euro and a strong appreciation of the US dollar. An analysis of the loan portfolio in terms of maturity confirms a continuously strong uncertainty among entrepreneurs about the further development of the macroeconomic situation and the resulting aversion to long-term liabilities. The volume of loans with maturity up to 12 months was up 19.9% YoY, PLN 13.8 billion, in the entire 2021, medium-term loans (1-5 years) increased by 5.3% YoY, PLN 5 billion, whereas loans with the longest maturity fell by 2.1% YoY, PLN 4 billion. The total receivables of the banking sector from non-financial enterprises amounted to PLN 365 billion.

In the retail segment, the economic recovery was reflected in the improved dynamic of consumer loans, the volume of which increased by 2.1% YoY, PLN 4 billion, as at the end of 2021, as compared to a fall by 2.1% YoY as at the end of 2020. Housing loans remained the main factor driving the growth in the household loan portfolio, with the growth rate remaining above 7% YoY (PLN 35 billion), all that despite the strong drop in the volume of foreign currency loans (-7.9% YoY), which was offset by the boom on the PLN loan market (+12.6%, PLN 45 billion). The whole household mortgage portfolio reached nearly PLN 512 billion as at 31 December 2021, of which PLN-denominated loans amounted to PLN 401 billion (78%). On the other hand, investment and current loans granted to entrepreneurs and individual farmers continued the downward trend. In terms of maturity, the highest growth was recorded in loans with the longest maturity (above 20 years), that is 7.6% YoY, PLN 32 billion as at the end of 2021. They were followed by loans with maturity up to 12 months (4.6% YoY, PLN 2 billion), whereas the volume of medium-term loans (1-5 years) increased only slightly. The household loan portfolio reached a total of almost PLN 809 billion.

In 2021, there was a lower inflow of deposits from non-financial entities associated with the exhaustion of some public subsidies related to the government anti-crisis policy. The volume of deposits grew by a total of 11.1% YoY, PLN 173 billion, as compared to the growth by 14.7% YoY (PLN 198 billion) in 2020, again driven by the higher increase in corporate deposits than in retail deposits. In the group of corporate clients, the change in the direction of monetary policy led to a recovery in the dynamic of term deposits in recent months (+15.0% YoY, PLN 9.9 billion). Nevertheless, it is current deposits that attracted a lot more funds within this segment year over year (9.4% YoY, PLN 29 billion). The total volume of deposits held by non-financial entities reached PLN 416 billion (+10.4% YoY).

Meanwhile, in the retail segment the volume of household deposits exceeded PLN 1 trillion in 2021, reaching PLN 1.059 billion as at the end of December (+6.7% YoY, PLN 66 billion). The decisions of the Monetary Policy Council (RPP) to raise interest rates did not bring any visible recovery in this area yet – term deposits recorded a fall by 21.6% YoY, PLN 45 billion. Current deposits, however, continued to grow in volume dynamically – by 14.2% YoY, PLN 111 billion.

The continuously higher dynamic of deposits than that of loans translated into further increase in liquidity in the banking sector. The loan-to-deposit ratio of non-financial clients fell by nearly 5 p.p. YoY, to 76%.

5. Factors with an impact on the financial results of the Bank's Group in 2022

War in Ukraine

After the reporting date, i.e. December 31, 2021, an unprecedented event took place, which is the armed conflict as a result of the aggression of Russian troops against Ukraine. The Bank does not operate in Ukraine, Russia or Belarus, and the Bank's credit exposure to companies significantly involved in these countries is around 0.5% of maximum exposure of the Group to credit risk. However, due to the scale of the conflict in Ukraine and its proximity to the Polish borders, the Management Board of the Bank monitors the impact of this event on the Bank's operating activities on an ongoing basis (including, in particular, risk in cyberspace). The outbreak of the conflict in Ukraine may significantly change the macroeconomic environment in which the Bank operates. Currently, some of the consequences are difficult to estimate and the final result depends on duration and scale of the conflict and the fiscal response of European governments. Therefore, as at the date of this annual report, the potential impact of this conflict on the Bank's operating activities and its financial results in future periods cannot be assessed.

Trends in the Polish and global economy

In the quarters to come, the next risk factor will be still the COVID-19 pandemic and its effects on the economy. The emergence of virus variants resistant to vaccines could prompt Poland and other European countries to reimpose restrictions and phase out business activity, and could also lead to stronger disruptions in global supply chains. The space for use of additional fiscal and monetary policy measures is very limited as compared to the beginning of 2020, which means that additional burdensome restrictions could trigger a tidal wave of bankruptcies and a surge in unemployment.

One of the risks to the global economic growth is stronger-than-forecast economic slowdown in China. Activity in China is jeopardized, among others, by the spread of the pandemic, which could be associated with bottlenecks in supply chains.

Moreover, the previous post-pandemic recovery could slow down as a result of shocks in the power sector, inflationary pressure and a strong monetary tightening actions by multiple central banks. Ever higher gas prices may translate into significantly higher manufacturing costs, which, if they are passed onto consumers and in connection with high inflation, would make the stagflation scenario more likely (slowdown in the economy coupled with rising inflation). Insufficient supply adjustment in response to rapid recovery on the demand side could lead to more significant shortages of raw materials, both in industry and construction sector, and, in consequence, to reduced output and higher prices. If those trends are continued and go far beyond widespread expectations, the outcome may include much higher inflationary pressure and much deeper slowdown in main economies and in Poland, with a simultaneous significant decline in profitability of companies. Higher inflationary pressure could significantly boost interest rate increases beyond expectations, which could also have a negative impact on economic activity, companies' performance and the unemployment rate.

If the above risks materialize, the recovery of business activity to pre-pandemic trend will be slower.

Legal and regulatory risks

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

The Group is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Group has identified a number of doubts as regards interpretation of the above-mentioned judgment. Despite the still unresolved issues (e.g. the possibility for banks to demand remuneration for use of capital), as at the day of these report on activity, most courts have ruled against banks on indexed loan cases. The expected resolution of the Civil Law Division of the Supreme Court to rule again on issues on which courts are still inconsistent has been postponed to an indefinite date. The Supreme Court formulated the question of the CJEU as to whether the current composition of the Civil Law Division of the Supreme Court is competent to pass a resolution, taking into account doubts as to the correctness of appointment of some of its judges. It should be noted, however, that apart from the doubts in court cases, the recent measures of the Polish Financial Supervision Authority seeking to set out the direction and scope of possible settlements between Banks and Swiss franc borrowers should be borne in mind. Some banks have started the process of offering their clients CHF loan dispute settlements.

As at 31 December 2021, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 52 million. Despite the marginal share of CHF-indexed mortgage loans in the entire lending portfolio, in 2020, the Bank recognized a portfolio provision for those loans at PLN 13 million, which still remains at this level at the end of 2021. Estimating the provision assumes the expected level of customer complaints based on the trend observed by the Bank, which is different for active loans and for loans repaid before the balance sheet date, as well as the probability of a settlement or court solution and an estimate of the Bank's loss if the dispute is resolved in court.

Commission refunds on prepaid consumer loans

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

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

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

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

After the decision was issued, the President of the UOKiK asked the Bank to provide explanations regarding the method of reimbursement by the Bank of a proportional part of the commission in the event that the consumer takes another loan at the Bank in such a way that it replaces the original agreement ("Increase Agreement"). The Bank assessed such a situation as an increase in the existing credit obligation, which does not result in the obligation to settle the previous debt, but due to the doubts expressed by the President of the UOKiK as to the approach presented earlier, the Bank, despite a different factual and legal assessment of the Increase Agreement, adopted the date of conclusion of the Increase Agreement for the date of early repayment of the previous obligation. Considering relations with customers and emphasizing the will to cooperate with UOKiK in the best possible way, the Bank decided to adapt it’s practice to the position of the President of UOKiK and decided to proactively settle a proportional part of the commission with customers who concluded Increase Agreements after September 11, 2019.

As at December 31, 2021, the Group updated the legal risk assessment resulting from the judgment of the CJEU regarding the reimbursement of consumer loan commissions paid ahead of schedule and updated the possible amount of cash outflow as reimbursement of consumer loan commissions. In addition, with regard to the balance sheet exposures, as at December 31, 2021, the Group updated the estimation of possible prepayments of consumer loans in the future. The calculation of the estimates required the Group to adopt expert assumptions regarding, first of all, the scale of complaints and the amounts returned for prepaid loans before the CJEU judgment and the expected scale of prepayments and returns in the future for balance sheet exposures. On the basis of the observations made so far, it was found that the complaints ratio decreases over time, which was included in the forecast for the provision amount.

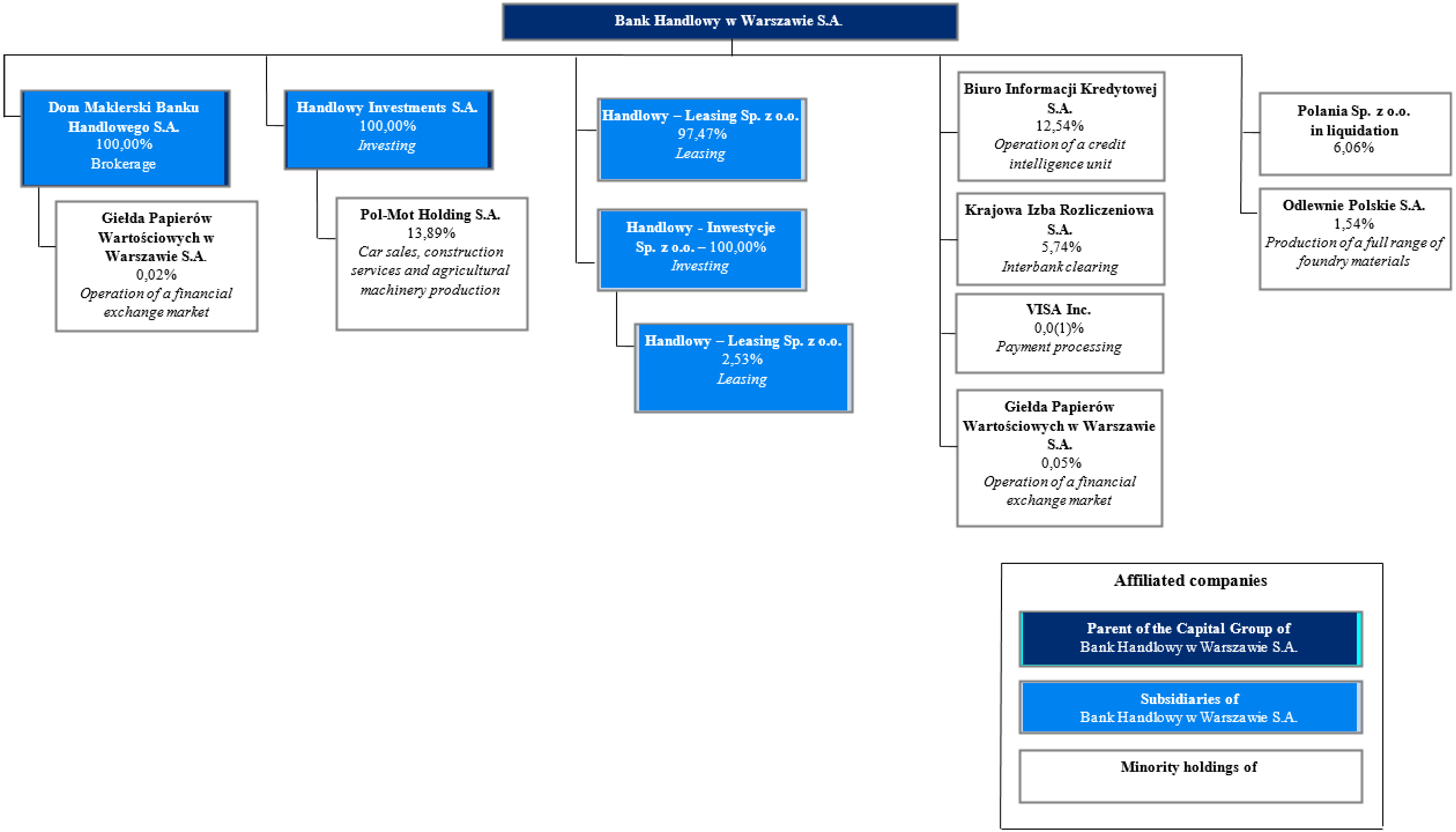
In 2021, based on the above-mentioned adjustment of the Bank's practice for the Increase Agreements and the adopted assumptions, the Bank updated the amount of the provision for commission reimbursement by PLN 58.3 million.

As of December, 2021, the Bank was sued in 813 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 3.5 million.

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

III. Organizational chart of the Capital Group of Bank Handlowy w Warszawie S.A.

The organizational chart below depicts the corporate entities which jointly formed the Capital Group of Bank Handlowy w Warszawie S.A. (“Bank”) as at 31 December 2021; the Bank’s share interest in each specified.


Bank Handlowy w Warszawie S.A.
Dom Maklerski Banku Handlowego S.A.
100,00%
Brokerage
Giełda Papierów Wartościowych w Warszawie S.A.
0,02%
Operation of a financial exchange market
Handlowy Investments S.A.
100,00%
Investing
Pol-Mot Holding S.A.
13,89%
Car sales, construction services and agricultural machinery production
Handlowy – Leasing Sp. z o.o.
97,47%
Leasing
Handlowy - Inwestycje Sp. z o.o. – 100,00%
Investing
Handlowy – Leasing Sp. z o.o.
2,53%
Leasing
Biuro Informacji Kredytowej S.A.
12,54%
Operation of a credit intelligence unit
Krajowa Izba Rozliczeniowa S.A.
5,74%
Interbank clearing
VISA Inc.
0,0(1)%
Payment processing
Giełda Papierów Wartościowych w Warszawie S.A.
0,05%
Operation of a financial exchange market
Polania Sp. z o.o. in liquidation
6,06%
Odlewnie Polskie S.A.
1,54%
Production of a full range of foundry materials
Affiliated companies
Parent of the Capital Group of Bank Handlowy w Warszawie S.A.
Subsidiaries of Bank Handlowy w Warszawie S.A.
Minority holdings of

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

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

Group entities fully consolidated

Entity	Core business	Capital relationship	% of authorized capital held	Accounting method	Equity (PLN ‘000)
Bank Handlowy w Warszawie S.A.*	Banking	parent	-	-	7,316,040
Dom Maklerski Banku Handlowego S.A. (DMBH)***	Brokerage	subsidiary	100.00%	full consolidation	124,413
Handlowy - Leasing Sp. z o.o.***	Leasing	subsidiary	100.00%**	full consolidation	20,397
Handlowy Investments S.A.***	Investing activity	subsidiary	100.00%	full consolidation	4,511
Handlowy-Inwestycje Sp. z o.o.***	Investing activity	subsidiary	100.00%	full consolidation	10,462

** Equity of Bank Handlowy w Warszawie S.A. as per the statement of the financial position of the Bank for 2021*
*** Including indirect participations*
**** Pre-audit data*

Changes in Group’s structure

In the 2021 the structure of the Bank's Capital Group has changed compared to the end of 2020. On April 30, 2021, the liquidation of PPH Spomasz Sp. z o.o. in liquidation was completed and an application to the National Court Register to remove the Company from the register was submitted. As a result of the proceedings, the company was removed from the National Court Register on July 26, 2021.

In the first quarter of 2020, the Bank signed with Dom Maklerski Banku Handlowego S.A. (DMBH) a conditional agreement of sale of the enterprise of DMBH to the Bank, on condition that the Bank obtains the approval to extend the brokerage license. That agreement covers the transfer of the brokerage activities carried out by DMBH to the Bank by way of transfer to the Bank of all assets and liabilities of DMBH via sale of the enterprise, including the assets necessary to run the brokerage activities of DMBH and the other assets and liabilities making up its enterprise. The merger process is expected to be finalized after the process of preparing the Bank to take over the DMBH enterprise is completed.

On December 7, 2021 the Bank received a decision of the Polish Financial Supervision Authority granting the Bank permission to conduct brokerage activities. The license will form the basis for a combination of the brokerage activities currently conducted by the Bank's subsidiary - DMBH and the service of acceptance and transfers of orders provided by the Bank, thus introducing a significant change in the scope of services provided to clients directly by the Bank.

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

1. Financial results of the Bank and the Group in 2021

This document presents financial data for both Bank and Group. As activities of the Bank account for the vast majority of operations of the Group (the assets, equity and revenues of the Bank account for 99.7%, 99.1% and 98.4% of the assets, equity and consolidated revenues of the Group, respectively), both results and financial situation are discussed on the basis of consolidated data, except where it is expressly indicated that the data of the Bank are discussed.

1.1. Income statement

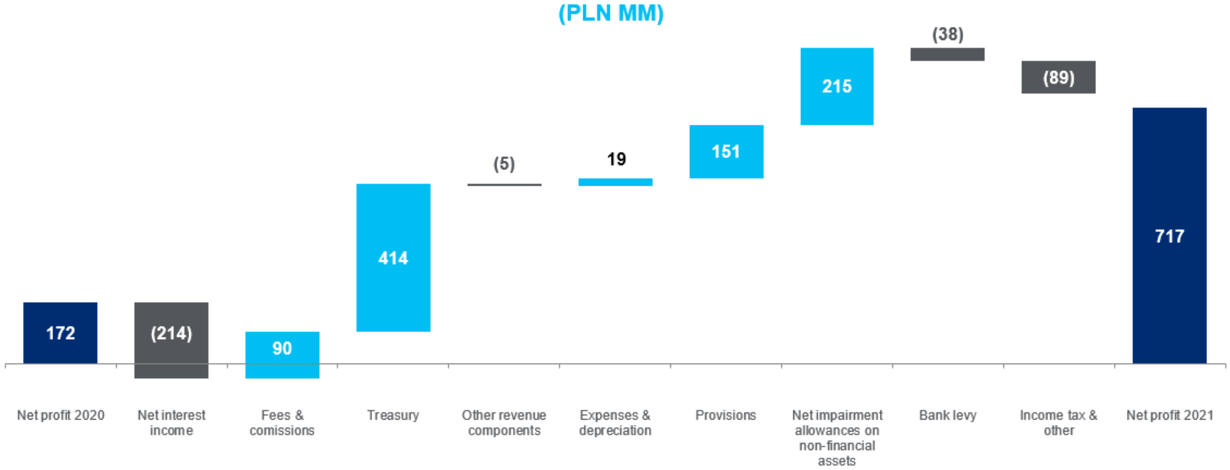
Selected income statement items

PLN ‘000	Bank		Capital Group			
	2021	2020	2021	2020	Change PLN ‘000	Change %
Net interest income	788,638	1,001,065	788,061	1,001,677	(213,616)	(21.3%)
Net fee and commission income	593,727	518,697	649,868	559,962	89,906	16.1%
Dividend income	32,999	12,796	10,959	11,794	(835)	(7.1%)
Net income on trading financial instruments and revaluation	509,062	305,311	514,603	311,406	203,197	65.3%
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	414,599	203,402	414,599	203,402	211,197	103.8%
Net gain/(loss) on equity and other instruments measured at fair value through income statement	53,244	15,799	53,214	15,836	37,378	236.0%

PLN '000	Bank		Capital Group			
					Change	
	2021	2020	2021	2020	PLN '000	%
Net gain on hedge accounting	(6,421)	556	(6,421)	556	(6,977)	(1 254.9 %)
Net other operating income	(68,591)	(33,804)	(70,770)	(36,332)	(34,438)	94.8%
Total income	**2,317,257**	**2,023,822**	**2,354,113**	**2,068,301**	**285,812**	**13.8%**
Overheads and general administrative expenses and depreciation, including	(1,173,501)	(1,195,808)	(1,202,575)	(1,221,991)	19,416	(1.6%)
Overheads and general administrative expenses	(1,062,505)	(1,089,926)	(1,090,742)	(1,115,338)	24,596	(2.2%)
Depreciation/amortization of tangible and intangible fixed assets	(110,996)	(105,882)	(111,833)	(106,653)	(5,180)	4.9%
Net impairment allowances on non-financial assets	0	(214,707)	0	(214,707)	-	(100.0%)
Profit/loss on sale of other assets	(708)	(482)	(658)	(480)	(178)	37.1%
Net impairment on financial assets and provisions for off–balance sheet commitments	(38,962)	(190,541)	(38,784)	(190,267)	151,483	(79.6%)
Tax on some financial institutions	(161,160)	(123,578)	(161,160)	(123,578)	(37,582)	30.4%
Profit before tax	**942,926**	**298,706**	**950,936**	**317,278**	**633,658**	**199.7%**
Income tax expense	(226,954)	(140,621)	(233,468)	(144,882)	(88,586)	61.1%
Net profit	**715,972**	**158,085**	**717,468**	**172,396**	**545,072**	**316.2%**

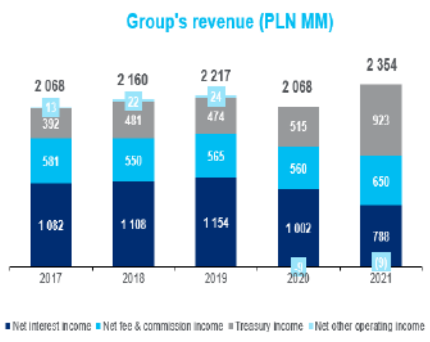
The impact of individual items of the income statement on net profit is shown on the graph below:

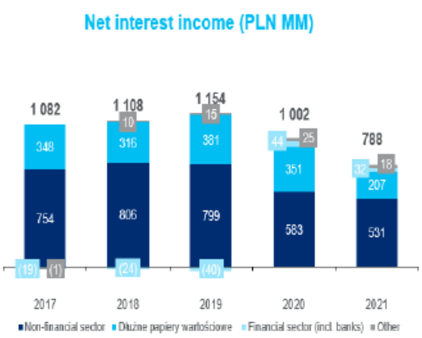
An impact of the Profit & Loss Statement components on net profit in 2021 (PLN MM)

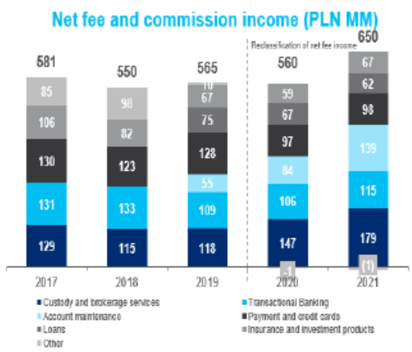


1.1.1 Revenue

In 2021, revenues from operating activities amounted to PLN 2,354.1 million as compared to PLN 2,068.3 million in 2020, i.e. increased by PLN 285.8 million, i.e. 13.8%.







The operating result generated by the Group in 2021 was influenced in particular by:

- **Net interest income** amounted to PLN 788.1 million in comparison to PLN 1,001.7 million in 2020, which means a decline of PLN 213.6 million (which is 21.2%).

  Interest income amounted to PLN 824.2 million in 2021 and was lower by PLN 294.6 million (which is 26.3%) in comparison to 2020. Clients' interests being a main source of interest income reached level of PLN 571.0 million in 2021 and was lower by PLN 123.7 million (17.8%) in the year over year comparison. This was due to the low interest rate environment that prevailed most of the 2021. The largest nominal decrease was recorded in interest income on investment debt securities, by PLN 123.9 million YoY (i.e. 39.3%) due to the decline in the average balance of this portfolio.

  Interest expenses in 2021 amounted to PLN 36.2 million and were lower by PLN 81.0 million (i.e. 69.1%) compared to 2020 - this decrease was related to amounts due from customers.

- **Net fee and commission income** in the amount of PLN 649.9 million compared to PLN 560.0 million in 2020 - an increase by PLN 89.9 million (i.e. 16.1%). The increase in fee and commission income was driven by the Institutional Banking segment (an increase by PLN 85.5 million YoY). In terms of type, the largest nominal increase of net fee and commission income referring to bank accounts fee by PLN 55.4 million (i.e. 66.0%). At the same time, the strong momentum on the capital market had a positive impact on the net fee and commission income from custody services by PLN 17.5 million YoY (i.e. 16.8%) and brokerage activities by PLN 14.0 million YoY (i.e. 32.4%) as well as from the sale of insurance and investment products by PLN 7.9 million YoY. (i.e. 13.4%).

- **Other operating income (i.e. non-interest and non-commission income)** amounting to PLN 952.9 million in comparison to PLN 506.7 million in 2020, due to significantly better results in the area of treasury operations. The result on the sale of investment debt securities increased by PLN 211.2 million YoY, and the net income on trade financial instruments and revaluation was also significantly higher by PLN 203.2 million YoY mainly due to higher revenues from FX activity.

  In the fourth quarter of 2021, the following one-off events took place: PLN 50.2 million due to a change in the estimate regarding the valuation of unquoted equity investments at fair value and the revaluation of the provision for reimbursement of commission on prepaid loans (PLN 50.5 million recognized in other operating expenses throughout 2021, including PLN 45.9 million in the fourth quarter of 2021, and PLN 7.7 million recognized in net interest income in the fourth quarter of 2021).

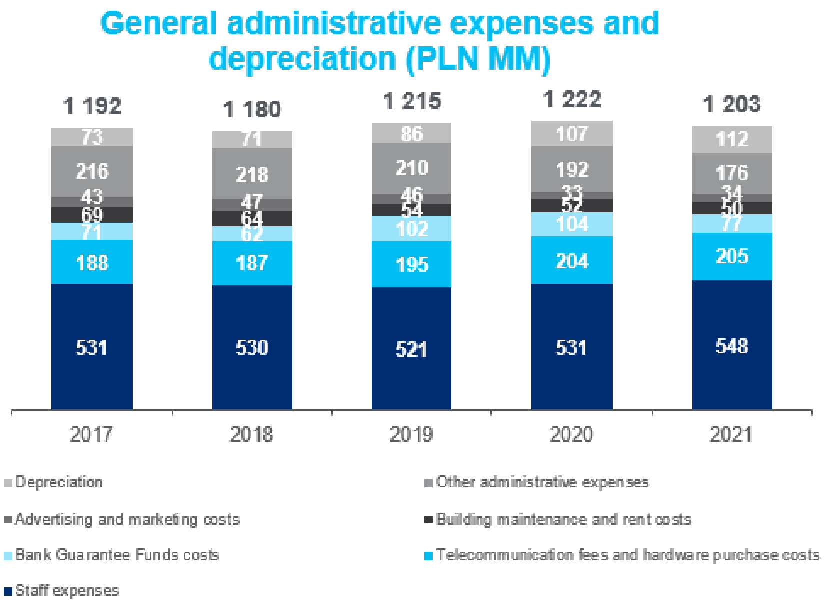
  At the same time, in 2021 a cost of the provision of PLN 14.3 million was recognized for legal risk related to CHF-indexed mortgage loans (of which PLN 10.6 million related to the fourth quarter of 2021), which were recognized in other operating expenses.

1.1.2 Expenses

General expenses & depreciation

PLN '000	Bank		Capital Group			
	2021	2020	2021	2020	Change PLN '000	Change %
Personnel costs	**(528,620)**	**(513,571)**	**(547,865)**	**(530,845)**	(17,020)	3.2%
General administrative expenses, including:	**(533,885)**	**(576,355)**	**(542,877)**	**(584,493)**	41,616	(7.1%)
Telecommunication fees and IT hardware	(199,536)	(198,361)	(205,290)	(203,896)	(1,394)	0.7%
Bank Guarantee Funds costs	(77,195)	(103,534)	(77,195)	(103,534)	26,339	(25.4%)
Building maintenance and rent	(49,729)	(51,776)	(50,085)	(51,946)	1,861	(3.6%)
Total overheads	**(1,062,505)**	**(1,089,926)**	**(1,090,742)**	**(1,115,338)**	24,596	(2.2%)
Depreciation	(110,996)	(105,882)	(111,833)	(106,653)	(5,180)	4.9%
Total general expenses & depreciation	**(1,173,501)**	**(1,195,808)**	**(1,202,575)**	**(1,221,991)**	19,416	(1.6%)

General administrative and depreciation expenses of PLN 1,202.6 million in 2021, which means a decrease in costs by PLN 19.4 million (i.e. 1.6%) YoY as a result of lower administrative expenses mainly related to the Bank Guarantee Fund costs. On the other hand, the decline mentioned above was partially offset by an increase in staff expenses and higher depreciation costs related to higher investments in IT area.



In 2021 average employment (excluding employees who are absent due to illness, parenthood or unpaid leaves) in the Group amounted to 2,940 FTEs, thus being by 3% lower than in 2020 (the number of FTEs at the end of the period decreased by 91 as compared with the same period of 2020). As of December 31, 2021 employment in the Group amounted to 2,903 FTEs, of which 1,547 in consumer banking, 618 in institutional banking and 738 in support units.

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

Net impairment and provisions

PLN '000	Bank		Capital Group			
	2021	2020	2021	2020	Change PLN '000	Change %
Provision for expected credit losses on receivables, including	(54,549)	(201,381)	(54,549)	(201,381)	146,832	(72.9%)
Provision for expected credit losses on financial assets – Stage 1	40,689	(6,861)	40,689	(6,861)	47,550	(693.0%)
Provision for expected credit losses on financial assets – Stage 2	(37,444)	(77,506)	(37,444)	(77,506)	40,062	(51.7%)
Provision for expected credit losses on financial assets – Stage 3	(57,794)	(117,014)	(57,794)	(117,014)	59,220	(50.6%)
Provision for expected credit losses for granted off-balance sheet commitments	13,710	14,369	13,710	14,369	(659)	(4.6%)
Provision for expected credit losses on equity investments	(178)	(274)	-	-	-	-
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income	2,055	(3,255)	2,055	(3,255)	5,310	(163.1%)
Provision for expected credit losses	**(38,962)**	**(190,541)**	**(38,784)**	**(190,267)**	**151,483**	**(80,0%)**

Net result of provisions for expected credit losses amounted PLN 38.8 million versus PLN 190.3 million in 2020 (improvement by PLN 151.5 million). In the Institutional Banking segment, write-offs were reversed in the first half of 2021, which was a consequence of improving forecasts of macroeconomic parameters and the observed stable quality of the loan portfolio. In the Consumer Banking segment, there was a decrease of provisions due to an additional write-offs linked to aid programs granted to customers affected by the effects of the COVID-19 pandemic in 2020. At the same time, stabilization of customer behavior was observed in the fourth quarter of 2021.

1.1.4 Ratio analysis

The Group's efficiency ratios

	2021	2020
Return on equity (ROE)*	10.1%	2.4%
Return on assets (ROA)**	1.2%	0.3%
Net interest margin (NIM)***	1.3%	1.6%
Margin on interest-bearing assets	1.5%	1.8%
Earnings per share in PLN	5.49	1.32
Cost/income****	51%	59%
Loans/Deposits	50%	51%
Loans/Total assets	34%	36%
Net interest income to total revenue	33%	48%
Net fee and commission income to total revenue	28%	27%

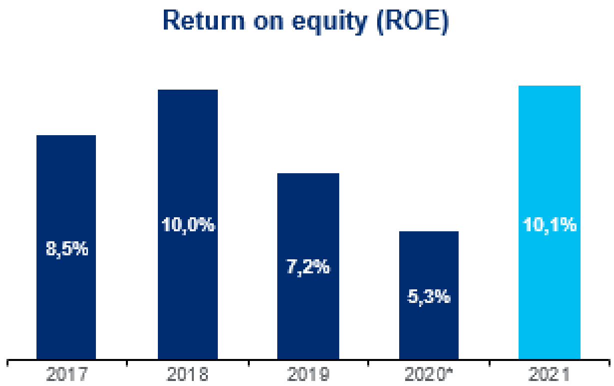
** Net profit to average equity (excluding net profit for the current year) calculated on a quarterly basis;*
*** Net profit to average total assets calculated on a quarterly basis;*
**** Net interest income to average total assets calculated on a quarterly basis;*
***** Overheads, general administrative expenses, depreciation and amortization to operating income.*

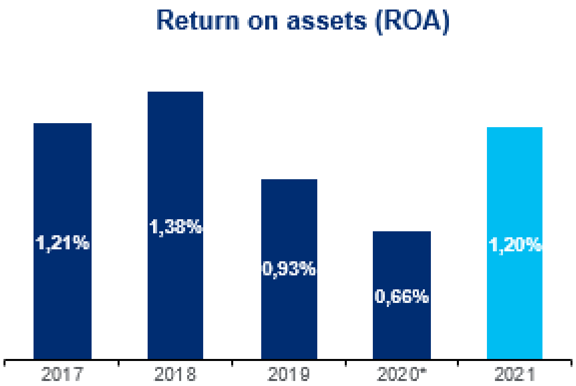
The Bank's efficiency ratios

	2021	2020
Return on equity (ROE)*	10.4%	2.2%
Return on assets (ROA)**	1.2%	0.3%
Net interest margin (NIM)***	1.3%	1.6%
Earnings per ordinary share in PLN	5.71	1.21
Cost/Income****	51%	59%

** Net profit to average equity (including net profit for the current year) calculated on a quarterly basis*
*** Net profit to average total assets calculated on a quarterly basis*
**** Net interest income to average total assets calculated on a quarterly basis*
***** Overheads, general administrative expenses, depreciation and amortization to operating income*

In 2021, the Group's returns on equity and assets remained at levels of respectively 10.1% and 1.20% which means a significant increase compared to the previous year due to the higher net profit. In turn, in the area of cost-effectiveness, the cost/income ratio was 51% due to higher revenues (mainly in the treasury area). On the other hand, thanks to the realization of profit on debt investment financial assets, the interest margin declined from 1.6% to 1.3%.





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

2.2 Consolidated statement of financial position

As of December 31, 2021, total assets of the Group amounted to PLN 61.9 billion, slightly up (by 1.5% compared to the end of 2020. Simultaneously, total liabilities amounted to PLN 54.4 billion, up by PLN 1.1 billion (or 2.0%) compared to the end of 2020.

The loan-to-deposit ratio dropped to 50% at the end of December 2021 (slightly down by 1 percentage point compared to the end of December 2020).

Consolidated statement of financial position

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	PLN'000	%
ASSETS						
Cash and balances with central bank	6,526,743	4,488,332	6,526,743	4,488,332	2,038,411	45.4%
Receivables from banks	967,663	570,188	967,677	570,247	397,430	69.7%
Financial assets held for trading	9,876,922	4,284,019	9,956,212	4,350,540	5,605,672	128.9%
Hedging derivatives	119,290	-	119,290	-	119,290	-
Debt financial assets measured at fair value through other comprehensive income	20,590,284	27,323,571	20,590,284	27,323,571	(6,733,287)	(24.6%)
Equity investments valued at equity method	91,942	105,621	-	-	-	-
Equity and other instruments measured at fair value through income statement	97,026	78,153	97,316	78,473	18,843	24.0%
Receivables from customers	21,187,157	21,673,755	21,327,600	21,914,223	(586,623)	(2.7%)
Property and equipment	450,599	476,080	451,671	476,909	(25,238)	(5.3%)
Intangible assets	1,241,499	1,251,250	1,243,160	1,252,583	(9,423)	(0.8%)
Receivables due to current income tax	54,721	48,714	54,721	48,714	6,007	12.3%
Asset due to deferred income tax	263,605	173,472	264,313	174,223	90,090	51.7%
Other assets	207,987	153,079	257,621	257,560	61	0.0%
Fixed assets held-for-sale	6,163	6,163	6,163	6,163	-	0.0%
Total assets	**61,681,601**	**60,632,397**	**61,862,771**	**60,941,538**	**921,233**	**1.5%**
LIABILITIES						
Liabilities towards banks	3,383,236	5,118,749	3,383,353	5,118,861	(1,735,508)	(33.9%)
Financial liabilities held for trading	6,586,932	3,653,453	6,588,482	3,656,422	2,932,060	80.2%
Hedging derivatives	-	98,025	-	98,025	(98,025)	(100.0%)
Liabilities towards customers	43,495,543	43,411,106	43,507,474	43,393,906	113,568	0.3%
Provisions	141,714	84,775	142,024	84,775	57,249	67.5%
Current income tax liabilities	-	-	5,974	3,666	2,308	63,0%
Other liabilities	758,136	751,084	852,069	1,004,916	(152,847)	(15,2%)
Total liabilities	**54,365,561**	**53,117,192**	**54,479,376**	**53,360,571**	**1,118,805**	**2,1%**
EQUITY						
Issued capital	522,638	522,638	522,638	522,638	-	-
Supplementary capital	2,944,585	2,944,585	3,001,699	3,002,265	(566)	-
Revaluation reserve	(312,018)	450,017	(312,018)	450,017	(762,035)	(169.3%)
Other reserves	2,802,781	2,797,798	2,814,030	2,793,561	20,469	0.7%
Retained earnings	1,358,054	800,167	1,357,046	812,486	544,560	67.0%
Total equity	**7,316,040**	**7,515,205**	**7,383,395**	**7,580,967**	**(197,572)**	**(2.6%)**
Total liabilities and equity	**61,681,601**	**60,632,397**	**61,862,771**	**60,941,538**	**921,233**	**1.5%**

2.2.1 Assets

The largest nominal change in the balance sheet was **investment debt financial assets**. The balance of investment debt financial assets decreased by PLN 6.7 billion (i.e. 24.6%) compared to 2020 as a result of realization of profit on these assets, which in turn positively influenced the increase in the balance of the financial assets held for trading by PLN 5.6 billion (i.e. 128.9%) and cash and balances with the Central Bank by PLN 2.0 billion (i.e. 45.4%). The share of debt investment financial assets in the Group's total assets was 33% at the end of December 2021 (a decrease by 12 percentage points compared to the end of December 2020).

Debt securities portfolio of the Bank

PLN '000	As at		Change	
	31.12.2021	**31.12.2020**	**PLN '000**	**%**
Treasury bonds, including:	13,497,285	22,731,457	(9,234,172)	(40.6%)
covered bonds in fair value hedge accounting	0	11,347,069	(11,347,069)	(100.0%)
Bank bonds, including:	1,663,203	3,045,105	(1,381,902)	(45.4%)
covered bonds in fair value hedge accounting	848,928	0	848,928	100.0%
Bills issued by financial entities	2,214,569	2,460,132	(245,563)	(10.0%)
NBP bills	6,996,600	-	-	-
Total	**24,371,657**	**28,236,694**	**(3,865,037)**	**(13.7%)**

The largest share in the total assets of the Group at the end of December 2021 were **amounts due from customers.** Their share in total assets was 34% at the end of December 2021. At the end of 2021, the value of net amounts due from customers amounted to PLN 21.3 billion and was slightly lower by PLN 586.6 million (i.e. 2.7%) compared to the end of 2020. The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities, amounted to PLN 14.4 billion, down by PLN 351.5 million (or 2.6%) compared to the end of 2020. The decline in loans was observed mainly in the financial sector. The volume of net loans made to individual customers dropped by PLN 235.2 million (or 3.3%) to PLN 7.0 billion compared to the end of December 2020. The drop in loans was due to unsecured receivables (due to lower sales of cash loans during the pandemic). On the other hand, mortgage loans increased by PLN 191.1 million (i.e. 8.7%) compared to the end of 2020.

Net amounts due from clients

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	PLN '000	%
Receivables from financial sector entities	**3,299,836**	**3,496,218**	**3,440,104**	**3,735,746**	**(295,642)**	**(7.9%)**
Receivables from non-financial sector entities, including:	**17,887,321**	**18,177,537**	**17,887,496**	**18,178,477**	**(290,981)**	**(1.6%)**
Corporate clients*	10,907,847	10,963,662	10,907,847	10,963,662	(55,815)	(0.5%)
Individuals, including:	6,979,474	7,213,875	6,979,649	7,214,815	(235,166)	(3.3%)
Unhedged liabilities	4,588,561	5,014,063	4,588,736	5,015,003	(426,267)	(8.5%)
Mortgage loans	2,390,913	2,199,812	2,390,913	2,199,812	191,101	8.7%
Total net receivables from clients	**21,187,157**	**21,673,755**	**21,327,600**	**21,914,223**	**(586,623)**	**(2.7%)**

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

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

PLN'000	As at		Change	
	31 Dec 2021	31 Dec 2020	PLN'000	%
Loans without recognized impairment (Stage 1), including:	**19,571,178**	**20,619,103**	**(1,047,925)**	**(5.1%)**
financial institutions	3,443,448	3,739,156	(295,708)	(7.9%)
non-financial sector entities	16,127,730	16,879,947	(752,217)	(4.5%)
institutional clients*	9,948,056	10,412,916	(464,860)	(4.5%)
individual customers	6,179,674	6,467,031	(287,357)	(4.4%)
Loans without recognized impairment (Stage 2), including:	**1,744,692**	**1,309,801**	**434,891**	**33.2%**
financial institutions	2	0	2	**-**
non-financial sector entities	1,744,690	1,309,801	434,889	**33.2%**
institutional clients*	917,951	507,141	410,810	81.0%
individual customers	826,739	802,660	24,079	3.0%
Loans with recognized impairment (Stage 3), including:	**900,413**	**982,988**	**(82,575)**	**(8.4%)**
financial institutions	0	0	-	-
non-financial sector entities	900,413	982,988	(82,575)	(8.4%)
institutional clients*	466,719	539,509	(72,790)	(13.5%)
individual customers	433,694	443,479	(9,785)	(2.2%)
Total gross loans to customers, including:	**22,216,283**	**22,911,892**	**(695,609)**	**(3.0%)**
financial institutions	3,443,450	3,739,156	(295,706)	(7.9%)
non-financial sector entities	18,772,833	19,172,736	(399,903)	(2.1%)
institutional clients*	11,332,726	11,459,566	(126,840)	(1.1%)
individual customers	7,440,107	7,713,170	(273,063)	(3.5%)
Impairment, including:	**(888,683)**	**(997,669)**	**108,986**	**(10.9%)**
Total net amounts due from customers	**21,327,600**	**21,914,223**	**(586,623)**	**(3.0%)**
Impairment provisions coverage ratio	**78.8%**	**80.8%**		
institutional clients*	76.1%	78.5%		
individual customers	81.7%	83.6%		
Non-performing loans ratio (NPL)**	**4.1%**	**4.3%**		

** Institutional clients include enterprises, the public sector, state-owned and private companies, co-operatives, individual enterprises, non-commercial institutions acting for the benefit of households.*
*** The value of gross receivables as of 2021 and 2020 does not include contractual interest accrued from the moment of transferring the exposure to Stage 3*
The Group has changed the presentation of the amounts due from customers, which has no effect on the net carrying amount of this item. In accordance with Transition Resource Group for Impairment of Financial Instruments the value of impaired receivables shall be presented increased by accrued contractual interest. The result of this presentation of receivables is also the growth of provision for expected credit losses by the same amount. The Group has changed the presentation approach throughout the financial statements, which resulted in an increase of the gross carrying amount and the provisions in total amount of PLN 140,052 thousand (at the end of 2020 of 155,923 thousand).

Gross loans to customers of the Group

PLN'000	As at		Change	
	31 Dec 2021	31 Dec 2020	PLN'000	%
Loans in PLN	18,663,357	20,040,110	(1,376,753)	(6.9%)
Loans in foreign currency	3,552,926	2,871,782	681,144	23.7%
Total	**22,216,283**	**22,911,892**	**(695,609)**	**(3.0%)**

2.2.2 Liabilities

As of the end of 2021 **amounts due to customers** were the dominant source of financing of the Group's activity and they accounted for 70% of the Group's liabilities and equity. At the same time, a current accounts were the dominant item in amounts due to customers, with a share of 88% (an increase by 4 percentage points compared to the end of 2020). The amounts due to customers at the end of 2021 amounted to PLN 43.5 billion and was slightly higher by PLN 113.6 million (i.e. 0.3%) compared to 2020. The increase in deposits was attributable to individual customers and resulted from a higher volume of funds on current accounts, thanks to a higher number of personal accounts.

Liabilities towards customers

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	PLN '000	%
Deposits of financial sector entities	**3,526,199**	**4,853,049**	**3,192,860**	**4,571,664**	**(1,378,804)**	**(30.2%)**
Deposits of non-financial sector entities, including	**39,243,812**	**38,336,169**	**39,589,082**	**38,600,354**	**988,728**	**2.6%**
Non-financial sector entities	20,336,526	19,521,594	20,377,619	19,555,711	821,908	4.2%
Non-commercial institutions	465,776	195,104	465,776	195,104	270,672	138.7%
Individuals	16,512,839	15,266,778	16,817,016	15,496,846	1,320,170	8.5%
Public sector entities	1,928,671	3,352,693	1,928,671	3,352,693	(1,424,022)	(42.5%)
Other liabilities	**725,532**	**221,888**	**725,532**	**221,888**	**503,644**	**227.0%**
Total liabilities towards customers	**43,495,543**	**43,411,106**	**43,507,474**	**43,393,906**	**113,568**	**0.3%**
Deposits of financial and non-financial sector entities, including:						
Liabilities in PLN	30,245,057	32,096,116	30,256,988	32,078,916	(1,821,928)	(5.7%)
Liabilities in foreign currency	12,524,954	11,093,102	12,524,954	11,093,102	1,431,852	12.9%
Total deposits of financial and non-financial sector entities	**42,770,011**	**43,189,218**	**42,781,942**	**43,172,018**	**(390,076)**	**(0.9%)**

2.2.3 Source and use of funds

PLN '000	Bank		Capital Group	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Source of funds				
Funds of banks	3,383,236	5,118,749	3,383,353	5,118,861
Funds of customers	43,495,543	43,411,106	43,507,474	43,393,906
Own funds with net income	7,316,040	7,515,205	7,383,395	7,580,967
Other funds	7,486,782	4,587,337	7,588,549	4,847,804
Total source of funds	**61,681,601**	**60,632,397**	**61,862,771**	**60,941,538**
Use of funds				
Receivables from banks	967,663	570,188	967,677	570,247
Receivables from customers	21,187,157	21,673,755	21,327,600	21,914,223
Securities, shares and other financial assets	30,775,464	31,791,364	30,763,102	31,752,584
Other uses of funds	8,751,317	6,597,090	8,804,392	6,704,484
Total use of funds	**61,681,601**	**60,632,397**	**61,862,771**	**60,941,538**

2.3 Equity and the capital adequacy ratio

As compared to 2020, shareholders' equity slightly decreased by PLN 197.6 million (i.e. 2.6%) mainly as a result of a decrease in revaluation reserve (i.e. PLN 762.0 million) due to an increase in bond yields treasury bonds held by the Bank and the realization of profits on debt investment financial assets, which translated into a higher net profit in 2021 and thus an increase in the retained earnings category by PLN 544.6 million.

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

Group's equity*

PLN '000	As at		Change	
	31.12.2021	31.12.2020	PLN '000	%
Share capital	522,638	522,638	-	-
Supplementary capital	3,001,699	3,002,265	(566)	-
Revaluation reserve	(312,018)	450,017	(762,035)	(169.3%)
Other reserves	2,814,030	2,793,561	20,469	0.7%
Retained earnings	1,357,046	812,486	544,560	67.0%
Total equity	**7,383,395**	**7,580,967**	**(197,572)**	**(2.6%)**

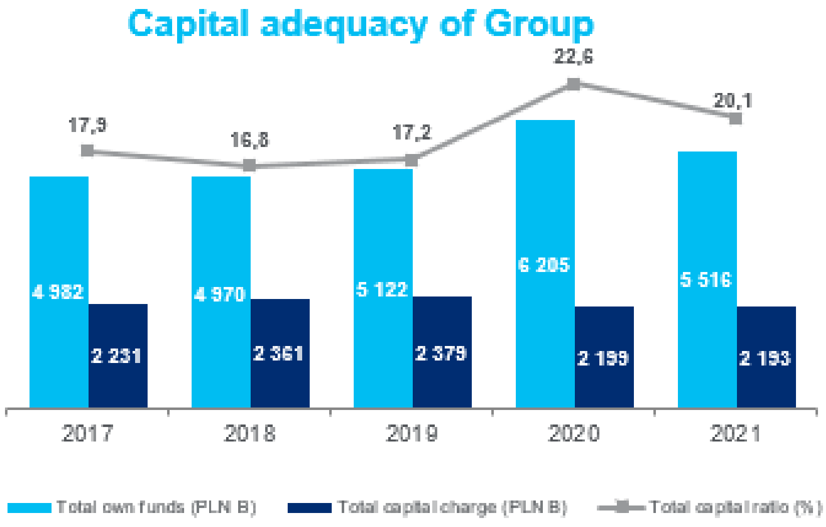
** Equity net of net profit /(loss)*

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

Capital adequacy ratio*

PLN'000	31.12.2021	31.12.2020
I Common Equity Tier 1 Capital	**5,516,172**	**6,204,936**
II Total capital requirements, including:	**2,193,326**	**2,205,669**
credit risk capital requirements	1,697,499	1,719,477
counterparty risk capital requirements	119,529	95,295
Credit valuation correction capital requirements	7,268	11,763
excess concentration and large exposures risks capital requirements	-	-
total market risk capital requirements	85,572	89,930
operational risk capital requirements	283,458	289,204
Common Equity Tier 1 Capital ratio	**20.1%**	**22.6%**

**Capital Adequacy Ratio was calculated according to the rules stated in the Regulation no 575/2013 of the European Parliament and of the Council (EU) of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) no 648/2012.*



Both in 2021 and 2020, the Group met all the regulatory prudential standards relating to capital adequacy.

In 2021, the capital adequacy level for the Group was always at a secure level, i.e. 9.35 p.p. above the supervisory limits.

The level of the required Capital ratios encompasses:

- The basic requirement resulting from CRR provisions to maintain the total capital ratio of 8% and the Tier 1 ratio of 6%
- The combined buffer requirement of additional 2.77% on consolidated basis, which consists of:
  - The capital conservation buffer – 2.50%
  - The other systemically important institution's buffer – 0.25%
  - Countercyclical capital buffer – 0.02%
  - Systemic risk buffer – 0.00% (due to the regulation of the Minister of Finance of March 18 on the solution of the systemic risk buffer in order to limit the impact of the coronavirus on the domestic banking sector).

As at 31 December 2021, the capital adequacy ratio of the Group amounted to 20.1% and this value enables the Group to develop its lending activities.

The decrease of the capital adequacy ratio in 2021 compared to 2020 was caused by the decrease of revaluation reserve. As of 2021, lower revaluation reserve was caused by realized gain of debt investment financial assets and the increase of yield of these assets.

2. Interest rates

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

As at 31 December 2021

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

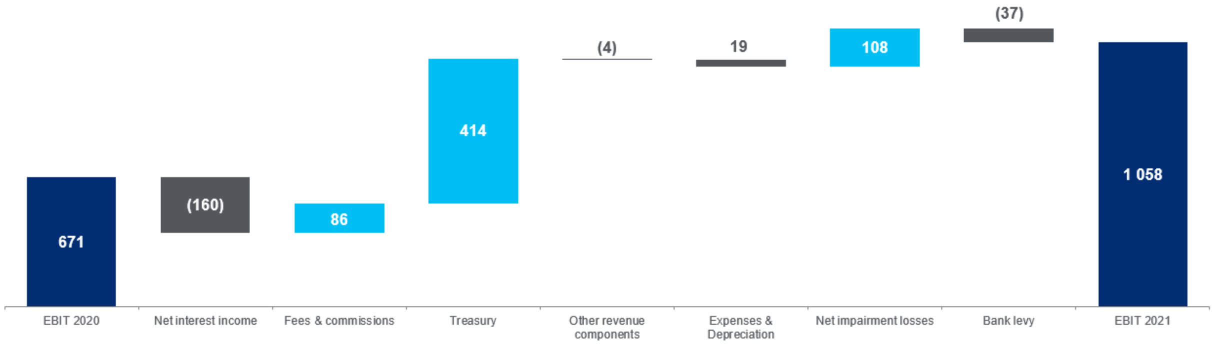
As at 31 December 2020

in %	Institutional Bank			Consumer Bank		
	PLN	EUR	USD	PLN	EUR	USD
ASSETS						
Receivables from banks and customers						
- fixed term	1.50	0.92	1.99	6.92	4.68	-
Debt securities	1.39	0.47	2.59	-	-	-
LIABILITIES						
Liabilities towards banks and customers						
- fixed term	0.06	0.002	0.03	1.46	0.02	1.37

3. Institutional Banking Segment

3.1 Summary of segment's results

**Institutional Banking Segment -
an impact of the Profit & Loss Statement components on EBIT in 2021 (PLN MM)**



In 2021, the pre-tax profit of the Institutional Banking segment increased by PLN 387.6 million, i.e. 57.8%. The following factors affected the pre-tax profit of the Institutional Banking segment in 2021 as compared to the previous year:

- Net interest income of PLN 389.6 million compared to PLN 549.7 million in 2020 - a decrease by PLN 160 million, mainly due to lower interest income from the realization of profit on debt investment financial assets;
- Net commission income of PLN 434.3 million compared to PLN 348.8 million in 2020, as a result of an improvement in the net commission income on bank accounts maintaining, but also on activities related to capital markets (brokerage and custody area);
- Result on debt investment financial assets measured at fair value through other comprehensive income in the amount of PLN 414.6 million compared to PLN 203.4 million in 2020, i.e. an increase by PLN 211.2 million, due to the favorable market environment on the debt securities market in the first quarter of 2021. At the same time, the result on financial instruments held for trading and revaluation increased by PLN 202.7 million to the level of PLN 482.4 million due to higher revenues from customer FX (increase in volumes)

- General and administrative expenses and depreciation of PLN (565.8) million compared to PLN (546.9) million in 2020 - a slight decrease by PLN 18.9 million YoY. (i.e. 3.5%);
- Decrease in net impairment charges by PLN 108.3 million compared to 2020, due to the release of net write-offs in the first half of 2021, which was a consequence of improving macroeconomic forecasts and the observed stable quality of the loan portfolio
- Increase in taxes by PLN 37 million as a result of higher bank levy due to the decrease in the share of Treasury bonds in the Bank's assets.

3.2 Institutional Bank

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

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

As at the end of 2021, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) amounted to slightly below 5,400, which means decline by 3% compared to 2020.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 230 new clients in 2021, including 24 Large Companies, 115 Small and Medium-Sized Companies, 47 International Clients of Commercial Banking Segment, 37 Digital and 7 Public Sector Entities. In the strategic and global client segments, the Bank established 43 new client relationships.

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

Assets

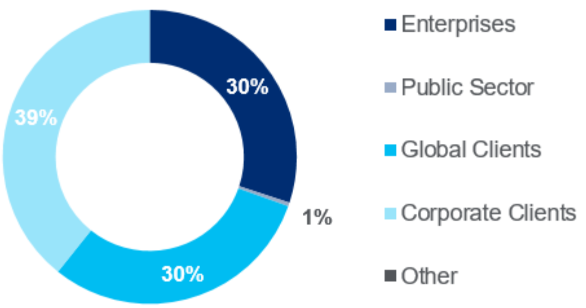
PLN million	31.12.2021	31.12.2020	Change	
			PLN million	%
Enterprises, including:	3,968	3,518	450	13%
SMEs	1,636	1,125	511	45%
Large enterprises	2,332	2,394	(62)	(3%)
Public Sector	55	10	45	450%
Global Clients	3,999	4,194	(195)	(5%)
Corporate Clients	5,187	5,678	(491)	(9%)
Other*	0	(14)	14	(100%)
Total Institutional Bank	**13,209**	**13,387**	**(178)**	**(1%)**

Liabilities

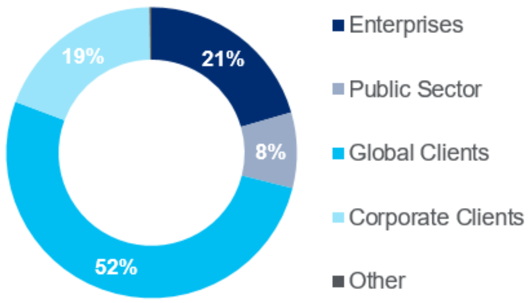
PLN million	31.12.2021	31.12.2020	Change	
			PLN million	%
Enterprises, including:	5,077	4,396	681	15%
SMEs	3,135	2,555	580	23%
Large enterprises	1,943	1,841	102	6%
Public Sector	2,083	3,434	(1,351)	(39%)
Global Clients	12,806	12,025	781	6%
Corporate Clients	4,721	6,293	(1,572)	(25%)
Other*	58	66	(8)	(12%)
Total Institutional Bank	**24,744**	**26,214**	**(1,470)**	**(6%)**

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

Structure of the Institutional Bank assets as of 31.12.2021



Structure of the Institutional Bank liabilities as of 31.12.2021



Key transactions and achievements in Institutional Banking in 2021:

Credit activity	**<u>Granting new financing or increasing existing ones in the amount of PLN 3.1 B</u>** • PLN 1,5 billion for Global Clients, including financing granted to a company implementing construction projects related to erection of buildings and to a client from the retail industry, • PLN 1,2 billion for Commercial Bank clients; • PLN 0,4 billion for Corporate Clients, incl. granting financing for the acquisition of a company from the alcohol industry;
Investment Banking	**<u>Investment Banking</u>** • The Bank was active in debt securities by participating in the following transactions: – participation in the issue of corporate bonds on the local market in the amount of PLN 500 million, – cooperation with Citigroup in the issue of Eurobonds up to the amount of EUR 490 million. The funding raised based on the above transactions was allocated to EUR 513 million acquisition on international markets.
Transactional Banking	**<u>Increasing shares in banking services and transaction banking</u>** • Winning 32 mandates for comprehensive banking services or extending the Bank's cooperation with its clients; • Signing of supplier financing agreements, promises, guarantees, factoring and letters of credit for the total amount of PLN 521 million.

3.3 Treasury Activity

2021 was characterized by increased volatility in financial markets. The pandemic continues to take a toll on the economy, forcing companies to redefine their business assumptions.

In order to help its clients prepare for the changes in FX exchange rates, prices of commodities and interest rates, the Bank focused in 2021 on, above all:

- ensuring permanent, secure and remote access to currency exchange on the CitiFX Pulse platform. CitiFX Pulse provides 24/7 access to quotations and constant access to market information;
- offering settlements of commercial contracts in over 140 currencies – an especially appreciated component of the offer in an environment of volatile and uncertain global supply chain for goods and services;
- hedging FX risks associated with IPO processes;
- organizing numerous seminars and conferences on monetary and fiscal policy, economic forecasts, issues related to the commodity market and practical issues related to FX risk management.

In 2021, the Bank remained among the leaders in terms of turnover in the spot market, as one of the leaders of Treasury BondSpot.

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

- Conducting three issues of bonds for the European Investment Bank for the PLN 1.5 billion, PLN 1.25 billion and PLN 0,5 billion; The April issue of the EIB in the amount of PLN 1.25 billion was the first public issue of Climate Awareness Bond dedicated entirely to Polish investors;
- The Bank was taking up BGK bonds issued for the Anti-COVID-19 Fund.

3.4 Transactional banking

In 2021, Citi Handlowy introduced further, advanced technology solutions in TTS, thus creating a secure space for transactions processing and development of its clients. The new functionalities were designed to support corporate clients of the Bank in digitization and foreign expansion as well as boost their competitive edge. The Bank continued its efforts aimed at streamlining and digitizing processes, as well as developing tools boosting the efficiency and comfort of its clients working remotely.

Citi Handlowy transaction banking (TTS) in 2021 topped, for the eighth time in a row, the **Euromoney Cash Management** ranking in the category of cash management for corporate clients. Citi Handlowy was named the “Market Leader” and won in the category “Best Service”.

<table>
<tr><td>Current account</td><td>In 2021, the Bank saw a continuous increase in its clients’ use of a qualified electronic signature implemented in 2020. 37% of bank account agreements were signed electronically in 2021, twice as many as in 2020, when 18% of agreements were concluded electronically. Clients appreciate this facilitation in the processing of documents, which allows them to have easy access to bank services when working remotely and sign agreements and other documents electronically.</td></tr>
<tr><td>Electronic Banking</td><td>In 2021, as regards electronic banking, the Bank continued its efforts aimed at offering its clients new functionalities and promoting the already implemented solutions:
API functionality – the CitiConnect API, implemented in 2020, was subject to commercialization. The solution allows clients to order transfers directly in the ERP system of the supplier, without the need to use bank interfaces. Over 6 million API communications initiated by clients from Poland have been serviced in the CitiConnect API infrastructure. They pertained both to initiating payments and information about accounts and transactions.
CitiDirect BE – the Bank carried out commercialization of the digital solutions among clients who use this solution. Digital solutions contributed significantly to facilitating the payment management process. The Bank promoted not only the biometric solution, which makes it easier to log in to the system, but also mechanisms which facilitate the management of CitiDirect BE users’ entitlements by authorized system administrators. Furthermore, the Bank continued to work on the implementation of new system functionalities. Under a pilot program the Bank made a new version of the CitiDirect BE system available to selected clients. The platform is based on the latest technology solutions and offers its users a simpler and quicker maintenance of bank accounts thanks to a re-designed graphic interface. In 2022, the Bank is planning further commercialization of this version of the system among its clients.
In 2021, the Bank processed electronically around 33 million transactions, a number similar to that recorded in 2020. In that time, the CitiDirect BE online banking system was actively used by nearly 5,100 clients. Despite the challenging situation of the pandemic, the database of active clients remained stable as compared to the same period of 2020.</td></tr>
<tr><td>Payment processing</td><td>Payment volumes continued to increase also throughout 2021. As regards domestic transactions, the Bank recorded a higher number of Express Elixir transfers by 11% YoY, which is another</td></tr>
</table>

	proof that clients use solutions with instant settlements ever more eagerly. Instant payments are a strategically important area of the development of the Bank's services and the Bank expects further growths in this area. The upward trend in **the volumes of foreign payments continued in 2021 – the number of such transactions increased by 17% YoY**. The dynamic reflects the progressing internationalization of businesses, including development of e-commerce activity. Owing to the international Citi network, clients gained a new tool for verification of outgoing payments – **Citi Payment Outlier Detection** (CPOD). It uses advanced analyses and algorithms to monitor and control company payments in real time and to identify transactions that differ significantly from previous trends. Clients that operate in international markets more and more often use **Citi Payment Insights** (CPI), which enables them, for example, to monitor payment status. In 2021 the Bank maintained **a high share in the Direct Debit market at 36%**.
Corporate cards	In corporate cards, in 2021 **the value of cashless transactions went up 12% for credit cards and 16% for debit cards** versus 2020. The above changes were influenced to a great extent by cashless transactions executed in Q4 2021, the **value of which grew by 81% for credit cards and by 27% for debit cards** as compared to the prior year period. In addition, there was a marked **increase in the number of cashless transactions – up 5% for credit cards and up 18% for debit cards** as compared to 2020. Despite the ongoing COVID-19 pandemic and the restrictions resulting from the epidemiological situation, in 2021 the card business recorded higher volumes and value of cashless transactions as compared to 2020, when the results of the first months were not influenced by the pandemic. The increases achieved by the Bank confirm that its clients are again active in the area of card payments, which can be connected with the return of business travel and a change in the card use pattern (e.g. for B2B transactions). In 2021 the Bank implemented an additional security feature for **authenticating online card transactions** by entering a one-time code and a part of the card's PIN code used for transactions at POS terminals. Two methods of authentication of online payments made with corporate cards are currently available: (1) with the use of the Citi Manager application and using biometric data (it is the main authentication method for online transactions); and (2) with the use of single-use SMS code and PIN code (as an alternative). The Bank also launched the **CitiManager platform for the administrators of corporate debit card programs**. CitiManager is a system that facilitates the management of cards used by clients of the Bank. In this system, administrators have access to card data, such as current or historic transactions, statements and an advanced reporting module. Thus, CitiManager and CitiManager Mobile, which is a mobile application for card holders, are now available to all users of credit and debit corporate cards. The Bank uses both platforms to develop functionalities boosting the efficiency and comfort of its clients in corporate card application, management and use. Since late 2021, all new clients who use credit cards have access to end-to-end online processes: **card application (OLA)** and **card management (OLM)**. In the following months the Bank will gradually launch these functionalities for all existing clients, and as the next step it is planning to make them available also to the holders of debit cards. As announced, upon an analysis of the product effectiveness, the Bank withdrew pre-paid cards from its offer and ensured a smooth phase-out of the cards.
Liquidity management	In 2021, as part of the IBOR reform, the Bank introduced new, alternative rates, the so-called **"risk-free rates"**. The changes were implemented for new accounts already in April 2021, and for other accounts – in October. Thus, the Bank was one of the first institutions on the market to start applying alternative rates for deposits and accounts and smoothly adapt to the new market practice. In 2021 the Bank also implemented its first **cross-currency sweeps** solution. The service allows for the automation of financial funds management in a variety of currency pairs in 22 countries worldwide.
Trade Finance and Service	The Bank maintains its position as a leading financial institution in the area of supplies and procurement financing. The **average level of assets** of the Bank in this area was **11% higher** in 2021 versus 2020. In 2021 Citi Handlowy recorded a **51% increase in the value of opened letters of credit**. 2020 was the first year of the pandemic, hence this increase was also a consequence of a low base. However, when compared to 2019, in 2021 the Bank recorded a **growth by 13%** (with a 36% drop in the transaction number). This growth was triggered by the general improvement in the economy and the search for new purchase and sale markets. And this contributed to utilization of letters of

credit as main settlement product.

In the second half of 2021 the Bank, in cooperation with Citibank Europe Plc and Citibank Hong Kong, began to **implement the global Supplier Financing Program** for one of the key clients of the Bank active in retail trade. The program involves financing the supply chain and entities on different markets, including Asia.

The trade finance and service products have been modified following the benchmarks reform. The new risk-free rates replacing LIBOR have been available in these products since early November 2021.

Nearly **50% of changes to the documentation for trade finance products are processed electronically**, including with an electronic signature.

3.5 Custody and depositary services

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

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

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

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

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

As at 31 December 2021, the Bank maintained over 15 thousand securities accounts (including collective accounts).

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

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

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

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

3.6 Brokerage Activity

The Group runs brokerage activities in the capital market via Dom Maklerski Banku Handlowego S.A. ("DMBH"), a wholly-owned subsidiary of the Bank.

As at the end of 2021, DMBH was the market maker for 67 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 15% of the shares listed in its main equity market.

In 2021, DMBH was the intermediary in in-session transactions accounting for 4.2% of equity turnover in the secondary market. The value of the in-session transactions concluded via DMBH in the equity market on the WSE was PLN 26.5 billion and declined by 4.2% as compared to last year, with increase in turnovers on the WSE by 5.6%. Compared to the previous year, the structure of session trading has changed - an increase in the share of turnover on client's account in total turnover, with a decrease in the share of own account turnover in total turnover, as well as an increase in the activity of foreign brokers carrying out algorithmic and high volume trading operations.

In 2021, DMBH was on a 11. position in the session trading on the WSE Main Market, and 4. as a local Exchange Member.

The number of investment accounts maintained by DMBH was 14.2 thousand as at the end of 2021 and decreased by 4.6% compared to 2020. The change resulted from the closing of inactive accounts.

In 2021, the Polish equity trading market continued to experience a recovery. In that period, DMBH carried out the following transactions:

- Inpost S.A. - DMBH acted as a Local Co-Bookrunner in the IPO (the company was listed on Euronext Amsterdam; the transaction value was EUR 3.2 billion (January 2021),
- Termet S.A. - DMBH acted as an investment company in the implementation and settlement of a non-public purchase and sale of Termet S.A. shares by Ferro S.A., worth PLN 43.7 million, completed on 17 February 2021,
- ZPUE S.A. - DMBH acted as an intermediary in an RFP for 100% of ZPUE S.A. shares, the transaction value was approximately PLN 39.7 million (settled in March 2021),
- Talanx S.A. - DMBH acted as an intermediary in an RFP announced to end the listing of Talanx S.A. on the Warsaw Stock Exchange (settled in February 2021).
- Celon Pharma S.A. - DMBH acted as Global Coordinator, Offering Agent and Settlement Agent in increasing the company's capital, the transaction value was PLN 216 million (July 2021).
- Pracuj S.A. Group - DMBH acted as a Global Coordinator in the IPO process, the company is now listed on the Warsaw Stock Exchange; the value of the transaction was PLN 1.1 billion (December 2021).

In 2021, despite the spread of the coronavirus pandemic, DMBH pursued a stable and even periodically increased activity, continuously responding to the needs of its clients.

Summary financial data as at 31 December 2021*

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial result for 2021
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	742,894	124,413	26,857

**preliminary data*

Summary financial data as at 31 December 2020

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial result for 2020
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	736,813	113,951	16,372

3.7 Leasing

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

Summary financial data as at 31 December 2021*

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

**pre-audit data*

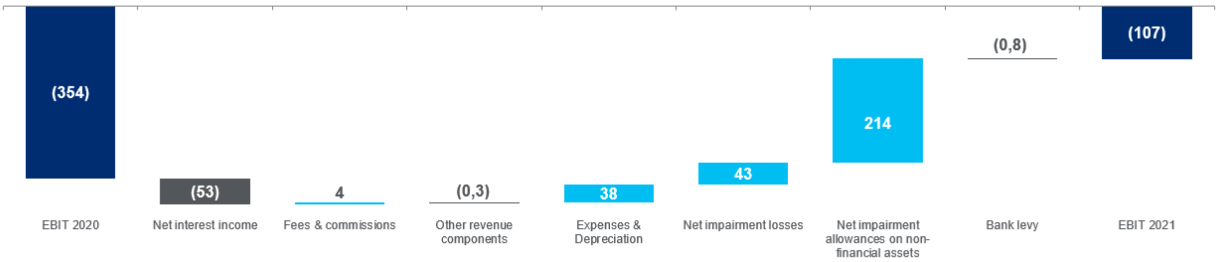
Summary financial data as at 31 December 2020

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial profit/loss for 2020
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,585	21,404	(513)

4. Consumer Banking Segment

4.1 Summary of the segment's results

**Consumer Banking Segment -
an impact of Profit & Loss Statement components on EBIT in 2021 (PLN MM)**



The following factors affected the pre-tax profit of the Consumer Bank segment in 2021:

- lower **interest income** as a result of lowering the reference rate by the Monetary Policy Council and due to decline in customer demand for credit products in the event of economic uncertainty, as well as the tightening of documentation requirements in the process of accepting new loans by the Bank, which translated into a decrease in the balance of credit products (-3.3% YoY).
- a decrease in **interest expenses** as a result of a significant reduction in interest rates for the polish zloty and other currencies despite a significant increase in the balance of deposits (+8.5% YoY).
- a decline in **net fee and commission income**, mainly due to lower transaction activity of the clients using credit cards and debit cards as a result of pandemic;
- a decrease in **operating expenses**, as a result of maintaining cost discipline, except for increased investment in technology; the increase is due to a reduction in activity in 2020 as a result of first wave of the pandemic.

4.2 Selected business data

	2021	2020	Change PLN '000	%
Number of individual customers	584.0	645.0	(61.0)	(9.5%)
Number of current accounts	458.6	452.3	6.3	1.4%
Number of savings accounts	117.5	122.5	(5.0)	(4.1%)
Number of credit cards	513.1	606.7	(93.6)	(15.4%)
Number of debit cards	236.3	233,4	2.9	1.2%

4.3 Key business achievements

Bank accounts

Current accounts

The total balance on the accounts **increased by over 14%** as compared to 2020 and **exceeded PLN 11,8 billion.**

The number of personal accounts was **458,000** as at the end of 2021, i.e. increased slightly as compared to 2020. Of that number, 254,000 were PLN accounts and 204,000 accounts in foreign currencies.

Savings accounts

The number of savings accounts was **117,000** as at the end of 2021, with a simultaneous their total balance of **PLN 3.3 billion**, as compared to 122,000 savings accounts with over PLN 3.3 billion in the same period in 2020.

Changes in the offer

In 2021, the Bank introduced numerous significant innovations in its offer. In the second quarter of 2021, the Bank launched **bank accounts in 10 new foreign currencies** for its clients. Holders of a personal account with the Bank can use **a total of 15 accounts in different currencies**. In addition to a Polish zloty account, clients may open bank accounts in: Australian dollar (AUD), Canadian dollar (CAD), Swiss Franc (CHF), Czech Crown (CZK), Danish Krone (DKK), Euro (EUR), British Pound (GBP), Croatian Kuna (HRK), Hungarian Forint (HUF), Norwegian Krone (NOK), Russian Ruble (RUB), Swedish Krona (SEK), US Dollar (USD) and South African Rand (ZAR). As a result, together with the Citibank Global Wallet service implemented a year before, **transactions without currency conversion costs can be performed with a single bank account card in 33 countries around the world**. This concerns point-of-sale payments, ATM cash withdrawals and online payments.

In June 2021, a new Table of Fees and Commissions for individual customers became effective. The changes concern the rules related to the zero-fee maintenance of a Citigold and Citigold Private Client personal account, and include raising the fees for the holders of CitiKonto opened on or before August 20, 2020. The Bank decided to withdraw Citi Priority accounts from acquisition.

Also in June 2021, **the service of Express Elixir instant transfers was also expanded** – the service **has been available 24/7**.

In the fourth quarter 2021 the Bank was one of few banks in Poland to offer a virtual card. A **virtual card** is a credit or debit card in an electronic form, available to the existing clients of the Bank in the Citi Mobile® application. It allows its users to make payments and do shopping when they don't have the physical card on hand, for example, because it was lost. This way one can make transactions freely while waiting for a new card. In a new, convenient feature, clients can also view the card details in the Citi Mobile® application.

As part of the continued efforts to develop mobile payments, in November 2021 **the Bank launched BLIK mobile transactions.** Clients of Citi Handlowy can pay by BLIK in the entire Polish e-commerce universe and on many foreign shopping platforms (with their number constantly on the rise), and via terminals in traditional stores, as well as withdraw cash from more than 20,000 ATMs throughout Poland. They may also use **BLIK funds transfers by telephone** – which means sending money to other users without entering their bank account numbers. The phone number of a recipient is all that is needed.

In February 2021, **Citi Handlowy was rewarded, again, by Euromoney, a prestigious British financial magazine, for its accounts offer for the most affluent clients**. In the 18th edition of the annual research of the private banking market, the Bank made it into the top 3 in as many as 13 out of 17 categories.

In 2021, the Bank continued to support its clients during the crisis caused by the COVID-19 pandemic. In cooperation with the Polish Development Fund, **the Bank launched another subsidy distribution process under the PFR 2.0 Financial Shield**. Like with the first tranche, clients can apply for a subsidy using Citibank Online electronic banking.

Credit Cards

As at the end of 2021, the number of credit cards was **513,000**. The total debt on credit cards amounted to **PLN 2.5 billion** as at the end of 2021 and decreased by 3.5% from the end of 2020. The Bank maintained its stable position in the credit card market in terms of the value of loans on credit cards, with the market share of 20.5% as at the end of 2021.

In 2021, despite the difficult situation on the credit card market, the acquisition of credit cards amounted to approximately 25,000 cards. It was possible thanks to the Bank's intensive activities in the area of acquisitions by making the offer of credit cards more attractive. This translated into honoring the Bank in 2021, for the sixth time in a row, with the **Golden Banker award for the best credit card.** This time, the **Złoty Bankier received the Citibank BP Motokarta Card**.

The bank, after establishing a partnership with OBI in 2020, strengthened its position in 2021, thus creating a new, important distribution channel for credit cards.

In 2021, the quality of card acquisition and a high share of cards acquired on the basis of the client's documented income data were maintained, which translated into a higher activation level and a higher transactional activity of the newly acquired clients.

The Bank consistently diversifies its acquisition channels while continuously optimizing its sales processes.

Cash loans and installment products on credit card accounts

The balance of unsecured loans (cash loans and loans on credit card) amounted to **PLN 2.3 billion** as at the end of 2021, i.e. decreased by 12% as compared to the end of 2020. The decline in balance is a consequence of lower sales of these loans during the pandemic, which amounted to

	PLN 751 million in 2021, i.e. declined by 15% compared to 2020. At the same time, year-on-year sales of these products in the fourth quarter of 2021 **increased by 7%.**
Mortgage products	As at the end of 2021, the mortgage loan portfolio amounted to **PLN 2.3 billion**, i.e. it **increased by 5%** from the end of 2020. In 2021, sales of mortgage products amounted to **PLN 476 million**, i.e. decreased by 12% compared to the sales results recorded in 2020.
Investment and insurance products	As at the end of 2021, the **funds under management as part of investment products** (including investment insurance products, without dual currency investments) acquired by retail clients via the Bank were 7% lower as compared to the same period in 2020. This decline was mainly due to the decline in the valuation of shares listed on the WSE, which have the largest share in the asset portfolio. In other key areas of the offer, such as foreign stock and bond markets, the asset portfolio at the end of 2021 increased by 38%, and for investment funds by 19% compared to the end of 2020. In 2021, the **volume of foreign exchange transactions (FX)** in the Retail Banking segment **increased by 20%** compared to 2020, while the **number of foreign exchange transactions increased by 34%** compared to 2020. In the structured product segment, the Bank completed **4 subscriptions for PLN denominated structured bonds in 2021.** As regards open-ended investment funds, in 2021 the Bank enhanced the offer by adding 14 new units of investment funds in a variety of currencies, including units of "hedge" type mitigating the currency risk and distribution units paying dividends. The Bank still offered insurance in a multi-channel distribution model - both at branches and in remote channels. In the case of Citigold branches, the products were offered under the model where clients are served by insurance specialists who provide their clients with expert support in the area of financial planning using insurance products.

5. Development of distribution channels

5.1 Branch network

Citigold and Citigold Private Client outlets

As at the end of 2021, there were 18 branches dedicated to customer service. 9 Hub Gold branches, 8 Smart branches and 1 corporate branch operate within the structure.

In seeking to tailor its products to the clients' needs and improve, on a regular basis, the accessibility of its services to target client groups, the Bank offers its Citigold and Citigold Private clients services in the prestigious Hub Gold branches, which ensure top privacy standards during service. Clients can also visit Smart branches, located in the most frequented shopping malls in Warsaw, Poznań, Katowice, Wrocław, Cracow and Gdynia. At the branches, bank services are provided with the use of advanced technology during longer business hours on all business days. Corporate clients are serviced at the branch located in Warsaw, at Traugutta 7/9.

In 2021, the Bank made efforts to optimize and improve the efficiency of the space at Hub Gold offices located in Katowice and Gdańsk. Modernization and arrangement works were carried out to organize the office spaces for the Institutional Banking Sector. The implemented projects had a positive cost effect resulting from the optimization of the spaces and contributed to boosting the synergy of bank products sales between the retail and institutional segment.

A Smart branch located in the Shopping Center Atrium Promenada in Warsaw was closed in October 2021. This was done due to the reconstruction plans of the Shopping Center.

The technology process was modernized in order to improve the efficiency of the payment card issuance process at the branch level, and as a result it was possible to introduce cards consistent with the latest designs applied in Citigroup worldwide.

Number of branches (at the end of period)

	December 31, 2021	December 31, 2020	Change
Number of branches:	**18**	**19**	**(1)**
- HUB Gold	9	9	-
- Smart Branches	8	9	(1)
- Corporation Branches	1	1	-

5.2 Internet and telephone banking

Online banking

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

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

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was 370,000 as at the end of 2021. The share of active Citibank Online users in the entire client portfolio of the Bank was 65.5% as at the end of 2021, i.e. up by 5.0 p.p. as compared to the end of 2020.

At the same time, as at the end of 2021, digital users accounted for 84.5% of all transactionally active clients, which means an increase by 2.2 p.p. as compared to the end of 2020.

Mobile Banking

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

From November 2021, the application also includes the BLIK payment method, which allows payments in online and stationary stores, service outlets and withdrawals at ATMs, as well as instant BLIK transfers between customers of various banks.

As at the end of the 2021, the number of active users of mobile banking, i.e. those who used mobile banking at least once in every 90-day period via the application or Citibank online in responsive technology, amounted to 282,500, i.e. increased by 21.2% as compared to the end of 2020.

As at the end of 2021 the share of active users of mobile banking in the retail client portfolio of Citi Handlowy was 50%, i.e. increased by 12.8 p.p. as compared to the same period in 2020.

Social media

In 2021, Citi Handlowy continued its activities in social media. Due to the pandemic situation social media became an even more important channel of communication with customers. Through social media platforms, the Bank not only handled a larger number of customer inquiries, but also engaged in active communication about the Bank's operation. The communications concerned new products and special offers prepared for Bank customers; Citi Handlowy also educated them in how to use its digital solutions and maintained customer relationships.

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

In 2021, the posts published by the Bank on social media reached 5.3 million unique users. 188 materials were posted, and received nearly 32,3 million views (paid activities). Users left 1,266 comments under Bank's publications.

6. Changes in IT technologies

In 2021, a strategic goal of the Bank in the area of IT technology was to continue increasing the competitiveness of the Bank by providing top quality products and services with the extensive use of innovative solutions, digitization and automation and concurrently with cost optimization. In accordance with prevailing market trends, the technology of the Bank is based, to a large extent, on centralized services and outsourcing. The services centralization processes enable the Bank to generate savings, improve quality, standardize processes and ensure a high level of control and information security. The Technology Division of the Bank focused its activities on the development and implementation of solutions which support promotion of electronic distribution channels based on the most advanced technologies, including online and mobile solutions. Projects to implement products that support the COVID-19 anti-crisis shield were also continued.

IT processes of the Bank are executed in accordance with international standards, which was confirmed, in the first half of 2021, by the positive outcome of recertification/supervision audits of compliance with ISO 20000 v. 2018 (Information technology – service management) and ISO 27001 (information security management).

The most crucial modifications and improvements implemented in 2020 included:

- **in institutional banking:**
  - continuation of the implementation of the governmental PFR Anti-Crisis Shield, which is to help companies maintain their financial liquidity during COVID-19 pandemic The role of the Bank is to implement a solution that enables its business clients to process documents required to obtain PFR support and enables the Bank to exercise indirect control of an applicant, and to implement a process for subvention repayment administration;
  - implementation of new solutions in CitiDirect Electronic Banking, aimed at increasing the digitization of the offered services, including a new module for management of credit items. As a result of that implementation, the Bank expects an increase in the level of digitization of its services and a higher satisfaction of clients with electronic banking services;
  - implementation of a number of tools supporting automation and efficiency of back-office processes – the implemented workflow solutions are aimed at boosting business effectiveness and quality in the Bank's back-office processes;
- **in consumer banking:**
  - introduction of BLIK mobile payments to the offer for the Bank's clients.
  - expansion of the mortgage loan offer by adding a loan with a fixed interest rate.
  - expansion of the payment card offer by adding virtual card services. A virtual card will enable instant use of the functionalities of a traditional debit or credit card until the client receives the ultimate physical card;
  - expansion of the FX accounts offer by adding 10 new currencies: Australian Dollar, Canadian Dollar, Swedish Krona, Norwegian Koruna, Danish Krone, Hungarian Forint, Russian Ruble, South African Rand, Croatian Kuna and Czech Koruna;
- **in the scope of adaptation of systems of the Bank to ensure their compliance with regulatory requirements:**
  - analysis and implementation of regulatory requirements tied to designation of the Bank as key services operator within the meaning of the Act on the National Cybersecurity System;
  - implementation of solutions to adapt the Bank to the changes resulting from the amendment of the tax law as regards reporting to STIR and Standard Audit File;
  - implementation of a solution aimed at adapting the Bank to the changes resulting from the regulatory environment of the Bank, in particular the launch of changes ensuring compliance with AMLD V;
- **in the area of information and communication technology infrastructure of the Bank and information security:**
  - continued implementation of improvements to increase the security of use of the CitiBank Online platform, including the implementation of additional authentication mechanisms at the server level to secure the systems against possible attacks and manipulation of data of defined customers of the client;
  - introduction of improvements in mobile banking for retail clients to minimize the exposure of applications to the risk of fraudulent transactions and to control versions of certificates, requirements related to a secure runtime environment as well as pinning a device and application to a specific user;
  - extension of existing and adding new solutions in data leakage prevention (Data Leakage prevention systems) which significantly reduced the risks related to data leakage;
  - modifications of the CTI infrastructure at the Bank's branches, MAN and international WAN connections to mitigate operating risks, enhance quality control and improve cost optimization of the relevant services.

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

Pending and not completed initiatives and modifications of systems which will affect the operations of the Bank in the near future are presented below:

- **in institutional banking:**
  - implementation of solutions for robotization of operating processes of the Bank – the implementation of further robotization for current business process.
  - implementation of solutions supporting outgoing and incoming payments processing within an extended time window – the solution is meant to enable corporate payments handling in a wider availability window close to 24/7. As a result of the implementation, the Bank expects higher processed payment volumes;

- implementation of a number of changes to adapt the Bank to the regulatory changes – the solutions are implemented to prepare the Bank to service new rates, the so-called Risk-Free-Rates;

- **in consumer banking:**
  - continued automation and digitization of sales processes (straight through processing) in the area of consumer banking products – for credit card, cash loan and account-related processes;
  - continued improvement of the online and mobile banking platform (addition of a new functionality and products) in order to increase the client satisfaction level, revenues and security;
  - implementation of solutions for robotization of the operating processes at the Bank – robotization kicked off for the billing process and the report processing in order to boost the efficiency of the Bank's back-office;

- **in the area of information and communication technology infrastructure of the Bank and information security:**
  - implementation of additional new-generation security solutions in banking systems;
  - modernization of the network infrastructure architecture of the Bank's main locations using SDN (software defined network) technology, increasing the degree of automation of control and management of the Bank's network layer devices;
  - implementation of the Microsoft365 office bundle to improve the efficiency of the Bank's employees (in the first phase, users are planned to be migrated to M365 in the version without the computing cloud);
  - migration of the IT infrastructure management system, ServiceNow 3.0, to the cloud;
  - preparation works before using AWS cloud services for data processing (in the first stage for data classified as internal):
  - implementation of the mechanisms additionally raising the accessibility and redundancy of mobile phone recordings.

The Bank developed, implemented and has maintained a business continuity management system (BCMS), which is oriented to achieving results reflecting the core principles and values of the Bank in line with the Bank's strategy. The Bank designed business continuity plans and contingency plans for critical processes, which ensure continuity of processes during an emergency. The plans ensure an efficient and well-balanced continuity of critical services and products of the Bank in the required time. The plans are subject to periodic reviews and tests, and the test results are used to improve the plans and the entire BCMS. The Bank maintains the BCMS in line with the international ISO22301 standard – in Q1 2021 the Bank passed the periodic audit for ISO22301 recertification.

7. Equity investments

The investments of the Bank are divided between the portfolio of strategic companies and the portfolio of companies held for sale. In 2021, the Bank continued the investment policy it had decided to adopt earlier. Its objectives for the strategic companies portfolio were: to maximize profits in the long run, to increase market shares, to develop cooperation with the Bank and to expand the product range of the Bank; and for the portfolio of companies held for sale: to optimize the financial result of capital transactions and to minimize the risk in the areas arising from those transactions.

7.1 Strategic portfolio

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

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

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

7.2 Divestment portfolio

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

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

Special purpose investment vehicles companies

As at 31 December 2021, the Group included two investment special purpose vehicles. Their activities were financed with reverse capital contributions of the shareholder and with their profits. As the Bank continues its strategy which assumes that its activities carried out via special purpose vehicles should be trimmed down, it is expected that its special purpose vehicles will be gradually sold or liquidated.

According to information available as the date of preparation of the (preliminary and unaudited) financial statements, the key financials of those companies as at 31 December 2021 were as follows:

Entity	Headquarter	Authorized capital/votes in GM held by the Bank	Balance sheet	Equity	Net financial profit/loss for 2021
		%	PLN '000	PLN '000	PLN '000
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	10,519	10,462	(166)
Handlowy Investments S.A.*	Luxemburg	100.00	4,582	4,511	(231)

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

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

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

1.1 Regulatory and legal risks

In 2021, the financial and organizational situation of the Group was affected, among other things, by:

Legal acts / regulations	Effective date and summary of new requirements
EBA loan moratoria guidelines / Guidelines on COVID-19 loan moratoria measures reporting and disclosure	• Date: 2020 • The guidelines implement broad measures, such as legislative moratoria (so called "loan vacation") for repayments of loans and public guarantees in EU Member States, in order to support operational and liquidity challenges faced by borrowers. The guidelines are to eliminate gaps in data connected with such measures in order to ensure an appropriate understanding of the risk profile of institutions and the quality of assets on their balance sheets, both for supervisory authorities and the public.
EBA Guidelines on outsourcing	• Date: 31 December 2021. • The Guidelines lay down consistent rules for internal governance and management of risk associated with the entrusting of certain activities by financial institutions to external providers (outsourcing), including outsourcing of services with the use of cloud processing. • The main objective of the activities undertaken in 2021 was to ensure compliance with the requirements of the EBA Guidelines on outsourcing, including the classification of contracts with suppliers, updating concluded contracts with the required EBA clauses and process maps, and the creation of a register of EBA outsourcing agreements.

Regulation of the Minister of Finance, Funds and Regional Policy dated 08 June 2021 on the risk management and internal control system and remuneration policy at banks	• Date: 11 June 2021, with exceptions: • The most important changes include: 1) remuneration policy; • requirement to ensure that the remuneration policy adopted at the bank is gender neutral; • requirement to ensure that a part of the variable remuneration will be paid no earlier than within 4 to 5 years from the completion of the evaluation period, and in the case of the supervisory board of an important bank and the senior management of an important bank – no earlier than within 5 years; 2) internal control system: • the obligation to maintain controls adapted to the bank's specific nature covering, among others, legal safeguards (possibility to file a lawsuit when an agreement is violated by a supplier or counterparty and when contractual penalties are imposed) and insurance (mandatory or necessary for a safe and uninterrupted business activity of the bank); • procedures of anonymous notification of infringements of law and policies and ethical standards applied at a bank; • protection of personal data of a reporting person and a person accused of the infringement, in compliance with the GDPR; 3) estimation of internal capital and maintenance of an appropriate level of equity according to the bank's policy – revocation of the relevant provisions of the Regulation; 4) risk management system.
Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.	• Date: 01 January 2018 • This regulation implements, among other things, a common framework which is to ensure accuracy and integrity of indices used in the EU as benchmarks in financial instruments and financial contracts, as well as the protection of consumers and investors. • The regulation also applies to entities which provide benchmarks or input data for a benchmark and to supervised entities which use benchmarks in financial contracts and financial instruments.
Regulation of the Council of Ministers of 06 May 2021 on the implementation of certain restrictions, obligations and prohibitions in connection with the state of epidemic	• Those regulations have introduced various restrictions and prohibitions related to the SARS-CoV-2 epidemic.
The Act of 31 July 2019 on amending certain acts to reduce regulatory burdens	• Date: 01 January 2021 • amendment of the Civil Code whereby protective measures will apply to consumers regarding, among other things, abusive clauses in respect of natural persons concluding an agreement (with, for instance, the Bank) directly connected to that person's business activity if and when it can be inferred from its provisions that the agreement is not of professional nature to that person.
EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No. 575/2013	• Date: 01/01/2021 • These guidelines lay down the requirements for the application of the definition of default under Article 178 of Regulation (EU) No. 575/2013 in accordance with the powers conferred on the EBA under Article 178(7) of that regulation.
Recommendation S on good practices for management of credit exposures secured with mortgages	• Date: 30 June 2021 • The amended Recommendation S affected the product offer in terms of mortgage loans as well as some aspects related to managing the risk of such credit exposures. The amendment introduced, among other things, an obligation to add to product offers of banks fixed-rate loans with an option to convert a variable-rate loan to a fixed-rate loan or to a periodically fixed-rate loan.

EBA Guidelines on Loan Origination and Monitoring	• Date: H2 2021 (implementation) These guidelines specify the internal governance arrangements, processes and mechanisms, as laid down in Article 74(1) of Directive 2013/36/EU11, requirements on credit and counterparty risk, as laid down in Article 79 of that directive, and requirements in relation to the creditworthiness assessment of the consumer, as laid down in Chapter 6 of Directive 2014/17/EU12 and Article 8 of Directive 2008/48/EC13.
Best Practice for WSE Listed Companies	• Date: July 2021 Best Practice for WSE Listed Companies is a compilation of rules of corporate governance, which have to be observed (since 2002) by the issuers of shares listed on the Main WSE Market pursuant to the Rules of the Warsaw Stock Exchange.
Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms and amending Regulations (EU) 1093/2010, (EU) 575/2013, (EU) 600/2014 and (EU) 806/2014 (IFR) and the Draft Act amending the Act on Trading in Financial Instruments and Certain Other Acts implementing the IFD Directive (Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU	• Its effective date is 26 June 2021. • The purpose of the IFD Directive and the IFR Regulation is to create a uniform, integrated regulatory framework for investment firms. Due to their diverse business profiles, investment firms are subject to numerous exemptions from legal requirements in individual EU countries. This results in regulatory complexity for many companies, especially those operating across multiple EU countries. • Therefore, the above-mentioned EU rules aim to create a system of prudential supervision for non-systemically important investment firms depending on their size and their interconnectedness with other financial and economic actors. • Under the new prudential regime for investment firms in the IFD/IFR package, investment firms are divided into three categories based on their size and their interconnectedness with other financial and economic actors. The first category includes systemically important investment firms, the largest and most interconnected, which are still subject to the existing prudential framework under the CRR and the CRD (need to be authorized as a credit institution). The second category includes entities that do not generate systemic risk, but are most likely to generate risk to clients, markets or proper functioning of investment firms. These should, therefore, be subject to specific prudential requirements tailored to their specific risks. The third category are small and non-interconnected investment firms with the least stringent requirements. At the same time, mechanisms for monitoring companies are provided using the criteria based on which the category (classification) depends. • Polish legislation implementing the IFD/IFR package includes, above all: 1) The Act of 01 October 2021 amending the act on trading in financial instruments and certain other acts 2) Regulation of the Minister of Finance of 08 December 2021 on estimation of internal capital and liquid assets, risk management system, supervisory review and evaluation, as well as remuneration policy at a brokerage house and a small brokerage house.
Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on disclosure of information related to sustainable development in the financial services sector.	• Date: 10 March 2021 (with exceptions) • Introducing obligations related to disclosure requirements for specific information on risks to sustainable development (an environmental, social or management event or conditions that, if occur, may have a material adverse effect on the value of investment). • Applicable to the investment advice activities of the Bank and DMBH • The detailed requirements concern, inter alia, publication of strategies for implementing into business activities sustainable development risks, transparency of remuneration policies and disclosure of information on how to ensure consistency of these policies with the implementation of sustainable development risks in business activities, inclusion in the information presented to the client on how sustainable development risks are introduced in services and on the outcome of assessment of the likely impact of these risks on returns on financial products covered by investment advice, transparency in promoting the environmental or social aspect in information for the client. • Integration of sustainability risks into risk policies and procedures.

Act of 25 February amending the Banking Law Act and certain other acts	• Date: 2021 and partially in 2023. • The regulation is meant, among other things, to implement Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V) and to apply Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, as well as Regulation (EU) No. 648/2012;
The ruling of the Court of Justice of the European Union of 11 September 2019 on the interpretation of Article 16.1 of the Directive of the European Parliament and of the Council 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, concerning the settlement of cost of borrowing in the case of an earlier repayment.	• Announcement date: 11 September 2019 • The position of the UOKiK (Office of Competition and Consumer Protection) clearly shows how the conclusions from the judgment should be taken into account in activities of lenders. • The expected response is a proportionate, i.e. in accordance with the so-called straight-line method, return of part of the commission on early repaid consumer loans. • As revealed in an official communiqué published on the UOKiK's website, the majority of banks have promised to use practice in line with the UOKiK's expectations.
Judgment of the Court of Justice of the European Union of 3 October 2019 on the interpretation of Article 1(2), Article 4, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (OJ 1993 L 95, p. 29) concerning clauses in foreign currency indexed mortgage contracts	• Announcement date: 03 October 2019 • According to the CJEU ruling, if Polish courts find that indexation clauses in foreign currency indexed mortgage loan agreements are abusive: 1) courts may assume that the contract cannot continue to operate without such clauses because this would change the nature of the contract, 2) as a rule, the consequences of contract invalidation for the consumer must be assessed as at the moment the dispute arose (not as at the time the contract was made), 3) courts cannot freely supplement their terms based on equity principles (e.g. by introducing settlements based on NBP exchange rates into contracts), 4) courts cannot uphold the indexation even if the contract has to be invalidated and such invalidation is disadvantageous to the client if the client does not agree to maintain the indexation. • As a result of this judgment, a case law unfavorable for banks may develop, affirming the ability to invalidate mortgage loan contracts indexed to a foreign currency.
The Act of 30 August 2019 amending the Code of Commercial Companies and certain other acts	• Date: 01 March 2021 (with exceptions) • The most important changes included: 1) The obligatory dematerialization of all shares 2) Registration of shares in the register of shareholders kept by an authorized entity
Trade and Cooperation Agreement between the European Union and the United Kingdom	• The agreement agreed between the European Union and the United Kingdom has been applied since 1 January 2021. The text of the agreement does not devote any specific provisions to financial services. The agreement covers financial services in the same way as they are generally covered by other free trade agreements between the European Union and third countries, i.e. to a minimum extent. • As part of the arrangements made, it was declared that the parties would endeavor to agree a Memorandum of Understanding establishing a framework for regulatory cooperation in the field of financial services. • An important issue that has not been resolved by the arrangements is the principle of recognition of the equivalence of legal and supervisory frameworks in the area of financial services. These were considered to be unilateral decisions of each party and that the provisions of the agreed contract do not apply to them. • In 2020, the European Commission issued adequacy decisions in only two areas – for central securities depositories and – for a limited period – for central

	counterparties (CCPs) – which have been applicable since the beginning of January 2021. • Further negotiations are expected on the functioning of the financial markets of the United Kingdom and the Member States in relation to each other.
Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive	• Effective date: 14 June 2021 • The Regulation sets out the quantitative and qualitative criteria for determining whether the professional activities of staff members have a significant impact on the risk profile (related to the remuneration policy).
The Electronic Service of Documents Act of 18 November 2020	• Effective date: 05 October 2021 • The Act provides for an obligation to have an address for electronic service of documents entered in the database of electronic addresses, which will have to be used for correspondence with public and private entities as well as consumers.
The Act of 28 November 2020 amending the Personal Income Tax Act, the Corporate Income Tax Act, the Act on Flat-Rate Income Tax on Certain Revenues Obtained by Natural Persons and certain other acts	• Date: 01 January 2021 – the entities concerned will have to prepare and publish such information on the tax strategy implemented in 2020 for the first time by 31 December 2021. • One of the main objectives of the Act is to impose a new reporting obligation on CIT payers, obliging them to publish information about the tax strategy implemented in a given tax year; • The information about the implemented tax strategy will have to cover a wide catalogue of information about the taxpayer's approach to the proper settlement of tax liabilities. The Act includes an open catalogue of information subject to disclosure in fulfilling this reporting obligation,
The Act of 30 March 2021 on amending the act on counteracting money laundering and terrorist financing and certain other acts	• Effective date: 15 May 2021, with exceptions, • The Act introduces a number of changes to adapt Polish legislation to the provisions of the so-called Anti-money laundering directive V. The most important changes concern the catalogue of obliged entities, definition of a politically exposed person, rules of applying financial security measures and changes to the Central Register of Beneficial Owners.
Amendment to the goods and services tax act and the banking law act (so-called SLIM VAT 2)	• Effective date: 01 October 2021 • Regulation of the release of funds moved from a closed VAT account to the so-called technical account. • Possibility to consent to the release of funds from a VAT account if the taxpayer's tax liabilities have been deferred or converted into installments. • Possibility to use the funds accumulated on the VAT account to pay the KRUS (Agricultural Social Insurance Fund) contribution (effective as of 01 January 2022).
Banking package CRD V/CRR II, which includes: Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as	• The amendment to the existing solutions is intended to implement the reforms agreed at the international level after the financial crisis of 2007–2008. It aims to strengthen the banking sector and eliminate the remaining problems in the field of financial stability. The package includes the following measures in particular:

regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, as well as Regulation (EU) 648/2012, Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.	• a binding leverage ratio for all institutions and a leverage ratio buffer for all global systemically important institutions • a net stable funding ratio • new market risk reporting rules, including reducing reporting and disclosure requirements and simplifying market risk and liquidity requirements for small, less complex banks to ensure that all banks in the EU have a proportionate framework • a requirement for non-EU institutions with significant activity in the EU to have an EU intermediate parent undertaking • a new Total Loss Absorption Capacity (TLAC) requirement for Global Systemically Important Institutions • a more refined minimum requirement for own funds and eligible liabilities (MREL) and compliance rules for Global Systemically Important Institutions and other large banks • new moratorium powers for resolution authorities. • Most of the new rules will enter into force in mid-2021.

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

Legal acts / regulations	Effective date and summary of new requirements
ESMA guidelines on the MiFID II compliance function.	• Date: 2021/2022 (implementation). • The guidelines replace the ESMA guidelines issued in 2012 and include updates that improve transparency and increase consistency in the implementation of and supervision over new requirements for the compliance function under MiFID II. Although the objectives of the compliance function and the key rules creating the basis of regulatory requirements have not changed, the obligations have been additionally reinforced, enhanced and clarified under MiFID II. The guidelines will make the existing standards more useful by providing additional explanations of issues such as new obligations in connection with product management requirements under MiFID II, and in particular by describing in detail the reporting obligations of the compliance function. The guidelines are addressed to investment firms and credit institutions that provide services and carry out investment activities, investment firms and credit institutions that sell or advise clients on structured deposits, companies that manage UCITS and third party managers of alternative investment funds (AIF) when providing services and carrying out investment activities in accordance with the UCITS and AIF Directive.
Recommendation R on principles of credit risk management and recognition of expected credit losses (project)	• Date: 31.12.2021 • Recommendation is addressed to banks and is a set of principles and guidelines regarding credit risk management and recognition of expected credit losses. The amendment to Recommendation R is the result of the entry into force on January 1, 2018 of the new International Financial Reporting Standard - IFRS 9 Financial Instruments. The purpose of Recommendation R is to show banks a set of good practices in credit risk management, classification of credit exposures and estimation of expected credit losses in accordance with the accounting policy adopted and binding in the bank.
Amendment to Recommendation G concerning interest rate risk management at banks (draft)	• Date: 2022 • The planned amendment to Recommendation G is to adjust its requirements to changing regulations applicable to market risk and interest rate risk throughout the world, and in particular guidelines issued by the European Banking Authority (EBA). After the new EBA guidelines come into force and the CRD IV/CRR package is revised, the regulatory environment for interest rate risk will be defined. It will mainly consist of the CRR with accompanying technical standards, the above EBA guidelines and the Regulations of the Minister of Development and Finance of 6 March 2017 on the risk management system and the internal control system, the remuneration policy and the detailed method of estimation of internal capital at banks.
Amendment to Recommendation A on the management by banks of the risks associated with operations on	• Date: 2022. • Public consultations of Recommendation A – draft amendment of Recommendation A on the management by banks of the risks associated with

derivative instruments (draft)	operations on derivative instruments, to replace the currently applicable Recommendation A from 2010. Recommendation A covers all types of derivative instruments, including those admitted to the organized trade system within the meaning of the provisions of the Act of 29 July 2005 on trade in financial instruments as well as derivative instruments outside that system. The regulatory environment determining specific obligations in concluding and executing transactions on derivative instruments has changed significantly since the introduction of Recommendation A, therefore the Polish Financial Supervision Authority started working on an update to adapt the content of the recommendation to the currently applicable legal provisions.
Recommendation Z on internal governance at banks EBA and ESMA's guidelines on suitability assessment for management body members and key function holders EBA guidelines on internal governance	• Date: 2021 (implementation). • Recommendation Z provides a set of good practices in the area of internal governance. In particular, the document refers to such issues as general principles of internal governance at a bank, organizational structure, roles and responsibilities, the composition and functioning of the supervisory board, the management board, and senior management, a bank's code of conduct (ethics) and conflict of interests, rules of remuneration at a bank, risk management and internal controls, information systems and communication, the introduction of new products at a bank, a dividend policy, an outsourcing policy, business continuity and the transparency and integrity of management system at a bank. Recommendation Z is being prepared taking into account guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA). The implementation of the indicated regulatory requirements took place at the end of 2021, and the implementation of the new obligations will be implemented from 2022.
Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and Regulation (EU) No 236/2012 and Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline	• Date: 01 February 2022 (in the scope of settlement discipline) • Introduction of obligations to discipline the settlement of transactions in specified financial instruments so that transaction settlements can be more efficient and seamless, specifically transactions settled by central securities depositories.
Banking package CRD V/CRR II, which includes: Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, as well as Regulation (EU) 648/2012, Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers	• The amendment to the existing solutions is intended to implement the reforms agreed at the international level after the financial crisis of 2007–2008. It aims to strengthen the banking sector and eliminate the remaining problems in the field of financial stability. The package includes the following measures in particular: • a binding leverage ratio for all institutions and a leverage ratio buffer for all global systemically important institutions • a net stable funding ratio • new market risk reporting rules, including reducing reporting and disclosure requirements and simplifying market risk and liquidity requirements for small, less complex banks to ensure that all banks in the EU have a proportionate framework • a requirement for non-EU institutions with significant activity in the EU to have an EU intermediate parent undertaking • a new Total Loss Absorption Capacity (TLAC) requirement for Global Systemically Important Institutions • a more refined minimum requirement for own funds and eligible liabilities (MREL) and compliance rules for Global Systemically Important Institutions and other large banks • new moratorium powers for resolution authorities. • Most of the new rules will enter into force in mid-2021.

and capital conservation measures.	
Trade and Cooperation Agreement between the European Union and the United Kingdom	• The agreement agreed between the European Union and the United Kingdom has been applied since 1 January 2021. The text of the agreement does not devote any specific provisions to financial services. The agreement covers financial services in the same way as they are generally covered by other free trade agreements between the European Union and third countries, i.e. to a minimum extent. • As part of the arrangements made, it was declared that the parties would endeavor to agree a Memorandum of Understanding establishing a framework for regulatory cooperation in the field of financial services. • An important issue that has not been resolved by the arrangements is the principle of recognition of the equivalence of legal and supervisory frameworks in the area of financial services. These were considered to be unilateral decisions of each party and that the provisions of the agreed contract do not apply to them. • In 2020, the European Commission issued adequacy decisions in only two areas – for central securities depositories and – for a limited period – for central counterparties (CCPs) – which have been applicable since the beginning of January 2021. • Further negotiations are expected on the functioning of the financial markets of the United Kingdom and the Member States in relation to each other.
Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on disclosure of information related to sustainable development in the financial services sector.	• Date: 10 March 2021 (with exceptions) • Introducing obligations related to disclosure requirements for specific information on risks to sustainable development (an environmental, social or management event or conditions that, if occur, may have a material adverse effect on the value of investment). • Applicable to the investment advice activities of the Bank and DMBH • The detailed requirements concern, inter alia, publication of strategies for implementing into business activities sustainable development risks, transparency of remuneration policies and disclosure of information on how to ensure consistency of these policies with the implementation of sustainable development risks in business activities, inclusion in the information presented to the client on how sustainable development risks are introduced in services and on the outcome of assessment of the likely impact of these risks on returns on financial products covered by investment advice, transparency in promoting the environmental or social aspect in information for the client. • Integration of sustainability risks into risk policies and procedures.
Commission Implementing Regulation 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR	• designation of the compounded SARON as a replacement rate for CHF LIBOR applied in every agreement and financial instrument: a) CHF LIBOR 1-Month is replaced by the SARON 1-Month Compound Rate as calculated on the basis of the 1-month period directly preceding the interest period; b) CHF LIBOR 3-Month is replaced by the SARON 3-Month Compound Rate as calculated on the basis of the 3-month period directly preceding the interest period; c) CHF LIBOR 6-Month is replaced by the SARON 3-Month Compound Rate as calculated on the basis of the 3-month period directly preceding the interest period; d) CHF LIBOR 12-Month is replaced by the SARON 3-Month Compound Rate as calculated on the basis of the 3-month period directly preceding the interest period. A fixed spread adjustment should be added to such replacement rates.
The ruling of the Court of Justice of the European Union of 11 September 2019 on the interpretation of Article 16.1 of the Directive of the European	• Announcement date: 11 September 2019 • The position of the UOKiK (Office of Competition and Consumer Protection) clearly shows how the conclusions from the judgement should be taken into account in activities of lenders.

Parliament and of the Council 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, concerning the settlement of cost of borrowing in the case of an earlier repayment.	• The expected response is a proportionate, i.e. in accordance with so called straight-line method, return of part of the commission on early repaid consumer loans. • As revealed in an official communiqué published on the UOKiK's websites, the majority of banks have promised to use practice in lined with the UOKiK's expectations.
Judgment of the Court of Justice of the European Union of 3 October 2019 on the interpretation of Article 1(2), Article 4, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (OJ 1993 L 95, p. 29) concerning clauses in foreign currency indexed mortgage contracts	• Announcement date: 03 October 2019 • According to the CJEU ruling, if Polish courts find that indexation clauses in foreign currency indexed mortgage loan agreements are abusive: 1) courts may assume that the contract cannot continue to operate without such clauses because this would change the nature of the contract, 2) as a rule, the consequences of contract invalidation for the consumer must be assessed as at the moment the dispute arose (not as at the time the contract was made), 3) courts cannot freely supplement their terms based on equity principles (e.g. by introducing settlements based on NBP exchange rates into contracts), 4) courts cannot uphold the indexation even if the contract has to be invalidated and such invalidation is disadvantageous to the client if the client does not agree to maintain the indexation. • As a result of this judgment, a case law unfavorable for banks may develop, affirming the ability to invalidate mortgage loan contracts indexed to a foreign currency.
Act on the Financial Information System	• The act is still at the pre-parliamentary stage. Its effective date is 14 days after publication, with banks having three months to start reporting. • The Act requires banks to provide the Financial Information System with information about account opening, account data changes and account closing. This will apply to all types of accounts (payment accounts, non-payment bank accounts, securities accounts, omnibus accounts and cash accounts used to service them) as well as safe deposit boxes. The scope of the information provided includes, inter alia: data of the account holder, beneficial owner and agent. The bank is required to provide that information via STIR within 3 days from the date of account opening, data change or account closing. • Adoption of the act is necessary in order to ensure alignment with EU requirements, including regulations on counteracting money laundering and financing of terrorism. The purpose of the act is to provide authorized bodies (the Police, the Central Anticorruption Bureau, the Internal Security Agency, the Military Counterintelligence Service, the Foreign Intelligence Agency, the Military Intelligence Service, the Military Police, the Border Guard, the General Inspector of Financial Information, the National Tax Administration) with the ability to quickly access information about the identity of account holders and safe deposit boxes. The system will be used, inter alia, for counteracting money laundering and terrorism financing, as well as to prevent and combat serious crimes such as drug trafficking, human trafficking, homicide, financial fraud and abuses, corruption, etc.
Guidelines on sound remuneration policies	• Date: 31/12/2021 • The update includes amendments implemented by the Fifth Capital Requirements Directive (CRD V) as regards proper remuneration policy at institutions, and in particular the requirement that remuneration policy be gender neutral. The final guidelines also take into account supervisory practices and clarify certain aspects of retention bonuses and severance pays. • They also specify how the remuneration framework applies on a consolidated basis to financial institutions that are subject to specific remuneration frameworks (for example Investment Firms Directive (IFD), Undertakings for the Collective Investment in Transferable Securities Directive (UCITS) or Alternative Investment Fund Managers Directive (AIFMD)). Finally, sections on severance pays and retention bonuses have been amended based on supervisory experience with situations where institutions used such measures to circumvent the requirements for linking them to individual performance or the maximum rate.
EU Cybersecurity Package	• DRCE extends the scope of existing EU legislation on critical infrastructure from two to ten sectors: energy, transport, banking, financial market

1. Directive on the resilience of critical entities ("DRCE"), 2. Directive on measures for high common level of cybersecurity across the Union ("NIS 2"), 3. draft Regulation on operational resilience to digital threats ("DORA" – Digital Operational Resilience Act).	infrastructure, health, drinking water, waste water, digital infrastructure, public administration and space technologies. The directive also introduces new solutions to strengthen the resilience of critical entities. • (revision of the NIS Directive or the NIS2 Directive), which extends the scope of the first NIS Directive, tightens security and reporting requirements for enterprises, introduces stricter supervision measures for national authorities and stricter enforcement requirements, and improves information exchange and cooperation between national authorities of member states. • DORA – The regulation will apply to entities such as: investment funds, payment and credit institutions, ASI managers, insurance companies, audit companies, ICT service providers (Information and communication technologies), crypto-asset service providers, securities depositories. The DORA Regulation aims at harmonizing the provisions regarding the digital resilience of the financial sector in the EU and at boosting the digital and operational resilience of the financial sector organizations.
EBA guidelines on incorporating Environmental, Social and Governance (ESG) risks into the governance, risk management and supervision of credit institutions and investment firms (consultations)	• Date: 2022/2023 • The main goal of the Guidelines under consultation is to include the risks to which credit institutions are exposed due to environmental, social and governance (ESG) factors influencing their counterparties. The guidelines will include detailed information on the threats related to environmental factors, and especially climate change. The EBA also sees the need to include ESG risks in business strategies and processes of institutions to a greater extent and to incorporate them proportionately to the internal arrangements regarding governance, which should be reflected in the guidelines being designed. The intention is also to introduce a framework for evaluating long-term resilience of institutions' business models by setting ESG risk-related objectives, engaging with customers and considering the development of sustainable products. The guidelines will also include the need to adjust the business strategy of an institution to incorporate ESG risks as drivers of prudential risks.
Guidelines on the policies and procedures regarding compliance risk management as well as the role, tasks and responsibilities of AML officers in compliance with Article 8 and Title VI of the EU Directive 2015/849 (AML)	• Date: 2022 • The draft Guidelines, at the EU level, refer to the entire structure of managing anti-money laundering and countering the financing of terrorism (AML/CFT) in a comprehensive way. They set clear expectations of the role, tasks and responsibilities of the AML/CFT compliance officer and the management body and how they interact, including at group level. According to the Guidelines, AML/CFT compliance officers will need to have a sufficient level of seniority. • Without prejudice to the overall and collective responsibility of the management body, the draft Guidelines also specify the tasks and role of the member of the management board, who is in charge of AML/CFT overall, and on the role of group AML/CFT compliance officers.
Draft act amending certain acts in order to prevent the usury	• The Act is currently at the stage of the first reading in the Sejm. Effective date – 6 months after publication date, except for: - changes that become effective within 30 days of the publication date (e.g. as regards the change of the maximum non-interest costs of a consumer loan calculated according to the formula specified in Article 36a (1) of the Act on collection costs; reducing the limit of non-interest loan costs during the whole crediting period from 100% to 45% of the loan amount – Article 36a (3) of the Act on collection costs). • A formula was introduced for the maximum non-interest costs, i.e. of 25 percent, to be incurred by the person who takes out a cash loan. • The upper limit of non-interest costs of a consumer loan has been reduced. The previous percentages – 25 percent (costs independent of the crediting period) and 30 percent (costs dependent on the crediting period) – have been replaced with 10 and 10 percent, respectively. • The maximum limit of additional charges for installment-based purchases with a 12-month repayment period was set at 20 percent p.a. of the loan amount. • Stringent rules will apply to short-term low-value loans, the so-called "payday" loans. The limit of additional charges for "payday" loans was reduced drastically to 20 percent p.a. of the loan amount. • In order to reinforce consumer protection, the Polish Financial Supervision Authority has been entrusted with the supervision of lending institutions.

Draft act amending certain acts intended to ensure the development of the financial market and the protection of investors in that market	• The draft act is currently pending discussions and public consultations. The plan is to apply a 30-day *vacatio legis*. The draft act provides for changes in over ten acts governing business activity of financial market entities, with the aim to facilitate the functioning of supervised entities by simplifying the procedures for obtaining licenses and reporting obligations, as well as to reinforce the protection of individual investors. The draft act provides for, in particular: • expanding and strengthening the supervisory competence of the KNF and granting the KNF additional authorizations to impose fines on supervised entities; • introduction of regulations related to bank outsourcing and sub-outsourcing in order to simplify the applicable procedures and adapt them to the Guidelines of the European Banking Authority on Outsourcing Arrangements (Case file no. EBA/GL/2019/02); • determining specific rules for bank outsourcing in the case of mortgage banks; • elimination of excessive or faulty regulations (so-called gold plating) in the scope of the obligations imposed on financial market entities; • expansion of the catalogue of situations permitting the disclosure of professional and banking secrets without violation thereof • amendment to the provisions on dormant accounts – reduced scope of account information provided to municipalities, longer period within which banks should provide such information.
Draft act amending Payment Services Act	• The draft act is currently pending discussions and public consultations. The plan is to apply a 30-day *vacatio legis*. The draft act provides for changes in the functioning of certain categories of entities providing payment services: • Functioning of payment services bureaus by reducing administrative burdens; • Functioning of small payment institutions by adapting AML issues; • Releasing Bank Gospodarstwa Krajowego and the National Bank of Poland from the obligation to apply CAF. However, during the opinion process, the KNF proposed that the Act also include an amendment to Article 45 of the Payment Services Act to ensure proper transposition of the PSD2 to the Polish legislation. In the KNF's opinion, the provisions of Article 72 of PSD2 had not been transposed to the Payment Services Act precisely enough, which may lead to interpretation and application issues with the provisions of the Payment Services Act, and especially its Article 45. In the KNF's opinion, when establishing the circumstances regarding the responsibility for unauthorized payment transactions, according to PSD2: • the burden to prove that the payment transaction was authorized by the user shall not lie with the service provider (which does not mean, of course, that they are not obliged to prove statements in this scope); • it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the accounts and not affected by a technical breakdown or some other deficiency of the service provided by the payment service provider; • use of a payment instrument registered by the service provider may in principle serve as proof that the payment transaction was authorized by the payer or that the payer acted fraudulently or failed with intent or gross negligence to fulfill its obligations related to the use of the payment instrument; nevertheless, depending on the circumstances, this does not have to be sufficient proof; • where the use of a payment instrument is registered, the service provider should not be obliged to prove fraud or gross negligence on part of the payment service user, but rather to provide documentation necessary to prove such circumstances; • the evidence and the burden of proof described above should apply only where the user denies having authorized an executed payment transaction or claims that the payment transaction was not correctly executed.
Regulation of the Minister of Finance of 07 December 2021 amending the Regulation on the procedure and conditions of conduct for investment	• The Regulation implements Directive (EU) 2021/338 of the European Parliament and of the Council of 16 February 2021 amending Directive 2014/65/EU as regards information requirements, product governance and

companies, banks referred to in Article 70(2) of the Act on trading in financial instruments and custodian banks	position limits, and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms, to help the recovery from the COVID-19 crisis in the scope of provisions that: 1) make it possible to provide certain information to the client or a potential client after the performance of the provided service using means of distance communication; 2) exclude, from the system covering non-monetary benefits, research services concerning middle-capitalization issuers whose market capitalization does not exceed a specific threshold. • Changes include, among others: 1) allowing investment firms to provide all information required under the law to a client or a potential client after having performed the service rather than before – as regards services consisting in accepting and passing on orders for purchase or sale of financial instruments and services consisting in performing such orders for the account of the ordering party, provided that they are rendered using means of distance communication that prevent the delivery of the required information prior to the provision of the services. This applies to information indicated in Article 9 (2) and (3) of the Regulation (information on incentives). 2) excluding specific research services from the scope of regulations regarding non-monetary benefits within the framework of accepting and passing on monetary or non-monetary benefits in relation to brokerage activity (incentives). • The Regulation shall come into effect on 28 February 2022.
Draft act on crowdfunding for business undertakings	• the draft act provides for changes to the Trade in Financial Instrument Act and the Act on public offering 1) as regards a change to the Trade in Financial Instruments Act, the draft act implements Directive 2021/338 (so-called MiFID Quick-Fix) and aims at reducing regulatory complexity and investment firms' compliance costs as regards, above all, disclosure requirements, product management and position limits, in order to mitigate the consequences of the Covid-19 pandemic and support the economy 2) changes to the Act on public offering regarding, above all, crowdfunding services; some obligations of issuers using the services of crowdfunding service providers will be regulated under the Act on public offering. The key investment information sheet referred to in Article 23 of Regulation 2020/1503 will become part of the offering documents, which currently include: prospectus, information memorandum and information document referred to in Article 37 of the Act on public offering. 3) Moreover, the draft act provides for several changes not related to crowdfunding. The Act shall become effective within 14 days of its publication (the draft act has not been referred to the Sejm yet)
Draft act amending certain acts intended to ensure the development of the financial market and the protection of investors in that market.	• The draft act provides for implementation of new solutions and facilitations to the applicable legal regulations in the area of the financial market for a number of acts • The draft act is intended to systematize and streamline the functioning of the financial market institutions, especially as regards removing barriers to entering the financial market, facilitating supervision over the financial market, protecting the clients of financial institutions, protecting minority shareholders at public companies, increasing digitization in the performance of the supervisory obligations of the Polish Financial Supervision Authority (KNF) and harmonizing legal solutions pertaining to the protection and access to legally protected secrets by making appropriate changes to the acts regulating this access. • the changes include, among others, changes to the Act on public offering, Trade in Financial Instruments Act, Capital Market Supervision Act and Financial Market Supervision Act • The Act is to enter into force within 30 days of its publication. The draft act is currently subject to the legislative procedures.
Regulation of the Council of Ministers of 7 December 2021 on the list of protected entities and the competent inspection authorities	• establishing a current list of protected entities referred to in Article 4(2) of the Act of 24 July 2015 on the inspection of certain investments

The Act of 23 July 2021 amending the act on investment funds and alternative investment fund management and certain other acts	• Publication date: 30 August 2021 • The changes include, among others, introduction of uniform provisions on marketing communications addressed to investors for UCITS and AFI, lifting the obligation of a foreign fund to establish its representative or a payment agent, introduction of an obligation of a foreign fund to notify the KNF of a change to the methods of selling participation titles issued by the foreign fund in the Republic of Poland or a change to the categories of participation titles sold in the Republic of Poland at least one month before the introduction of the change; specification of the conditions on which a foreign fund may cease selling its issued participation titles in the Republic of Poland.
Commission Implementing Regulation (EU) 2021/1848 of 21 October 2021 on the designation of a replacement for the benchmark Euro overnight index average Announcement of the European Money Markets Institute ("EMMI"): the Euro overnight index average (EONIA) benchmark ceases to be published on 3 January 2022	• The EONIA benchmark will cease to be published on 3 January 2022. • Pursuant to the Commission Implementing Regulation (EU) 2021/1848 of 21 October 2021 on the designation of a replacement for the benchmark Euro overnight index average, the euro short-term rate (€STR) published by the European Central Bank shall be designated as a replacement rate for the Euro Overnight Index Average (EONIA) when a reference is made to the EONIA benchmark in any contract and in any financial instrument as defined in Directive 2014/65/EU. A replacement for EONIA replaces, by operation of law, all references to that benchmark in any contract, and in any financial instrument as defined in Directive 2014/65/EU not containing fall-back provisions or suitable fall-back provisions, pursuant to Article 23b(3) of Regulation (EU) 2016/1011. That replacement does therefore not affect contracts that have been successfully renegotiated to cater for the cessation of EONIA, as provided for under Article 23b(11) of Regulation (EU) 2016/1011. • The Regulation also establishes a fixed spread adjustment that shall be added to the replacement rate designated as above, equal to 8,5 basis points
Financial Conduct Authority's announcement of 5 March 2021 on future cessation and loss of representativeness of the LIBOR benchmarks.	• On March 5, 2021, FCA announced that the following LIBOR settings would be ceased permanently: 1) CHF LIBOR (all settings) – as at the end of 2021; 2) EUR LIBOR (all settings) – as at the end of 2021; 3) GBP LIBOR, JPY LIBOR (selected settings1) – as at the end of 2021; 4) USD LIBOR (selected settings2) – as of 30 June 2023 As regards the selected key3 settings of GBP LIBOR, JPY LIBOR and US LIBOR, FCA announced that it was considering taking supervisory measures to order the administrator (IBA4) to publish the so-called "synthetic" benchmark to allow the financial market to gradually close the portfolio of agreements and products using these benchmarks. FCA announced that the above decision resulted from the intention of a number of panel banks to leave the group of entities providing input data necessary to publish LIBOR benchmarks, and the resulting loss of representativeness of the benchmark. UKNF has emphasized that FCA's statement is a basis for the supervised entities which apply LIBOR benchmarks to take actions specified in their contingency plans referred to in Article 28(2) of BMR. The supervision authority expects supervised entities that apply LIBOR benchmarks to take immediate actions to inform their clients who have agreements, financial instruments and participation units of investment funds based on the above benchmarks of the planned cessation of these benchmarks and the resulting consequences.
Regulation (EU) No. 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088	• Date: 01 January 2022 (effective date) • The Regulation establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purpose of determining the extent to which an investment is environmentally sustainable. • It also introduces an obligation to report the so-called green asset ratio as part of non-financial reporting, which indicates how much of the bank's activity is related to activity qualified as environmentally sustainable.
Commission Delegated Regulation	• Date: 01 January 2022 (effective date)

(EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives	• The Regulation establishes technical screening criteria for determining the conditions under which a specific economic activity qualifies as "environmentally sustainable" as regards two environmental objectives: (1) climate change mitigation and (2) climate change adaptation, and also does no significant harm to any of the other environmental objectives – for the purposes of determining whether funding or an investment in a business activity is "environmentally sustainable" in accordance with Regulation (EU) No. 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.
Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organizational requirements and operating conditions for investment firms	• Date: 02 August 2022 (implementation) • Implementation of requirements applicable to investment firms as regards the integration of sustainability factors, risks and preferences into certain organizational requirements and operating conditions. • This applies to the activity of DMBH and the Bank in the scope of the activity conducted under Article 70(2) of the Act of 29 July 2005 on Trade in Financial Instruments.
Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products	• Date: 02 August 2022 (implementation) • Implementation of obligations applicable to the manufacturers of insurance products as regards integration of sustainability factors, risks and preferences into the business conducted • This applies to the activity of the Bank in the scope of distribution of insurance-based investment products.
Commission Delegated Directive (EU) 2021/1269 of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations	• Date: 22 November 2022 (implementation) • Implementation of obligations applicable to investment firms as regards the integration of sustainability factors into the product governance • This applies to the activity of DMBH and the Bank in the scope of the activity conducted under Article 70(2) of the Act of 29 July 2005 on Trade in Financial Instruments.
Regulation of the Minister of Finance of 23 December 2021 amending the regulation on the charges to cover the costs of the capital market supervision	• Date: 01 January 2022 (effective date) • Change of the amount and calculation method of the charges to cover the costs of the supervision of the capital market by supervised entities.
Regulation of the Prime Minister of 30 December 2021 on the charges to cover the costs of banking supervision	• Date: 01 January 2022 (effective date) • The Regulation specifies the payment deadlines, the amount and calculation method of the charges for banking supervision as well as the method of using these charges to cover the costs of banking supervision and share in expenditures referred to in Article 17(1) of the Act of 29 July 2005 on Supervision over the Capital Market
New requirements related to concluding Security-Based Swap transactions, hereinafter: "SBS")	• Date: 01 November 2021 (effective date) Changes under the Dodd-Frank Act, in consequence of which, starting from 1 November 2021, for an entity to conclude SBS transactions: • that are concluded with US entities or are linked (there is a *nexus*) to the USA (see below), and

	• where the total face value of all SBS transactions concluded by an entity exceeds specific thresholds (see below), it has to be registered with the SEC as the SBS Dealer.
Draft act on the protection of persons who report breaches of the law	The draft act provides for: • the terms and conditions for the protection of employees and other persons who report or publicly disclose breaches of the law The provisions protecting persons who report breaches will apply not only to the breaches of the law provided for by the Directive (legislation listed in an annex to the directive), but also to all breaches of the law in the fields of the national law corresponding to the ones mentioned in the directive, in accordance with Article 3 of the Act. • measures for the protection of employees and other persons who report or publicly disclose breaches of the law; • internal reporting regulations setting forth the internal procedure for reporting breaches of the law as applied by the employer; • reporting of breaches of the law to a public or central authority; • principles of public disclosure of breaches of the law; • authorities competent for processing breaches reports and providing support According to the presented draft, the act will become effective within 14 days of its publication.
Commission Delegated Regulation (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty	• Upcoming dates: (i) effective date of the last (sixth) phase of implementation of obligations to post initial margin ("IM") (i.e. 1 September 2022) and (ii) expiration of certain deviations in posting initial margin ("IM") and variation margin ("VM") in the case of certain intragroup transactions (i.e. 30 June 2022) – on OTC derivatives not cleared by a central counterparty ("CCP"), in accordance with Regulation (EU) 2016/2251 of 4 October 2016
Draft act on specific solutions ensuring the ability to conduct business activity during the COVID-19 epidemic;	The draft act provides for: • enabling an employee (or a person who has a civil law relationship with the employer) to get tested for SARS-CoV-2 free of charge, • enabling the employer to request that an employee or a person who has a civil law relationship with the employer present proof of a negative result of a diagnostic test for SARS-CoV-2, information of having been infected with the SARS-Co-V-2 virus or having been vaccinated against COVID-19

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

2.1 Risk management principles

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

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

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

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

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

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

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

The Group carries out the management of all significant risk families arising from the execution of its business strategy. As part of the process initiated in 2021 to identify key risk families, the Management Board of the Bank concluded that the following risk families were significant for the purposes of risk management and the internal capital estimation and maintenance process:

- Credit risk;
- Counterparty credit risk;
- Market risk for the trading book;
- Interest rate risk for the banking book;
- Liquidity risk;
- Operational risk;
- Compliance risk;
- Technology and information security risk (including continuity of business risk and cybersecurity risk);
- Outsourcing risk;
- Fraud risk;
- HR risk (human capital);
- Risk of operational/processing errors

Credit risk and counterparty risk

Definition	• Risk of a client's failure to perform their liabilities. • Risk of the counterparty's failure to perform their liabilities arising from a transaction, before or on the date of its final settlement.
Risk management strategy	• The primary objective of credit risk management is to support the long-term plan of stable growth of the credit portfolio, while maintaining appropriate quality. The credit process is based on a number of fundamental principles, such as: – Business and independent risk management units share responsibility for quality of the credit portfolio and credit process and for any credit losses; – Conduct must be in compliance with the guidelines on the portfolio structure to ensure its diversification and to keep balance between risk and capital; – A system of credit-related authorizations must be implemented which assumes that special authorization to make credit decisions may only be granted to properly trained and experienced employees, taking into account their track record and risk assessment skills and abilities; – Acceptance level must depend on assumed risk – higher-risk exposures (defined taking into account both amount and level of risk) require higher-level approval; – Diversified and adequate risk assessment standards must be used for each borrower and each commitment, including as part of corrective actions; – A consistent rating process is required, which is based, *inter alia*, on results produced by rating or scoring models; – Periodic, regular monitoring of results of a client's activities and identification of adverse changes in their situation which require immediate activities to classify receivable or corrective actions are necessary; – External environment must be monitored to ensure early detection of economic threats which may adversely affect particular portfolios;

	– The credit policy rules must be complied with and, in special cases, approval of exceptions to the Credit Policy is required at higher organizational levels in order to ensure control of implementation of its principles in compliance with internal regulations applicable at the Bank, generally applicable laws and regulations and regulations issued by competent regulators.
Risk measurement	• Risk measurement is carried out using: rating models, scoring models and scorecards at the level of a client and provision models for portfolio risk assessment and an integrated ICAAP process, both at aggregate level and by business line.
Monitoring	• Credit risk exposures are monitored and managed at two levels: client level and portfolio level. Tools used to monitor the current creditworthiness of a borrower include: – annual comprehensive review of limits, exposures, financial situation of and cooperation with borrowers, – reports generated in the Early Warning process, – periodic financial reviews of borrowers, – periodic reviews of negatively classified credit exposures, – periodic visits to clients, – reports on ongoing contacts of employees of business units/bankers with clients, – analysis and assessment of external information (rating reports, analytical reports, press, sector sources, etc.), – internal classification system. • Portfolio-level monitoring – monitoring of utilization of risk concentration limits in the credit portfolio on the basis of appropriate reports, – regular periodic reviews of the credit portfolio, – “ad hoc” portfolio reviews due to sudden important external information, – monitoring of indicators determined for the retail exposure portfolio. • The monitoring of portfolio performance and the identification of trends in the portfolio are carried out using regular management information and control reports taking into account, *inter alia*, analysis of pace of changes in value and segmentation (sectors) of the credit portfolio, client risk (rating), quality of credit exposure collateral and exposures affected by non-performance, departures from applicable risk acceptance rules and limit utilization level. • The package of control reports for each portfolio is prepared on a regular basis and delivered to unit heads responsible for the client segment in question, the Risk and Capital Management Committee and the Management Board of the Bank.

Market risk

Definition	• Market risk is the risk that the financial result and equity of the Bank may be adversely affected by a change in: – market interest rates; – currency rates; – stock prices; – commodity prices; and – any parameters of volatility of such rates and prices.
Risk management strategy	• Market risk management is to ensure that the amount of risk accepted in the Group is consistent with the level acceptable for the shareholders and banking supervision authorities and to ensure that all market risk exposures are adequately reflected in calculated risk measures notified to relevant managers and governing bodies. • Adopted market risk measures and limits should prevent excessive concentrations of exposures to a single risk factor or a group of related risk factors and should enable determination of the maximum level of the risk accepted in the trading book or the banking book. • Market risk management at the Bank is based on: – applicable Polish laws and regulations, in particular the Banking Act, – applicable EU regulations, in particular the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR),

- – requirements of Polish and EU regulatory institutions and especially resolutions of the Polish Financial Supervision Authority (KNF),
  – principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank, taking into account best practices applied in the market.
- Market risk management covers all portfolios that generate incomes which are exposed to an adverse impact of market factors, such as interest rates, currency rates, stock prices, commodity prices and parameters of volatility of those factors. In market risk management, two portfolio types are distinguished: trading portfolios and banking portfolios.
- Trading portfolios include transactions in financial instruments (on- and off-balance sheet ones) the purpose of which is to earn income connected with a change of market parameters in a short period. Trading portfolios cover on-balance sheet items, such as debt securities, categorized as held for trading, i.e. purchased for trading purposes and meeting specified liquidity criteria, and any positions in derivative instruments, provided that in this case portfolios are divided into those acquired for purely trading purposes and those created as hedging against the risk of positions included in a banking portfolio (so-called economic hedge). Valuation of trading portfolios is carried out either directly on the basis of market prices or by using valuation models that make use of price parameters quoted in the market. Activities on trading portfolios are carried out by the Interbank Transaction Division in the Financial Markets and Corporate Banking Sector for those portfolios which cover interest rate risk and currency risk. Trading portfolios also include options, including currency option transactions, interest rate options and option structures, which reflect the economic nature and risk arising from products offered to clients of the Bank. The operations of the Bank in that area are carried out so that they ensure the simultaneous (each time and immediate) conclusion of a counter transaction having the same parameters, as a result of which the option transaction portfolio generates no open market risk exposure. The only factor connected with the conclusion of option transactions which is taken into account in measurement of market risk, and specifically currency risk, is the amount of the premium paid/received in the foreign currency.

Risk measurement

- The following risk measurement methods are applied to trading portfolios: factor sensitivity (DV01) method, value at risk (VaR) method and stress tests.
- Sensitivity factors measure the change in the value of the position in a given underlying instrument in the case of a specified change of the market risk factor (for example a change of the interest rate in a given point on the interest rate curve by 1 basis point or a change of the currency rate or stock price by 1%).
  – For interest rates, the sensitivity measure is DV01;
  – For currency risk the sensitivity factor is equal in value to the position in a given currency;
  – For positions in equity securities, the sensitivity factor is equal in value to the net position in a given instrument (stocks, index, participation unit).
- The integrated measure of market risk for trading portfolios, which combines the impact of the positions in particular risk factors and takes into account the correlation effect between volatilities of individual factors, is value at risk (VaR). VaR is used to estimate the potential decline in value of a position or portfolio in normal market conditions, for a fixed confidence level and in a specified period. For positions opened in a trading portfolio of the Bank, VaR is calculated using the 99% confidence level and one-day holding period.
- Both DV01 and VaR for a trading portfolio are calculated as net amounts without any economic hedging of the portfolio of securities available for sale, i.e. excluding any derivative instruments which are to secure the fair value of the portfolio. The risk exposure of such transaction is controlled by using appropriate risk measurement methods and mitigated with risk limits adopted for banking portfolios.
- On a daily basis, the analysis of stress test scenarios is carried out, while assuming risk factor changes higher than those adopted for VaR measurement and ignoring any observed historical correlations between those factors.
- The Bank has market risk exposures of trading portfolios in more than twenty currencies, both for currency positions and exposures to interest rate risk, but only exposures to a few currencies are significant. For a large group of currencies, exposures arise from the imperfect match of the transactions concluded upon the client's order and the counter transactions with other counterparties from wholesale markets. Significant exposures to market risk are opened for PLN, developed market currencies (mainly USD and EUR and less frequently GBP, CHF or JPY) and even currencies from Central European countries.

Monitoring	• The Market Risk Department by the dedicated IT system provides the relevant executives and managers, on a regular basis, with reports on portfolio sensitivity, value at risk (VAR), securities positions, stress test results for market risk, allocation of capital requirements relating to market risk and utilization of Trading MAT and Trading Stop Loss limits (warning thresholds). • In addition, market risk analyses are presented systematically to the following committees: the Asset and Liability Committee, the Risk and Capital Management Committee and the Risk and Capital Committee of the Supervisory Board.

Interest rate risk for the banking book

Definition	• Interest rate risk for the banking book is the risk of an adverse impact of interest rate changes on the interest income and capital of the Group. • Interest rate risk may occur if assets and liabilities (including capital and derivative instruments that meet the requirements of hedge accounting) have different maturity dates or if their interest rates change on different dates or their interest rates are connected with different interest rate curves (basis risk), or if they include options.
Risk management strategy	• Interest rate risk management is to minimize the risk connected with the possibility of occurrence of adverse changes in market interest rates and with a negative impact of those changes on the net interest rate and, subsequently, financial result of the Group. • Market risk management at the Bank is based on: the requirements of Polish and European regulatory institutions, and especially resolutions of the Polish Financial Supervision Authority (KNF) and the EBA; and the principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank, taking into account best practices applied in the market. • Interest rate risk management is carried out both at strategic and operational level. Division into particular risk management levels depends on the nature and type of decisions made by particular decision-making fora at the Bank which affect the profile and level of interest rate risk. – The strategic risk management perspective is covered by the decision-making powers of the Asset and Liability Committee (ALCO) of the Bank. which carries out interest rate management by setting risk limits for banking portfolios and by conducting monthly reviews of exposures and results of management of those portfolios. – The operational management of interest rate risk is carried out by the Asset and Liability Management Department, which is authorized to open risk positions within the framework of adopted limits.

Risk measurement	• The following risk measurement methods apply to banking portfolios: interest rate gap analysis, method based on costs of closure of open interest positions (Value-at-Close) / total return on portfolio (Total Return), method based on interest income exposed to risk (Interest Rate Exposure, IRE) and stress tests. • The interest rate gap analysis uses the schedule of maturity or revaluation of on-balance sheet positions and derivatives recognized using hedge accounting or categorized as economic hedge in order to determine differences between positions whose maturity date or interest rate update date is in the subject time interval. • As a general rule applied in the interest rate gap analysis, transactions are allocated to particular bands of revaluation of positions in banking portfolios on the basis of contractual or assumed dates of change of transaction interest rates. • The Value-at-Close method determines the economic or "fair" value of positions, corresponding to market valuation of a trading portfolio. Total return on a portfolio is the sum of changes of value-at-close, accrued interest and gains/losses on sale of assets or cancellation of liabilities. • The Interest Rate Exposure (IRE) method, based on the revaluation gap method, is used for measurement of the potential impact of a pre-determined parallel shift of interest rate yields on pre-tax interest income on the banking book which may be earned in a specified time interval. This is a prospective measure. In addition, it is assumed that in standard conditions interest rate moves are identical for each currency and equal to 100 basis points up. The IRE measure is calculated separately for the position in each currency over a 10-year time horizon, provided, however, that 1-year and 5-year IRE measures are mainly used for the purposes of day-to-day monitoring and limitation of interest rate risk positions for banking portfolios. Additionally, the Bank measures the interest rate risk using the income method (cash flow net interest revenue NIR/IRE). This measure, like the IRE calculated using the gap method, determines the potential pre-tax impact on net interest income for banking book items due to specific changes in interest rates over a specific reporting period – generally 12 months. NIR is the difference between accrued interest income earned on assets (e.g. loans to customers) and the cost of interest paid on liabilities (e.g. customer deposits). NIR/IRE is the delta between the Baseline NIR and NIR in the interest rate shock scenario (e.g. + 100 bp, + 200 bp, -100 bp, -200 bp) • Stress tests measure a potential impact of significant changes in the level or shape of interest rate yields on the positions opened in a banking portfolio. • The Bank carries out stress tests for pre-defined scenarios of movements of interest rates, which are combinations of moves of market factors, both defined as significant changes (large move) and crisis changes (stress move), which occur both in Poland and abroad. The extent of assumed shifts of market factors are reviewed at least annually and adjusted as appropriate to changes in the market conditions in which the Bank operates. • Bank calculates also the change to capital value as the result of fluctuations of interest rates for the individual currencies, under scenarios consistent with requirements of the EBA. • The Asset and Liability Management Department in the Interbank Transaction Division carries out activities relating to securities available for sale. Three key objectives have been adopted for activities relating to the portfolio of securities available for sale: – carrying out financial liquidity management, – hedging against the risk taken over by the Interbank Transaction Division from other organizational units of the Bank – opening own interest rate risk positions in portfolios of the Bank by the Interbank Transaction Division. • In order to avoid excessive fluctuations of capital funds of the Bank, caused by revaluation of assets held for sale, maximum limits are set for the DV01 (Dollar Value of 1 basis point) position, which determines the potential change in the value of risk position for a given interest rate curve on a specified nodal point (to which all cash flows in a given period are brought) caused by a shift of the market interest rate by 1 basis point up for such portfolios. Limits also cover open derivative instrument positions (for example interest rate swaps) established to hedge the fair value of a portfolio.
Monitoring	• The Market Risk Department and a dedicated reporting unit in the Risk Management Sector provide the relevant executives and managers with reports on portfolio sensitivity, securities positions, stress test results for interest rate risk of the banking book.

	• In addition, market risk analyses are presented systematically to the following committees: the Asset and Liability Committee and the Risk and Capital Committee of the Supervisory Board.

Liquidity risk

Definition	• Liquidity risk is the risk of inability to perform financial liabilities to a client, lender or investor by their due dates as a result of mismatch between financial flows.
Risk management strategy	• The overriding goal of liquidity risk management is to ensure that the Bank and other companies from the Group have access to liquid funds sufficient to meet their financial liabilities when due (also in the event of probable extreme crisis situations). • Liquidity risk management is based on: – applicable polish laws and regulations, in particular the Banking Act; – applicable provisions of EU law, in particular Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR), – requirements of Polish regulatory institutions and especially resolutions of the Polish Financial Supervision Authority (KNF); – principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank; – taking into account best practices applied in the market. • The Group analyses and manages liquidity risk in different time horizons and, to this end, distinguishes between current, short term, medium term and long term liquidity and applies adequate risk measurement and limitation methods. The adopted measures and limits are to limit excessive concentrations with respect to the assumed structure of the balance sheet or sources of funding. • The management of long-term liquidity is a task of Assets & Liabilities Committee (ALCO) and is covered by the strategy of the Bank. It is carried out on the basis of monitoring of structural relations of the balance sheet and on the basis of regulatory long-term liquidity measures, and covers the liquidity gap analysis and the possibilities of obtaining sufficient financing sources in the future, as well as the analysis of funding costs in the context of the impact on the profitability of business operations. • The management of medium-term liquidity, within the 1-year time horizon, is a task of Assets & Liabilities Committee and is carried out on the basis of annual financing plans, which determine the levels of internal limits, plans prepared by business units of the Bank concerning changes in assets and liabilities, elaborated within the framework of financial plans for the next budget year. • The management of short-term liquidity, within the 3-month time horizon, is a task of the Financial Markets Sector and Corporate Banking Sector, and is carried out on the basis of both regulatory measures of short-term liquidity and internal limits. The Bank also analyses the liquidity level in emergency situations, assuming, as a must, that there will be no negative gap in all time brackets in a 12-month time horizon. • Current liquidity management is a task of the Financial Markets and Corporate Banking Sector and is carried out on the basis of nostro accounts of the Bank, including in particular the mandatory reserve account with the National Bank of Poland, using available products offered by the money market and the central bank.
Risk measurement	• Liquidity risk measurement is carried out by using external supervisory measures (M3-M4, LCR/NSFR and additional liquidity monitoring indicators – ALMM) and additional measures and tools developed internally: – gap analysis – MAR/S2 – crisis/stress scenarios, – structural liquidity ratios, – market warning signals, – significant sources of financing, – emergency financing plan, – intra-day liquidity management process, – short-term liquidity gap – M1, – short-term liquidity ratio – M2, – illiquid assets with own funds coverage ratio - M3,

	– illiquid assets and assets of limited liquidity with own funds and stable external funds coverage ratio - M4.
Monitoring	• Liquidity risk monitoring and management are carried out using: supervisory liquidity risk limits determined by the Office of the Polish Financial Supervision Authority and internal prudential limits and thresholds determined for liquidity risk by the Asset and Liability Committee (ALCO): – limits for the S2 Report – for pre-determined currencies and time ranges; – warning thresholds for structural liquidity ratios; – warning threshold for tests of stress scenarios. • On a regular basis, the Market Risk Department and a dedicated reporting unit in the Risk Management Sector provide the relevant executives and managers with reports on the liquidity position, stress test results for liquidity risk and allocation of capital requirements relating to liquidity risk. • In addition, liquidity risk analyses are presented systematically to the following committees: the Asset and Liability Committee, and the Risk and Capital Committee of the Supervisory Board.

Operational risk and compliance risk

Definition	• Operational risk should be understood as a possibility of loss as a result of application of inappropriate or defective internal processes, human factors or technological systems, or as a result of external events. • Operational risk covers technology risk, outsourcing risk, fraud risk, money laundering risk, information security risk, external event (business continuity) risk, tax and accounting risk, product risk, legal risk, model risk, HR risk, concentration risk, conduct risk and reputational risk, connected with operational risk events, business and market practices, as well as operational risk embedded in other risks (for example credit, counterparty, liquidity or compliance risk); • Operational risk excludes strategic risk and the risk of potential losses resulting from decisions connected with taking credit, market, liquidity or insurance risks. • The risk of non-compliance should be understood as risk of negative consequences arising from the failure to observe legal provisions, regulatory provisions, the Bank's internal normative acts, as well as practices and standards available on the market. For the purposes of the ICAAP process, operational risk also includes compliance risk.
Risk management strategy	• Operational risk management is to ensure a consistent and effective approach to identification, assessment, mitigation, control, monitoring and reporting of that risk and effective reduction in exposure to operational risk and, in consequence, reduction in the number of operational risk events and the severity of their outcomes. • Operational risk management is also to ensure the full integration of processes used for the management of that risk with the processes used for decision making purposes. • When organizing the operational risk management process the Group takes into account the business strategy, risk profile of the Group, macroeconomic environment, available capital and liquidity resources and regulatory requirements, which make up the framework of preparation of the system used to control and manage operational risk at the Group. • The Group's operational risk management system is built to ensure proper risk management at every stage, i.e. identification, assessment/measurement, mitigation, monitoring and reporting • Management of non-compliance risk takes place as part of the Internal Control System. Management of non-compliance risk includes the following elements: identification, assessment, control, monitoring of the size and profile of compliance risk, reporting.
Risk measurement	• In the risk assessment process, the Group uses combinations of various risk measurement or estimation methods. – Risk assessment is to determine the probability of occurrence and the amount of future losses attributable to operational risk. To this end both quantitative and qualitative indicators are used (such as risk appetite, capital requirements, target risk profile, KRIs, data about losses and operational risk events, control issues and corrective actions, self-assessment process (incl.

	risk map), key projects, risk concentration areas and rising-risk areas, scenario analysis, stress tests, changes in processes and products, operational risk attestation, information from internal and external reviews and audits and information reported to Commissions and Committees). – Such assessment also includes an analysis of both internal and external threats. A correct assessment of operational risk enables the Group to properly determine and manage the risk profile.
Monitoring	• As part of consolidated supervision, operational risk data relating to the Bank and subsidiaries are presented to Commissions and Committees that support the Management Board and Supervisory Board of the Bank in the operational risk management process. • The processes of risk identification, self-assessment, measurement, monitoring and reporting, in essential respects, are standardized and generally accepted in all organizational units of the Group. Risk mitigation processes are defined for each organizational unit and may be different for individual units. • The ongoing monitoring of operational risk is the responsibility of the Operational Risk Committee, the Control and Compliance System, the Risk and Capital Management Committee, the New Products Committee, the Bonus Committee and the various Commissions supporting the Committees. • Quality of the operational risk management process (including the self-assessment process) in particular units of the Group is checked and assessed by the Internal Audit function. • The Supervisory Board oversees the operational risk management system and assesses its adequacy and effectiveness. The Supervisory Board is supported by its committees: Audit Committee, Risk and Capital Committee and Remuneration Committee. • On the basis of synthetic reports which present the scale and types of operational risk to which the Group is exposed, risk concentration areas, operational risk management methods, probability of occurrence of operational risk events, assessment of potential adverse impact of the operational risk management methods, results of operational risk profile monitoring and operational risk appetite, submitted by the Management Board at least semiannually, the Supervisory Board, supported by the Audit Committee and the Risk and Capital Committee, assesses the implementation of the assumptions of the strategy by the Management Board (including with respect to the operational risk management principles) and may order a review of the strategy if it deems it necessary.

VII. The Bank's community initiatives

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

1.1 Corporate Social Responsibility (CSR)

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

Bank's activities with regard to Corporate Social Responsibility (CSR) cover work place and market environment and local community as well as environmental protection. The strategic objective is to become a company setting Corporate Social Responsibility (CSR) standards, both outside and inside the organization. The Bank carries on investments supporting local communities implemented for public good in such fields as financial education, promotion of entrepreneurship, local development and protection of cultural heritage. The Bank's mission in this scope has been implemented through the Kronenberg Foundation at Citi Handlowy established in 1996. Public recognition for the social commitment of the Bank is confirmed by various independent rankings. The Bank made the list **Diversity IN Check.** It is a list of employers that have the most advanced diversity management and inclusion policies in Poland. It includes organizations that demonstrate the greatest maturity in this regard in the survey carried out by Deloitte, an independent auditor. Diversity IN Check is an initiative coordinated by the Responsible Business Forum. The Bank also belongs to the **SuperEthical Companies Forum.** This prestigious group includes companies which are named the **"Ethical Company"** consecutively over the period of three years. As a Super Ethical Company, Citi Handlowy shares its experience, transfers its best practices, promotes an ethical approach to business and inspires changes. Since the first edition, Citi Handlowy has been recognized for the most systemic and complex involvement in building and fostering an organizational culture based on ethics and values. The Bank is also one of the first signatories of the **Diversity Charter**. It is an international initiative promoting diversity and equal treatment in the workplace.

The Charter is a written declaration of an employer who thus undertakes to prohibit discrimination in the workplace and to work towards developing and promoting diversity as well as expresses the readiness of their organization to engage all the employees and business partners in these efforts. The Bank was also included in the **Ranking of Responsible Companies 2021**. It took the 5th place in the Banking, Financial and Insurance Sector category. Responsible Company Ranking 2021 is a ranking of the largest companies operating in the Polish market assessed for their corporate social responsibility management (CSR).

1.2 Client relationships – market practice

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

Client satisfaction surveys

The Bank conducts regular customer satisfaction surveys among both institutional and retail clients. NPS (Net Promoter Score) is the key measure of quality. NPS measures clients' propensity to recommend the Bank and thus their satisfaction regarding provided services. Surveys cover the Bank's key client segments as well as the most important channels of communication (i.e. Citibank Online, Citiphone, branches). Scores and comments are analyzed by a team which analyzes clients' experience and results of such analyses and proposed enhancements are discussed at a monthly meeting with the Bank's management. In 2021, the results of the survey show an increase in the satisfaction of users of the CitiMobile banking application from 33% to 40%. It was related to the introduction of new application functionalities. Increases also occurred in the category of customers evaluating Smart branches (from 53% to 60%) and affluent customers from 36% to 44%.

The Bank's sound position in providing customized solutions for clients was confirmed by many awards and recognitions won in 2021. One of them is the award granted in the 12th edition of the ranking prepared by Bankier.pl and Puls Biznesu for the Citi Simplicity credit card, which won the Golden Banker award for the sixth time in a row in the product category: “best credit card”. The other awards were granted, among others, by the British financial magazine Euromoney, which named Citi Handlowy “The Best Investment Bank in Poland” in the prestigious Euromoney’s Awards for Excellence and, for the eighth time in a row, recognized transaction banking of Citi Handlowy as the best on the Polish market in the “Market Leader” and “Best Service” categories. Citi Handlowy was also listed among employers with the most advanced diversity policy under Diversity IN Check, the first list of employers with the most advanced diversity management, prepared by the Responsible Business Forum. The Bank also took the first place in the “Socially Sensitive Bank” category in the 12th edition of the Golden Banker ranking organized by “Puls Biznesu” and Bankier.pl.

The Bank promotes the idea of high level of customer satisfaction not only through NPS tests. In 2021 Bank continued systematizing approach to searching, recording and changing the customer experience in relations with the Bank. Selected units not only analyze the clients’ complaints, but also search for the information on customer experience in the NPS forms, comments posted in the social media or among the employees of the Bank who are also its clients. Every employee at the Bank is involved in building a new organizational culture predominantly for the client's interest and in delivering more and more revamped solutions. The growth of customer satisfaction level is among the Bank’s key goals for 2022.

Communication with clients

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

Client complaints and enquiries

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

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

- Contact with CitiPhone: 22 362 2484

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

- by email – to the address: **citiservice.polska@citi.com**;
- by phone – in CitiService and directly to the CitiService Consultant's phone number;
- in person at any unit of Citi Handlowy that serves clients of the Financial Markets and Corporate Banking Sector;
- in writing to the address indicated on: **www.citihandlowy.pl** , in section: Important addresses or by mail.

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

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

In 2021, the Bank made another step towards digitalization of its processes in line with customer expectations. Bank continued the development of the social media (Messenger) as its communication channel. During the year, customers asked almost 7,500 inquiries. It is about 1,000 more compared to 2020. By using this channel clients can evaluate the quality of service. In 2021, 80% of customers found useful information on Messenger.

As a means of contacting the Bank, the Chat is also available on the official website of Citi Handlowy. A specialized group of consultants reply online to queries posted by the Bank's customers.

Client Advocate

Establishment of the Customer Advocate is to both strengthen the cooperation between the Bank and the customers and increase customer satisfaction as far as the products and services offered by the Bank are concerned. The Bank invites its clients to dialogue, through contact with the Customer Advocate. This way, the Bank invites its customers to share their opinions, comments and suggestions about functioning of the Bank. Customers are able to share their opinions, comments and suggestions about functioning of the Bank, and are provided with another opportunity to have their unsuccessful complaint examined again. Customers can contact the Customer Advocate by sending an enquiry to the Customer Advocate. In 2021, the Customer Advocate received 397 issues for consideration.

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

Clients may also send their opinions and comments to the Corporate Client Spokesperson, which help us to improve our products and services offered by Citi Handlowy. In 2021, one such submission was made directly to the Corporate Client Spokesperson.

Client education

A different type of activity, which is not obligatory but perfectly fits into the overall effort to provide security and accessibility of banking products, is financial education of existing and potential clients and entrepreneurship development programs..

Through the Kronenberg Foundation at Citi Handlowy the Bank pursues programs designed with the aim to build Poles' financial awareness leading to preclude financial exclusion. The activities of the Foundation focus on the activity in the area of financial education, within which a particular emphasis is put on building digital competences, which, in view of the ongoing digital transformation of financial services, seems essential for safe banking. The support for entrepreneurship by preparing young people to launch their own businesses and enhancing the potential of existing companies – this is the Foundation's contribution to the development of the Polish economy. The Foundation pays particular attention to startups, whose business model is based on international operations.

Gaining assurance that clients understand the mechanism of a product and that they know how to use it in the most suitable way, is also of importance to the Bank. For this purpose the Bank created on its sites Most Frequently Asked Questions section. Also educational materials are prepared for clients, from which they can learn how to manage their credit and credit history, observe current credit repayment dates and why it is important.

Taking into account the situation caused by the pandemic, the Bank made available on its website information for customers on how to safely use products and services without leaving home.

Client data protection

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

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

1.3 Caring for people

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

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

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

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

In 2021, the Bank completed the implementation of 3-year HR strategy adopted for the next 3 years, which assumes activities in the area of work-life balance, recognition of employee achievements and harmonious cooperation between teams.

People Strategy is an HR strategy adopted for years 2019 – 2021, dedicated to employees and alterations in the Bank's organizational culture. The backbone of the strategy is feedback received from employees as part of the VOE survey, during focus group surveys and during mutual conversations. People Strategy was made up of six project groups:

- Work Life Balance
- Beyond Borders
- Digital Native
- Global Gratitude
- People Board
- Being The Best For The Client Academy

In a summary of the main assumptions of the People Strategy, it can be said that many ideas implemented within the project groups have become an integral part of the Bank's culture and DNA. The most glaring examples include: the popularized idea of recognizing and thanking for the effort that employees put in their everyday work, and People Board – a group of 9 employee representatives elected by the employees themselves. The mission of the People Board is to be a "communication bridge" between employees and the Management Board in addressing the most important employee matters. The People Board is very actively involved in the post-VOE 2021 activities and projects.

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

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

Employee may opt for an employee pension scheme, life insurance products, sports package, private medical care, help in difficult life situations under the Employee Assistance Program, a social fund and banking products on preferential terms. Employees may also work flexible hours in order to enable them to fulfil their personal and professional obligations more efficiently.

An important element of preventive healthcare is physical activity, therefore every employee of Citi Handlowy may purchase a sporting card for themselves and an accompanying person. During the COVID-19 pandemic, employees could use online training allowing them to do physical exercise at home. Employees experiencing problems in their private and professional life and needing support in a difficult life situation can obtain free psychological, legal and financial assistance under the Employee Assistance Program. The EAP is also available to immediate family members of Citi Handlowy employees. Assistance is provided through the hotline. Striving to ensure a safe workplace, the Bank makes efforts to optimize the working environment for all employees, with particular emphasis on compliance with occupational health and safety rules.

Employee satisfaction survey

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

In the first step of the process to examine employee feeling employees fill in questionnaires. The next steps include an analysis of results, group interviews to provide more insight on the basis of those results and enable preparation of improvement plans after the survey, implementation and communication of outcomes to employees.

Dialogue and freedom of association

Two unions are active at the Bank:

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

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

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

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

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

Support for employees during the COVID pandemic

Numerous activities undertaken by Citi Handlowy in relation to its employees during the COVID-19 pandemic, including:

- in cooperation with a provider of healthcare services, organized a COVID-19 vaccination campaign for interested employees and their family members. Over 500 employees and their family members signed up for the vaccinations organized by the employer;
- employees were also offered a several-hour break to get vaccinated at a healthcare facility of their choice. The time of the vaccination visit was included in the working time.
- appointment of the function of the COVID-19 Coordinator in each unit, to support managers and employees who are suspected of being infected or have been infected with COVID;
- medical telephone consultations with a psychologist and psychiatrist under the medical package were offered as before;
- Cafeteria continued to expand to include new electronic coupons and vouchers which employees may use in online stores;
- the supplier of the sports cards continued to offer a possibility to participate in online classes in 2021;
- the Employee Assistance Program for employees in a difficult life situation was continued;

- with regard to social activity financed from the Company Social Benefit Fund: increase of the planned expenditures for non-refundable financial assistance; it was agreed to significantly increase the amounts of the annual social benefit paid in November;
- continued extensive use of the remote work opportunity;
- continued option to rent a computer monitor to work from home;
- introduction of an option for employees to buy amortized IT equipment;
- regular communication with employees, including on the topic of safety at the office and outside, remote work, changes made, activities planned, and the current situation;
- retention of visual signs for office spaces on the application of the sanitary regime;
- maintenance of communications to employees who are foreigners with regard to current restrictions introduced in Poland;

Corruption prevention

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

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

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

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

In 2021, no case of corruption in the bank's activity was recorded.

Employee Volunteering Program

In the course of 2021, the Citi Handlowy Leopold Kronenberg Foundation – which coordinates employee volunteering of Citi in Poland – was successful in implementing volunteering activities. The flagship, global project of the Foundation – **Citi Global Community Day**, engaged **2,288 Citi volunteers** with their families and friends, who implemented **79 projects – this was the best result among all Central and Eastern European and African countries. 18% of all employees of Citi in Poland** participated in the initiative. Due to the restrictions related to the pandemic and resulting from the internal regulations of Citigroup, the Foundation arranged for virtual engagement of the employees – where projects required physical presence, no more than 30 volunteers were allowed to meet (as long as works were carried out in the open air). Among other activities, volunteers helped at animal shelters, organized training sessions for seniors in navigating the Internet, recorded audiobooks for children in hospices and supported young cyclists from rough environments. An exceptionally popular campaign was **GCD Sport Challenge – sports-based volunteering combined with donations to charity**. Volunteers also engaged in skill-based volunteering under the programs implemented in collaboration with partners, financed with the funds of the Citi Foundation, with professional support of the Citi Handlowy Foundation. Although the mentoring relations were shifted to the virtual reality, volunteers had great results in working as mentors with young people, young entrepreneurs, women planning to open their own business, women-scientists wishing to commercialize their ideas and migrants. During the pre-Christmas campaign – **"Christmas is for sharing"**, Citi volunteers provided support to senior care centers, community day-care centers and nursing homes. **They got engaged in volunteering activities 568 times** (together with their families and friends), helping over **2,000 people in need**. The social partners of the Foundation and the Bank's clients were also involved in the activities.

1.4 Reduced environmental footprint

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

The Bank impacts the climate not only as an institution offering financial services, but also as a company with many employees and many offices, including owned property. As early as 2007 Citi Handlowy introduced a comprehensive Environmental Management Plan. In the subsequent years, it introduced an Environmental Management System according to ISO 14001 and Energy Management System according to ISO 50001 for the main locations of the Bank. 2014 saw the launch of the integrated Environmental and Energy Management System (EMS), which has been subjected to annual audits by an independent certification bureau. In 2021, the Bank was also subject to another recertification audit in terms of compliance with ISO 14001: 2015 and regulatory audit under ISO 50001:2018. The audits confirm that the Bank achieves the set goals and fully implements the requirements of these standards, including operation of a system supporting the fulfillment of individual statutory, regulatory and contractual requirements.

Direct impact on the natural environment

Since 2019, the Bank has analyzed its environmental impact by calculating its carbon footprint related to its business activity. The Bank has identified the main areas of its environmental impact. The first area is direct impact arising from the company's operations – emissions existing at the company's premises and monitored by the company. The second area is indirect impact, emissions involving generation of electricity and heat or steam consumed by the company but not under its control. The third area of impact includes many other emissions resulting from the company's activities (e.g. employee commutes). Although the direct impact has the smallest share in the total carbon footprint, the Bank cares about ongoing monitoring and improving performance in this regard.

The Bank collects, monitors and analyzes data regarding energy consumption to plan its reduction and, eventually, mitigate climate change. As part of its environmental and energy policies, the Bank has identified the following objectives: reducing greenhouse gas emissions, ensuring the most efficient management of utilities, in particular energy, minimize consumption of energy and non-renewable energy sources, supporting the purchase of energy-saving products and services as well as improving energy performance, ensuring correct waste segregation and controlling noise emissions.

For many years, the Bank has implemented investments and modernization works of its buildings, for example, modernization of BMS, LED light fixtures, chilled water system, HVAC system and replacement of air conditioners. In late 2020, a photovoltaic power station was launched on the roof of the building at Goleszowska in Warsaw, with a capacity of 70 kW. In 2021, the plant generated 42,785 MWh of electricity. The last unit at the Bank working on gas R22 was eliminated in 2021. Currently, freon-based devices in HVAC units use eco-friendly gases approved for use, such as R410. Citi Handlowy optimizes and digitizes its processes while keeping an eye on the consumption of resources (such as water and paper) and monitoring the amount of generated waste. The Bank also supports the small retention system. One of its buildings is equipped with a rainwater collection system, which is planned to be expanded by installing one more tank. For many years, Citi Handlowy has also had in place a system of economical use of office paper for printing; its use is monitored under the Paperless project in which all the organizational units of the Bank are involved. The Bank digitizes processes related to document circulation and supports these activities in accordance with the hierarchy of waste management methods. In most facilities, electric water dispensers are connected to the city water supply system to eliminate plastic bottles. The Bank is aware of the benefits of waste sorting, therefore it arranged for dedicated, clearly designated containers to be placed in all its locations, thus maximizing recycling of waste generated at the Bank. In addition, the Bank also uses containers for destroyed, classified documents, 100% of which are recycled.

The Bank also takes care of the environment by arranging greenery around its buildings, while paying attention to viability of planted trees, putting out nesting boxes for birds and bats and installing insect hotels.

As part of the fight against the climate crisis, the Bank took part in an auction of Carbon Dioxide Credits. As part of the Forest Carbon Farms project implemented by State Forests, the Bank purchased 1,500 carbon credits, supporting the educational project “Black Storks Online”. The live broadcast from black stork nests is a project implemented by the Regional Directorate of State Forests in Łódź and scientists from Lodz University – one can watch the nest of these rare birds and the migration of their young ones. With Bank’s support, the latest generation camera was purchased, enabling, among others, zooming or frame freezing, to permit convenient and non-invasive observation of bird nests. In 2021, the funds obtained from the purchase of carbon credits by the Bank were used to fit 18 chicks of the black stork in the RDLP forests in Łódź with GPS/GSM loggers. Some new nests of the black stork were found in the RDLP forests in the course of these efforts in 2021.

Personnel education

The Bank runs environmental education and information campaigns for its employees and service providers. These include volunteering actions, training courses and intranet messages which disseminate information on the Environmental and Energy Management System. Every year, the Bank takes part in the Earth Hour and Earth Week events. Citi Handlowy encourages ecological and active lifestyle by introducing amenities for employees commuting to work by bicycle.

Indirect impact

The overwhelming share of the purchased electricity and heat in emissions results from the specific nature of Citi Handlowy’s operations, convergent with typically office-based activities, which exploit equipment consuming high amounts of electric power and thermal energy to ensure comfortable conditions in big floor spaces. Citi Handlowy undertook to conduct its operations in accordance with the principles of sustainable development, and its strategic measures include efforts to switch to consumption and purchases of energy from renewable sources. In 2021, 50% of the electricity used by the Bank originated from renewable energy sources, whereas for 2022 the Bank contracted 55% of electricity from RES.

1.5 Local community involvement and development

The Citi Handlowy Leopold Kronenberg Foundation implements an array of educational activities in personal finance and entrepreneurship, each time supported by a campaign in the media, aimed at promoting savings, rational personal finance management and entrepreneurial attitudes. The Foundation reaches directly over **50,000 beneficiaries** from different age groups. These are: school-age and university students, young professionals and entrepreneurs. Indirectly, on the other hand, through media campaigns in the traditional press, radio and television programs as well as in the Internet and social media, educational activities and activities aimed at raising Poles' awareness of the above areas, **reach 2 million persons**.

In 2021, due to the COVID-19 pandemic, most initiatives of the Foundation were carried out online. This format was a great fit for the conferences, workshops and training sessions organized by the Foundation. With this formula, the initiatives can have a greater reach and benefit also environments outside Warsaw, for example, the conference organized in H1 2021 addressed to entrepreneurs had almost 40,000 attendees.

During the protracted epidemic threat, the Foundation has remained a strong partner for:

- entrepreneurs, and particularly those who have participated in the Foundation's acceleration programs or programs co-financed by the Foundation in the recent years;
- social partners in the volunteering program or through a micro-grant program;
- teachers and students who had to face the challenge of remote education.

The Citi Handlowy Foundation also collaborated with the Polish Center for International Aid and the team of paramedics and doctors, with whom the Foundation established cooperation in 2020.

In 2021, the Citi Handlowy Foundation was consistent both in fulfilling its goals and implementing new initiatives based on the identified trends, such as diversity and inclusion, growing role of women, support for Generation Z, being good and responsible for sustainable growth, against loneliness. They include, for example:

- **CyberMocn@Szkoła (CyberStrong School)** - a new social program to support teachers and students in effective and safe remote education, such as can be successfully applied also after the pandemic.
- **Poradnik wychow@wcy (Tutor's Guide)** – a handbook developed together with the *Fundacja Stocznia* foundation, on the use of digital technologies when working with students.
- **Conference for entrepreneurs** – organized to introduce young entrepreneurs who were successful in adapting their operations to the dynamics of the pandemic-stricken market.
- **Against Social Loneliness** – first aid training conducted together with the Polish Center for International Aid and workshops / meetings with inspiring business and sports people for children and adolescents from social care centers.
- **New trends** – research reports issued in cooperation with social partners in order to draw the public's attention to such trends as the growing role of women, diversity in terms of economic growth, and the need to support Gen Z in finding their place on the new labor market. That is why in 2021 we compiled reports on entrepreneurship among young people, women's leadership, challenges faced by young people on the labor market and Poles' digital competences.
- **Help for malnourished seniors** – a project organized as part of the Citi Global Community Day together with Food Banks and Citi volunteers;
- **Sports-based volunteering** – good use of the physical activity of Citi volunteers, combined with a fundraiser for charity; this way the Foundation was also able to engage remotely a lot of participants in its activities;
- **Celebrations of the 150th anniversary of the Bank** – coordination of the process of securing medals of the Polish Bank Association and the National Bank of Poland for 90 employees of the Bank for the founder's anniversary, organization of a ceremonious gala during which the medals were presented. The Bank's history was also promoted; the celebrations also included publication of an anniversary album, and partnership during the conference of the European Forum for New Ideas, which was an opportunity to talk about the important issues for the future from the perspective of the 150 years' history of the Bank.

The activities in the area of entrepreneurship and economic education required in 2021 cooperation with social partners. The Foundation supported substantially the implementation of projects financed by Citi Foundation funds such as:

Business in Women's Hands – it is a comprehensive acceleration program addressed to women with a business idea who are planning to establish a business during the program, implemented by the Foundation for Female Entrepreneurship. A total of 295 companies were established over the seven editions of the program. 2021 saw the end of the seventh edition of the project, which had 60 female participants. We launched the Academy of Women Mentor Club. More than 400 people applied in an open recruitment process, of whom 150 were selected. They joined the Women Mentor Club of the Network of Entrepreneurial Women. In October 2021, we launched the eighth edition of the program, and on November 17, 2021, we held an online conference opening the program entitled "How to use new technologies in business."

Entrepreneurship Development Program – the program combines financial education and the development of entrepreneurial attitudes. It is aimed at promoting saving and rational finance management among Poles and encouraging young people who enter the labor market to take their chances in business. The project is implemented by the THINK! Knowledge Society Foundation. The fourth edition of the project, ended in March 2021, focused on supporting young businesses in overcoming the present market challenges brought on by the pandemic and in skillful management of change. The program comprised business training, webinars, consultations and mentoring. There were also lectures for teachers and meetings for program participants and mentors. All the events were organized online. The fourth edition of the project resulted in the submission of 164 business ideas and establishment of 25 companies in ecology, technology, health and beauty, culture and entertainment industries. 22 mentors and 27 companies were involved in mentoring activities (and spent around 200 hours on online sessions). The fifth edition of the program was launched in June 2021 and has already attracted 281 new users of the online platform of the program – Rozwijamy.edu.pl.

Shesnnovation Academy is the first Polish startup academy for women active in STEM (Science, Technology, Engineering, Mathematics), run by the 'Perspektywy' Educational Foundation. Its goal is to support women associated with STEM in gaining necessary knowledge and skills useful in founding startups and implementing such undertakings in practice. The second edition of the project ended on 31 May 2021. The program is addressed to female students, PhD students and graduates of technical and science faculties as well as medicine and related faculties who were able to outline their idea for own tech startup in the submission. During the program, its participants were supported by exceptional female mentors – stars of the technology business – CEOs and founders of startups who achieved market success, managers and members of the management boards of different organizations (e.g. Citi Handlowy and Citibank Europe plc). They also attended a series of training sessions on the art of running a business and received advice, tailored to their needs, from eminent industry experts. The second edition of the project resulted in establishing 13 startups, such as, among others, MIDAS, awarded in the pitching competition – a tool that helps create sets of medical data, manage and analyze them. It was designed to address the problem of the protection of patients' personal data and inability to fully anonymize them.

Hello Entrepreneurship – a project aimed at supporting migrants in fulfilling their dreams of running their own business, implemented by the Ashoka Foundation. It supports social entrepreneurship of migrants in Poland, so that their talent and hard work can contribute to the general well-being as well as social and economic success of Poland. The second edition of the program ended in 2021, resulting in the establishment of 10 social businesses. They will create jobs for about 30 migrants and refugees, including young foreigners. The idea of social entrepreneurship was promoted through events, individual consultations, lectures at universities and promotional campaigns, thus reaching over 1,000 people. The lectures, events and webinars were attended by around 160 young foreigners.

1.6 Cultural patronage and sponsorship

In 2021 the Bank continued its sponsoring-based cooperation with the Polish Paralympic Committee. This cooperation is a part of a global initiative of Citi that supports the Paralympic movement and the efforts to change the social perception of disability – to see the person, his/her passion and achievements.

It was a unique year, as the Tokyo Paralympic Games, postponed from the previous year, were organized in 2021. This prompted the Bank to speak even louder about the Paralympians and their achievements. With the slogan "It's ok, you can stare", the Bank encouraged everyone to "stare" at these outstanding athletes and follow their results and achievements during the games. The media campaign "It's ok, you can stare" was implemented predominantly on social media and YouTube. It was also widely communicated across the Bank's internal channels, including an invitation to employees to support Paralympians.

The heroes of the campaign were Paralympic champions – Natalia Partyka, a table tennis player, and Maciej Lepiato, an athlete – who were featured on the promotional photos and in video ads. The goal of the promotional materials was to draw attention to the talent of the Paralympians and for them to be perceived through their sports achievements, their records and the gold medals they are fighting to win rather than through the disabilities they are dealing with on a daily basis. The slogan "It's ok, you can stare" was supposed to provoke people to look at and fix their eyes on the Paralympians.

The above-mentioned Natalia Partyka and Maciej Lepiato were also members of the global Team Citi for another consecutive year. They both made the podium in the Paralympics. In Tokyo, Natalia Partyka won two medals – one bronze, and one gold. Maciej Lepiato won bronze. On their return from Tokyo, they were welcomed at the airport by a group of proud fans from Citi Handlowy. The Bank talked at length about how special they are on social media; Maciej Lepiato and Natalia Partyka also took part in the Bank's Christmas campaign and signed several hundred Christmas presents (notebooks) sent to a selection of clients with the best New Year's wishes.

As an organization supporting the Paralympic movement in Poland, the Citi Handlowy foundation was the main partner of the social project **3. Edition of the Athlete of the Year 2021 Competition of the Polish Paralympic Committee**. In a vote, the Jury and Internet users chose the Paralympic athlete Róża Kozakowska as the Athlete of the Year 2021. During the Paralympics in Tokyo, Róża won gold for Poland in club throw (cat. F32), breaking the world record. However, she did not stop there and a few days later she won silver in shot put (cat. F32). The winner of the #Guttmanny2021 competition can now also boast a bronze medal of the 2021 World Para Athletics European Championships in shot put. Nothing moved Polish sports fans more than Róża's story and her life experiences. Despite her tragic past, she achieved success in sports and proved that one can fight for oneself and get to the top. The second place of the Para-Athlete of the Year Award was taken by Natalia Partyka from #TeamCiti. The winner was announced by Elżbieta Światopełk-Czetwertyńska, CEO of Citi Handlowy.

Guttmany2021 is a remarkable initiative that shows real heroes – athletes. At the same time, it teaches us humility in life and the value of passion and persistence in achieving one's goals, emphasized the CEO of Citi Handlowy. *However devious and bumpy the road may be, and though not everything goes to plan – the goal is what counts. Just look at the stories of the winners of our competition. They are the true superheroes. This is our Marvel universe. They are the living proof that impossible is nothing*.

As part of its support for people with a passion, Citi Handlowy was yet again a partner of the IRONMAN Poland triathlon race. In 2021, the bank became the title sponsor of the event in Warsaw, which saw the first ever race at the prestigious IRONMAN 70.3 distance. Due to the sanitary regime, the Citi Handlowy IRONMAN 70.3 and Citi Handlowy 5150 Warsaw races, initially scheduled for June, were eventually organized during the first weekend of September. August, in turn, saw the first full-distance IRONMAN race in Poland, hosted by Gdynia. Last year's IRONMAN Poland race was organized under the slogan "The Year of Overcoming Obstacles", showing that although we had all been affected by the struggles of the last months, we can always treat them as a challenge and face them head-on.

Expenses for social purposes and other

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

VIII. Investor information

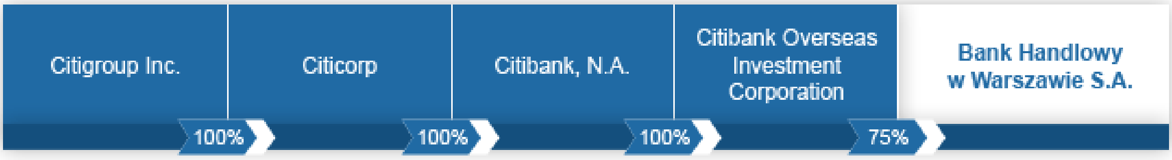
1. Ownership structure and stock prices on the Warsaw Stock Exchange

1.1 Shareholders

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

Over 2021, the number of shares held by COIC and its interest in the share capital and votes at General Meetings of Shareholders (GMS) did not change comparing to the end of 2020 and was 97,994,700 shares and votes, i.e. 75% of share capital and votes.

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



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

Investors holding the Bank's shares include open-end pension funds (OFE), which - according to available annual reports on their asset structure - held, as at 31 December 2021, 17.07% of the Bank's shares, i.e.1.18 p.p. less than as at 31 December 2020.

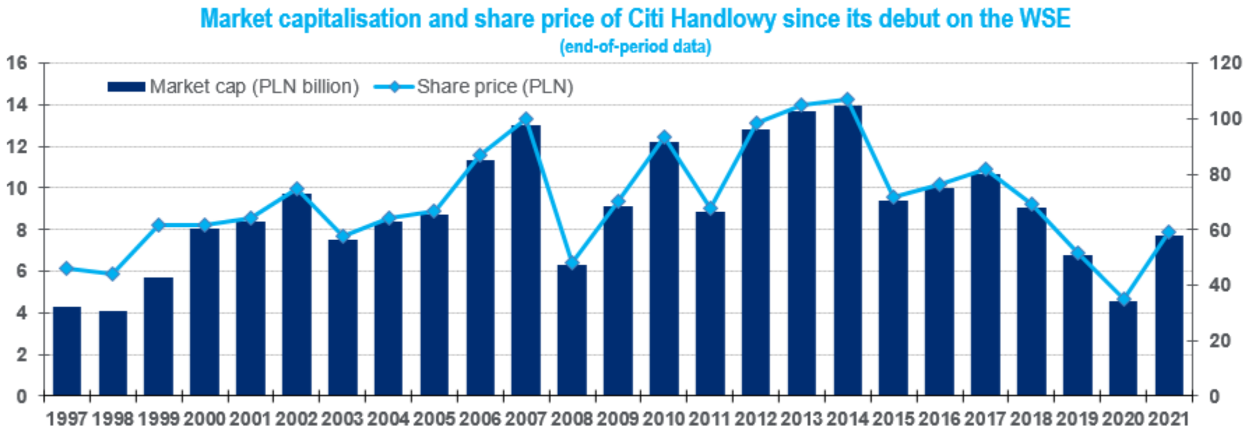
OFE investments in the Bank's shares were as follows:

Shareholder	31.12.2021		31.12.2020	
	Number of shares and votes in GSM	% of total number of shares and votes in GSM	Number of shares and votes in GSM	% of total number of shares and votes in GSM
Nationale Nederlanden OFE	5,885,000	4.50%	5,885,000	4.50%
Aviva OFE Aviva BZ WBK	4,878,630	3.73%	5,278,630	4.04%
OFE PZU	2,704,701	2.07%	2,639,480	2.02%
AXA OFE	1,967,476	1.51%	1,967,476	1.51%
Aegon OFE	1,391,095	1.06%	1,783,532	1.37%
PKO BP Bankowy OFE	1,022,288	0.78%	1,737,150	1.33%
Allianz Polska OFE	1,694,946	1.30%	1,694,946	1.30%
MetLife OFE	1,637,409	1.25%	1,637,409	1.25%
Generali OFE	601,904	0.46%	881,460	0.67%
OFE Pocztylion	520,452	0.40%	340,452	0.26%
Total	**22,303,901**	**17.07%**	**23,845,535**	**18.25%**

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

1.2 Performance of the Bank's shares on the WSE

In 2021, the Bank's shares were part of the following indices: WIG, mWIG40, WIG Banks and WIG-ESG. At the last session in 2021 (i.e. on 30 December 2021), the price of the Bank's shares was PLN 59.00, i.e. 68% above the level of 30 December 2020 (PLN 35.15). In the same period, the WIG Index increased by 22% and WIG-Banks Index increased by 81%.



As at the end of 2021, the capitalization of the Bank was PLN 7.7 billion (as compared to PLN 4.6 billion at the end of 2020). The stock market ratios were: price/earnings (P/E): 10.7 (versus 29.6 in 2020); price/book value (P/BV): 1.0 (versus 0.6 in 2020).

For almost half of 2021, the Bank's share price was relatively stable from the beginning of the year, and the average price at that time was at the level of PLN 40.33. With the increase in inflation from July 2021, the reading of which was at a record level every month, the Bank's share price began to rise, reaching the highest level in 2021 on November 4 (i.e. PLN 62.60). Ultimately, the share price was PLN 59.00 on December 30, 2021. The average price of the Bank's shares in 2021 was PLN 48.09, with the average daily turnover above 47,400 shares.

2. Dividend payment history

On the June 17, 2021 the Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. adopted a resolution on distribution of the net profit for 2020 and undistributed net profit for 2019. Both resolutions provided that the appropriate part of the profit for 2020 and 2019 will be allocated to the dividend payment, provided that by September 10, 2021 (inclusive), the Polish Financial Supervision Authority allows one of the specified methods of distribution of the profit.

On July 20, 2021 the Bank received an individual recommendation of the Polish Financial Supervision Authority relating to the Bank's dividend policy in the second half of 2021. In accordance with the PFSA Recommendation, the Bank in terms of the basic criteria of the dividend policy, met the requirements qualifying for the payment of up to 100% of the dividend from the Bank's profit generated in the period from 1 January 2020 to 31 December 2020. Additionally, the Polish Financial Supervision Authority recommended the Bank not taking, prior to consultation with PFSA, any actions beyond the scope of current business and operational activities that may result in lowering the capital base including possible dividend payments from undistributed profit from previous years (i.e. from 2019 and earlier) and buyouts of own shares.

In connection with the above, with reference to Resolution of the Ordinary General Meeting of the Bank of June 17, 2021 on the distribution of net profit for 2020 the Management Board adopted a resolution, according to which, the Bank's net profit for 2020 in the amount of PLN 158,085,123.29 was distributed as follows:

- dividend for shareholders: PLN 156,791,520.00
- allocation to the reserve capital: PLN 1,293,603.29.

The dividend date was set for September 15, 2021 and the dividend payment date was set for September 22, 2021 and on that day the dividend was paid. The amount of shares covered by dividends was 130,659,600.

Until September 10, 2021 the Bank didn't receive the consent of the Polish Financial Supervision Authority for the payment of dividend from undivided net profit for 2019. Therefore, on September 13, 2021, the Management Board of the Bank adopted a resolution confirming the non-fulfillment of the condition for payment of profit for 2019, as set out in resolution of the Ordinary General Meeting of the Bank of June 17, 2021, on the distribution of undivided net profit for 2019. Thus, the profit for 2019 remained undistributed.

On 15 march 2022, the Bank's Management Board adopted a resolution on the proposed distribution of profit for 2021 and it has proposed to allocate the amount of PLN 714.7 million for the dividend payment, which accounts for 100% of the stand alone net profit of the Bank. The proposed dividend is PLN 5.47 per share. This proposal of the Bank's Management Board will be submitted to the Supervisory Board for an opinion, however the final decision on the distribution of net profit for 2021 will be made by the General Meeting of the Bank.

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

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

** Dividend-pay-out ratio for 2004 - 100% plus prior year profits*
*** On 18 June 2009, the Bank's Ordinary General Meeting decided to pay no dividend for 2008*
**** On June 4, 2020, the Ordinary General Meeting of the Bank decided to leave the entire net profit generated in 2019 undistributed*

3. Rating

As at the end of 2021, the Bank had a full rating from the international rating agency: Fitch Ratings (“Fitch”).

On 23 September 2021, after the annual rating review, Fitch maintained all the ratings of the Bank at the following levels:

Long-term entity ranking *Long-term rating outlook*	A- *stable*
Short-term entity ranking	F1
Viability rating*	a- Rating Watch Negative
Support rating	1
National long-term rating	AA+ (pol) stable
National short-term rating	F1+ (pol)

** The viability rating represents Fitch’s view as to the intrinsic creditworthiness of an issuer excluding any impact of external factors.*

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

In the justification for the assessment, the rating agency stated that the Bank’s Individual VR Rating is one notch higher than the rating for the Polish banking sector, which reflects the Bank's low risk appetite, diversified business model, high capitalization and high levels of liquidity, which makes the Bank more resilient to inherent risks in the Polish operating environment. The Bank's balance sheet is dominated by low risk assets, the quality of the loan portfolio is solid, which is the result of focusing on lending to high quality corporate and retail borrowers.

However, this also means that due to its high level in the local context, the VR has only narrow headroom to absorb deterioration of the financial profile, weakening of the bank's franchise or changes to the business model. Fitch expects to resolve the RWN upon release of details about the planned exit of Handlowy's retail operations and further development plans for the institutional business.

For the full announcement published by Fitch please visit: https://www.fitchratings.com/research/banks/fitch-affirms-bank-handlowy-idr-at-a-maintains-vr-on-rwn-23-09-2021

4. Investor relations

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

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

In 2021, after each quarter the Bank organized meetings regarding the publication of financial results with capital market analysts and representatives of investors.

IX. Statements of Bank Handlowy w Warszawie S.A. concerning application of corporate governance standards in 2021

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

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

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

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

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

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

The Polish Financial Supervision Authority in a resolution of 22 July 2014 issued a document entitled Principles of Corporate Governance for Supervised Institutions ("Principles"), which came in force on 1 January 2015. The Principles are available on the official website of the Polish Financial Supervision Authority:
https://www.knf.gov.pl/knf/pl/komponenty/img/knf_140904_Zasady_ladu_korporacyjnego_22072014_38575.pdf

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

On 26 January 2021, the Management Board of Bank Handlowy w Warszawie S.A. approved the "2020 Report – Assessment of the Application of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority at Bank Handlowy w Warszawie S.A." prepared by the Compliance Department including an independent assessment of application at the Bank of the "Principles of Corporate Governance for Supervised Institutions" for 2020. The Management Board of the Bank submitted to the Audit Committee of the Supervisory Board and, next, to the Supervisory Board of the Bank a Report of the Compliance Department in order to enable the Audit Committee of the Supervisory Board and the Supervisory Board to make their own assessments of application of the "Principles of Corporate Governance for Supervised Institutions" for 2020.

On 25 March 2021 the Audit Committee, pursuant to the provision of Article 3.1 (b) of the Regulations of the Audit Committee, after becoming familiar with the "2020 Report – Assessment of Application of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority at Bank Handlowy w Warszawie S.A." prepared by the Compliance Department, recommended that the Supervisory Board ought to assess that in 2020 the Bank applied rules stemming from the Principles of Corporate Governance for Financial Institutions, with the exception of those principles that the Bank decided not to apply.

On 25 March 2021, the Supervisory Board of Bank Handlowy w Warszawie S.A. became familiar with the "2020 Report – Assessment of Application of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority at Bank Handlowy w Warszawie S.A." prepared by the Compliance Department and containing an independent assessment of the application of the Principles of Corporate Governance for Supervised Institutions. On the basis of the above Report of the Compliance Department containing an independent assessment of the application of the "Principles of Corporate Governance for Supervised Institutions" and taking into consideration a positive recommendation issued by the Audit Committee of the Supervisory Board, the Supervisory Board assessed independently that in 2020 the Bank applied the rules resulting from the Principles of Corporate Governance for Supervised Institutions, except for the excluded principles. The result of the independent assessment of the application of the Principles was passed on to other corporate bodies of the Bank.

The Annual General Meeting of Bank Handlowy w Warszawie S.A.by Resolution No. 14/2021 of 17 June 2021, approved the Report of the Supervisory Board of Bank Handlowy w Warszawie SA on the operations of the Supervisory Board in the period from the date of the Annual General Meeting of the Bank in 2020 to the date of the Annual General Meeting of the Bank in 2021, containing: the report and an assessment specified in the Principles of Corporate Governance for Supervised Institutions, adopted by the Bank for application and based on the assessment contained in the Report of the Supervisory Board.

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

With regard to three Principles, the decision not to apply them was upheld in 2020:

1) Article 11.2 (transactions with related parties) – this principle shall not be used with respect to contracts tied to day-to-day operations, in particular to contracts tied to liquidity, due to the nature of transactions and the number of contracts being concluded.

2) Article 8.4 (electronic General Meeting) – currently available IT solutions do not guarantee a secure and efficient electronic form of holding a General Meeting. However, the Management Board does see the importance of such form of shareholders' participation in the Bank's General Meeting, and therefore a separate decision on that matter shall be made before each General Meeting.

3) Article 16.1 (meetings of the Management Board of the Bank held in the Polish language) – meetings of the Management Board attended by foreigners, and especially foreigners who are members of the Management Board and do not speak Polish, are held in the English language. Simultaneously, any motions submitted to the Management Board, any materials and minutes of meetings are prepared and kept in Polish and in English.

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

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

Internal control is exercised by each and every employee and, in addition, by their direct manager and persons cooperating with him/her as well as by managers of organizational units of the Bank. Risk management is carried out via internal mechanism for risk identification, assessment, mitigation, control, monitoring and reporting performed and supervised by units of the first level of risk management (first line of defense) and specialized organizational units of the second line of defense. Within the internal control functions, there is a separate financial control function, which is performed by a dedicated unit of the Finance Management Sector. Financial control in the Finance Management Sector covers the areas of accounting policy and financial reporting. The Self-Assessment is a process used to verify and assess the effectiveness of control processes and to proactively and effectively manage any significant risk categories which are inherent in the process of preparation of financial statements. The process of Self-Assessment is one of the key tools used to monitor the level of exposure to operational risk and changes in the financial reporting environment, identify emerging risks, verify the effectiveness of controls and implement remedial plans.

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

Vertical monitoring is enforced by dedicated units from the second level of the control system. Horizontal monitoring is carried out in the course of the self-assessment process by units responsible for the control being verified.

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

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

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

4. Significant shareholdings

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

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

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

6. Restrictions on the exercise of voting rights

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

7. Restrictions on the transfer of ownership of the securities

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

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

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

The mandate of a member of the Management Board expires:

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

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

1) determines the strategy of the Company;
2) establishes and dissolves committees of the Company and determines their competences;
3) adopts its rules and submits them to the Supervisory Board for approval;
4) adopts the rules of management of special funds created from net profit and submits them to the Supervisory Board for approval;
5) determines dividend payouts, on dates fixed by the General Meeting;
6) appoints general proxies (*prokurenci*) and general attorneys and general attorneys having a substitution right;
7) makes decisions in matters set out in the rules of the Management Board;
8) makes decisions in matters submitted by the President, a Vice President or a Member of the Management Board;
9) passes a resolution to adopt the annual financial plan of the Company, adopts investment plans and accepts reports on their performance;
10) accepts reports on activities of the Company and its financial statements;
11) prepares recommendations concerning appropriation of profits and losses;
12) approves the human resources management policy and the legal principles for the Company's activities;
13) approves the principles of management of the Company's capital;
14) approves the employment structure;
15) determines and presents to the Supervisory Board for approval the general organizational structure of the Bank reflecting the size and profile of incurred risks and appoints and removes Heads of Sectors and Heads of Divisions, and determines their competence;
16) determines the inspection plan for the Company and accepts reports on completed checks;
17) makes decisions in other matters which according to the Articles of Association are to be submitted to the Supervisory Board or General Meeting;
18) makes decisions to incur liabilities or dispose of assets if their total value with respect to a single entity exceeds 5% of the Company's equity or grants powers of attorney to designated persons to make such decision, however in case of matters within the powers of Committees established at the Company, such decisions must be first consulted with the competent Committee;

Persons authorized to submit matters to the Management Board include:

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

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

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

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

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

9. Amendments to the Articles of Association

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

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

10.1 General Meeting procedure

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

According to the practice adopted by the Company, the General Meeting is held at the registered office of the Company in Warsaw. The Annual General Meeting is convened by the Management Board. It should be held within six months of the end of each financial year. The Supervisory Board has the right to convene the Annual General Meeting if the Management Board fails to do so within the time limit specified in the Articles of Association, and the Extraordinary General Meeting, whenever deemed necessary. The Management Board convenes the Extraordinary General Meeting at its own initiative and at the request of a shareholder or shareholders representing at least one-twentieth of the share capital. A request to convent the Extraordinary General Meeting must be submitted to the Management Board in writing or electronically. If the Extraordinary General Meeting is not convened within two weeks after a request is made to the Management Board, the registry court may, by way of a ruling, authorize the shareholders or shareholders who submitted the request to convene the Extraordinary General Meeting. The shareholder or shareholders so authorized by the registry court must invoke the registry court's ruling referred to in the preceding sentence in the notice convening the Extraordinary General Meeting. The registry court appoints the chairman of that Extraordinary General Meeting. The Extraordinary General Meeting may also be convened by shareholders representing at least half of the Bank's share capital or at least half of the total number of votes at the Bank. The chairman of the Meeting is appointed by shareholders. The General Meeting is convened by an announcement placed on the Bank's website and in the manner prescribed for making current disclosures by public companies, provided that the announcement should be made at least twenty-six days before the date of the General Meeting. The shareholders entitled to request that a specific matter be placed on the agenda of the General Meeting, in order to exercise that right to complete the agenda, should submit a written or electronic motion to the Bank's Management Board, together with reasons and a draft resolution on the proposed agenda item, by no later than twenty-one days before the set date of the General Meeting. The Management Board places the item requested on the agenda of the next General Meeting immediately but no later than eighteen days before the set date of the General Meeting. The General Meeting may only be cancelled if it becomes unnecessary or in the event of an extraordinary hindrance to its holding. Cancellation and rescheduling of the General Meeting is made in the same manner as its convocation, provided that the twenty-six day advance notice does not apply. Cancellation and rescheduling of the General Meeting should be made in a manner which is least prejudicial to the Bank and shareholders. The General Meeting may adopt a resolution on refraining from considering a matter placed on the agenda or on changing the order of agenda items. However, taking an item off the agenda or refraining from consideration of an item placed on the agenda at the request of shareholders is subject to a prior consent of all the present shareholders who submitted the request, with 80% of General Meeting votes in favor. Requests on above matters should state detailed reasons.

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

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

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

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

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

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

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

Resolutions of the General Meeting are recorded by a notary public. The minutes are prepared in accordance with the relevant provisions of the Commercial Companies Code. The Management Board should enclose evidence of convening the General Meeting with the book of minutes.

A copy of the minutes is placed by the Management Board in the book of minutes.

General Meetings may be attended by representatives of the media.

10.2 Fundamental powers of the General Meeting

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

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

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

1) sale or lease of the enterprise or its organized portion, and establishment of limited property rights thereon;
2) amendments to the Articles of Association;
3) increasing and reducing the share capital of the Company;
4) determination of the date of pre-emptive rights to new shares;
5) determination of the dividend day for the previous accounting year and dividend payment dates;
6) creation and release of special funds set up from profit;
7) appointment and recall of Supervisory Board members;
8) determination of the remuneration of Supervisory Board members;

9) merger or winding up of the Company;

10) appointment and recall of liquidators;

11) cancellation of Company shares;

12) use of supplementary and reserve capital, including the reserve capital (fund) established in order to accumulate undistributed profit (not intended for dividends in a given accounting year) and the banking risk fund.

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

1) supplementary capital accrued annually from profit at the minimum of 8% of the profit for the accounting year until that capital reaches at least one third of the share capital. The General Meeting may adopt a resolution requiring further accruals;

2) reserve capital;

3) general risk fund;

4) dividend;

5) special funds;

6) other purposes.

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

10.3 Shareholders' rights and their exercise methods

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

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

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

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

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

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

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

1) this may be detrimental to the Company, its affiliated company or its subsidiary company, in particular as a result of disclosure of technical, commercial or organizational company secrets.

2) this could expose a Management Board member to criminal, civil or administrative liability.

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

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

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

Each shareholder has the right to propose amendments and additions to draft resolutions placed on the agenda of the General Meeting, until discussion on the agenda item ends with a draft resolution on that proposal. Such proposals together with a brief justification should be submitted in writing.

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

Shareholders have the right to propose their candidates to the Supervisory Board of the Bank in writing to the attention of the

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

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

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

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

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

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

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

11. Composition of and changes to the Management Board and the Supervisory Board of the Bank in 2021, rules of procedure of the Bank’s managing and supervisory bodies

11.1 Management Board

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

As at 31 December 2021, the Management Board consisted of:

Member of the Management Board	Scope of responsibility
Elżbieta Światopełk-Czetwertyńska President of the Management Board	The President of the Management Board is responsible for: • manages the work of the Management Board, including appointing from among the members of the Management Board a person to replace the President of the Management Board, during his absence, and determines the procedure of substitution for members of the Management Board who are absent; • calls and chairs meetings of the Management Board; • presents the position of the Management Board to other bodies of the Bank, central and local government and the general public; • submits motions to the Supervisory Board concerning appointments and dismissals of Vice Presidents and other Members of the Management Board and determination of their remuneration; • issues internal regulations applicable to activities of the Bank and may authorize other Members of the Management Board or other employees to issue such regulations;

Member of the Management Board	Scope of responsibility
	• decides how internal audit results are to be used and notifies such decision to the audited entity; • exercises other authorizations resulting from appropriate rules adopted by the Supervisory Board; • supervises the formulation and implementation of the strategy of the Bank; • is the officer to which the internal audit department is subordinated; • supervises the risk of non-compliance of the Bank with respect to the law, internal regulations and market standards; • supervises human resources policy; • is responsible for activities to control how the Bank is perceived; • ensures a consistent organizational structure of the Bank; • supervises activities to ensure appropriate corporate governance; • supervises legal services; • supervises the area of security at the Bank with respect to protection of persons and property; and ensures the implementation of risk management principles in supervised divisions and units outside the organizational structure of a division with respect to operational risk connected with their activities.
	Experience
	Ms. Elżbieta Światopełk-Czetwertyńska has many years of experience in the banking industry on 6 European markets and both Americas. She joined Citibank in July 1994 in Ecuador as Relationship Manger in the Corporate Bank. During 1999-2003, she worked in the Dominican Republic as the Head of Transaction Services, Asset Based Finance and the small and medium enterprises client segment. Later, she moved to the United States for one year, to work in audit area overseeing corporate loans in Latin America. In 2004, Ms. Elżbieta Światopełk-Czetwertyńska joined Bank Handlowy w Warszawie S.A. in Risk Management and in 2005 was appointed Senior Credit Officer. After three years, Elzbieta took the responsibility for the Central-East Region in Poland. In October 2009, she was appointed country Head for the Commercial Bank and she held this position until 2013, when she moved to Colombia. In Colombia Ms. Elżbieta Światopełk-Czetwertyńska was responsible for running the Treasury and Trade Solutions business, where she successfully developed and executed a dynamic growth strategy. As part of the Senior Management Team of Colombia and the Latam Treasury and Trade Solutions Executive Committee, Ms. Elżbieta Światopełk-Czetwertyńska was involved in shaping the strategy of the franchise and the TTS business in the Region. In November 1, 2015, Ms. Elżbieta Światopełk-Czetwertyńska was appointed Citi Country Officer and Corporate Investment Banking Head for Ecuador. In March 2019 she returned to Europe as Citi Country Officer for Switzerland, Monaco and Liechtenstein. Ms. Elżbieta Światopełk-Czetwertyńska graduated from University of Reading, England, U.K. as Bachelor of Science in Food Science, Food Economics & Marketing. She was Awarded First Class Honors Degree.

Member of the Management Board	Scope of responsibility
Natalia Bożek *Vice President of the Management Board*	Supervises the areas of accounting and financial reporting, including financial control; Responsible for: • management accounting; • bookkeeping; • preparation of accounting policies; • coordination of activities connected with implementation at the Bank of requirements resulting from laws and regulations, as well as resolutions and recommendations of the financial supervision authority, with respect to capital adequacy; and ensures the implementation of risk management principles in supervised

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

Member of the Management Board	Scope of responsibility
Maciej Kropidłowski *Vice President of the Management Board*	Responsible for: • financial market operations, including money market transactions as well as FX market, securities and derivative transactions; • activities related to securitization; • activities related to organizing financing for investment plans, mergers and acquisitions in the scope of: − syndicated loans; − bridge financing; − debt securities; − project finance; − off-balance sheet financing; • custody activities; • ongoing cooperation with and supervision over corporate bank and commercial bank, including supervision over services provided to clients from the financial institution sector; and ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities.
	Experience
	Mr. Maciej Kropidłowski has been the Vice President of the Management Board of Bank Handlowy w Warszawie S.A. since March 19, 2014. Mr. Maciej Kropidłowski is a graduate of the University of Lodz, the Faculty of Management. Mr. Maciej Kropidłowski has been the Financial Markets Sub-Sector Head at Bank Handlowy w Warszawie S.A. since January 2014. In February 2014 he was appointed Member of the Supervisory Board of Dom Maklerski Banku Handlowego S.A. (Brokerage House of Bank Handlowy S.A.). At Bank Handlowy w Warszawie S.A. he is responsible for Treasury operations in the area of financing of the Bank's assets, money market financial services, FX services, trading in securities and derivatives. Mr. Maciej Kropidłowski started his career in 1995 in Citibank (Poland) S.A. in the Corporate Bank. Four years later he became an RM in the International Corporate Clients unit at Citibank N.A. in Switzerland. In 2001 he returned to Poland and joined Bank Handlowy w Warszawie S.A. as Head of Treasury Sales.

Member of the Management Board	Scope of responsibility
	In his new role he was responsible for managing the Structuring and Treasury Products Sales Unit. In 2008 he was appointed Head of Treasury Sales for Central and Eastern Europe, Middle East and Africa at Citibank N.A. in London and he was responsible for Treasury products sales to corporate clients. He also played an important role in developing the best e-Commerce platform for corporate clients and a global CRM system for Global Markets.

Member of the Management Board	Scope of responsibility
Dennis Hussey *Vice President of the Management Board*	Responsible for consumer banking, including the quality standard of banking services in supervised organizational units and he ensures that principles of their business-related operational risk management are implemented in such supervised organizational units.
	Experience
	Mr. Dennis Hussey has been the Vice President of the Management Board of Bank Handlowy w Warszawie S.A. since April 1, 2020. Mr. Dennis Hussey has extensive professional experience in the banking sector. Mr. Dennis Hussey joined Citi as a Management Associate in the United Kingdom in 1995, where he held roles in Corporate and Investment Banking before moving internationally. He went on to hold senior roles across the Consumer, Corporate and Commercial Banking businesses, including Corporate Bank Head for Vietnam, Head of Corporate Finance for Thailand, CBM for Spain, and CCO for Sri Lanka and Vietnam. Between 2015 and 2018 he worked outside Citi – in ANZ (Australia and New Zealand Banking Group) as the CEO in Vietnam and the Greater Mekong Regional Head. Mr. Dennis Hussey has been the CBM in Citi Taiwan since 2018. Mr. Dennis Hussey holds a Master of Business Administration from Helsinki School of Economics& Business Administration.

Member of the Management Board	Scope of responsibility
Barbara Sobala *Vice President of the Management Board*	Supervises management of risks significant to activities of the bank, she is responsible for risk management system including: • credit policy of the Bank; • quality of the Bank’s credit portfolio; • credit risk; • market risk; • operational risk; • coordination of activities connected with implementation at the Bank of requirements resulting from risk management regulations, including recommendations issued by supervisory authorities. • supervision of risk management at second level, by employees in specially appointed positions or organizational units; • provides the Bank's Management Board and Supervisory Board with comprehensive information on risk. Responsible for adjustments of the organizational structure of the Bank to the amount and profile of risks to which the Bank is exposed. She accepts anonymous reports of infringements of law or procedures and ethical standards applicable at the Bank, and is also responsible for the ongoing functioning of the anonymous infringement reporting procedures, including for reporting to the Supervisory Board, at least semi-annually, any substantial ethical issues arising at the Bank.
	Experience
	Ms. Barbara Sobala assumed the position of Vice President of the Management Board of Bank Handlowy w Warszawie S.A. on October 15, 2013.

Member of the Management Board	Scope of responsibility
	Ms. Barbara Sobala has a university degree. She graduated from the Cracow University of Economics. She has extensive (over twenty years) experience in banking, especially in risk management and corporate restructuring. She joined Bank Handlowy in 2005 as Head of IRM. In the years 2012-2015 she was the Head of Risk for the Institutional and Corporate Bank. She is the Chairperson of the Risk and Capital Management Committee, Vice Chairperson of the Equity Investments Committee and a member of the Assets and Liabilities Management Committee (ALCO) in the Bank. Before joining Bank Handlowy's team, she served 13 years for Bank BPH where she held various roles including Head of the Restructuring Department Head. She was also a member of the Bank's Credit Committee.

Member of the Management Board	Scope of responsibility
James Foley *Member of The Management Board*	Responsible for global transaction services, including for: • finance management products; • trade finance products; • cash products; • liquidity management products; • supervision of EU programmes Also responsible for supervision within the internal functional relationship over services for the public sector. He ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities.
	Experience
	Mr. James Foley has been the Member of the Management Board of Bank Handlowy w Warszawie S.A. since February 1, 2019. Mr. James Foley has nearly 30 years of experience in the banking sector, and the last 13 years he has spent with Citi. Most recently he was Treasury and Trade Solutions Head in Citibank Korea (since June 2014). One of the achievements of Mr. James Foley in this position was the introduction of cross border remittances for two new internet banks in Korea, which lead to opportunities for cooperation with the banks, also opportunities across other customer segments that hadn't previously engaged with Citi. Previously, in the years 2010-2014, he served as Treasury and Trade Solutions Head in Citibank NA Thailand Branch, and before that, in the years 2005-2010, he was Treasury and Trade Solutions Head in Citibank NA New Zealand Branch. While managing transactional banking in New Zealand and Thailand, he was responsible for all transaction services for a wide range of companies, including cash management and trading, providing customers with mobile tools for effective management of their financial positions, working capital and supply chains. Under the leadership of Mr. James Foley TTS businesses in Thailand and New Zealand reported record revenues, net income and liabilities. Mr. James Foley started his professional career in 1990 in Westpac Banking Corporation in New Zealand where he held a variety of roles and leadership positions in Transaction Banking, including Corporate Sales and Business Development businesses. Mr. James Foley has a higher economic education from the Massey University in Palmerston North, New Zealand.

Member of the Management Board	Scope of responsibility
Katarzyna Majewska *Member of The Management Board*	Responsible for the following activities of the Bank: operations and technology, real estate management, administration. She ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities.

Member of the Management Board	Scope of responsibility
	Experience
	Ms. Katarzyna Majewska assumed the position of a Member of the Management Board in charge of Operations and Technology as well as the Banking Product Research and Development Center in January 2016. She joined Citi Handlowy team from PZU Group, where she had acted as Managing Director for administration and logistics for 7 years. Before, between 1999 and 2008 Katarzyna worked in Bank Handlowy. In the years 2017 and 2021 she was the Vice Chair of the Cybersecurity Forum at the Polish Bank Association. She graduated from the Warsaw School of Economics and Harvard Business School and holds an MBA from the Rotterdam School of Management. Katarzyna has many years of experience in banking.

Until June 17, 2021, Mr. Sławomir S. Sikora was the President of the Management Board of the Bank.

On June 18, 2021, Ms Elżbieta Światopełk-Czetwertyńska was appointed to the position of the Vice-President of the Management Board, managing the work of the Management Board. Since October 8, 2021, Ms Elżbieta Światopełk-Czetwertyńska has been the President of the Bank's Management Board.

On November 30th, 2021 the Bank received information that Mr. James Foley will not seek to be elected for the role of Member of the Management Board for the next term and he will be a Member of the Management Board until February 28, 2022.

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

During 2021, the following committees consisting of Management Board Members were active:

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

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

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

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

In 2021, there were no long-term absences of the Management Board members.

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

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

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

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

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

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

The minutes are signed by all members of the Management Board present at the meeting, immediately upon receipt.

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

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

11.2 Supervisory Board

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

As at the date of signing this report on operations, the Company's Supervisory Board consisted of:

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

Member of Supervisory Board	Professional experience
	also served as the President of Advance Women, a non-profit organization promoting gender equality in Switzerland. She currently serves as the Families Matter Affinity Co-Lead at Citi. Ms. Kristine Braden has also served as President of the Association of Foreign Banks in Switzerland and member of the Board of the Swiss Bankers Association, the first female in both positions. She was also a member of the Swiss-American Chamber of Commerce and served on the Chapter Board Doing Business in Switzerland. In her personal capacity, Ms. Kristine Braden served as a Trustee of Opportunity International UK, a global microfinance charity from 2013 to 2017. Ms. Kristine Braden holds a B.A. Political Science from the University of California, Berkeley, CA. She also completed Accounting and Corporate Finance summer school in masters-level program at Johns Hopkins University, School of Advanced International Studies in Washington, D.C. Since 2 December 2020, she has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.
Jenny Grey *Member of Supervisory Board*	In January 2021, Ms. Jenny Gray assumed the position of Accountability, Culture and Talent Transformation Head. Since February 2016 she has been the Citi HR Head for the EMEA Region. Previously, from October 2012, Ms. Gray served as Head of Public Relations for the EMEA Region and was responsible for protecting and strengthening Citi's reputation in the EMEA Region. Her responsibilities included media relations, internal and external communications, brand and community development. Ms. Jenny Gray has 24 years of experience in communications. She joined Citi in October 2012, after four years of service in the British government administration, most recently, at the UK Prime Minister's headquarters as Executive Director for Government Communication. She was Head of Profession and managed 5,000 communication employees of the entire government sector. In previous years, she worked in the public sector where she served as Director of Communications and Social Marketing, including in the National Health Service and on the Audit Committee. She was also Corporate and International Director at Cancer Research UK, the largest charity foundation in the United Kingdom, where she set up the first unit responsible for public policy and support. Ms. Jenny Gray began her professional career in advertising and then became a public relations consultant specializing in reputation and crisis management. She has advised many international clients, including corporations such as McDonald's, Toyota, BP and Allied Domecq. She earned a Master's Degree in Social Psychology from the London School of Economics and degrees with honors in English and English literature from the Durham University. Since 21 June 2016, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.
Marek Kapuściński *Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)*	Mr. Marek Kapuściński graduated from the Faculty of Foreign Trade at the Main School of Planning and Statistics in Warsaw (currently, the Warsaw School of Economics) and completed postgraduate studies at SEHNAP / Stern School of Business at New York University. He had been associated with the Procter & Gamble company for 25 years till September 2016. He is co-creator of company's success on the Polish and Central European market, including numerous standards of the way the Polish market has functioned since the time of transformation. They encompass standards for the cosmetics industry, business ethics, social responsibility, or self-regulation in the field of advertising. Since July 2011, he has performed the function of General Director and Vice President (i.e. CEO) for 9 Central Europe markets which are of key importance for P&G, and since January 2007 for Poland and the Baltic States. He is the first Pole and a person from Central Europe at the managerial level in this global corporation, as well as an active member of the company's regional management and its Global Business Leadership Council, which unites all 250 top executive managers. An experienced CEO and leader, an expert in strategy, innovation and management, an active creator of standards constantly adapting to the new challenges of brand

Member of Supervisory Board	Professional experience
	management, a shopper of marketing, sales and communication in the age of digitization and omni-channel. The first Pole and Central European to be promoted at P&G to the positions of Brand Manager, Marketing Manager and Marketing Director; also for 5 years, responsible for developing a number of brands in the Region of Central and Eastern Europe, Middle East and Africa. Co-author of the strategy and leading market position of numerous well-known brands in the P&G portfolio. . In recognition of his contribution to building brands and Polish advertising standards and practices, he was awarded the title of “20 Year Marketer” by Media Marketing Polska. Lecturer and speaker, juror, participant of discussion panels. Currently, he sits on Supervisory Boards of companies and public benefit organizations, and advises their managements. Privately, he invests in start-ups and donates for the development of young Polish culture and art. Since 29 September 2016, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.
Gonzalo Luchetti *Member of Supervisory Board*	Mr. Gonzalo Luchetti is currently a Head of Citi Consumer Banking in USA. Previously, since 2018 he was a Head of Citi Consumer Banking in Asia and EMEA. In his role, Mr. Gonzalo Luchetti supervises all consumer banking operations, including deposits, Wealth Management, bancassurance, small business, credit cards, individual client loans and mortgage loans. In 2015, he acted as the Consumer Banking Head in Asia and helped lead a significant transformation of the business by calibrating its distribution network, expanding the scale of activity of selected entities and digitization of the business model. Before coming to Asia, he had worked in New York as the Global Head of Wealth Management and Insurance. He was in charge of global distribution of Citigold and Citigold Private Client products, investment and insurance products as well as of the Global International Personal Bank. In his role he was responsible for global relations with asset management companies and insurance companies. Moreover, in 2009 he was in charge of International Personal Banking in the USA. Mr. Gonzalo Luchetti joined Citi in 2006 as the Citi Head for Private Banking Strategy in Latin America, where he managed activities related to growth strategy, search for sources of gains, client segmentation and boosting sales productivity. Then, in 2007 he simultaneously became CFO of that business. Before joining Citi, he worked at JP Morgan Chase in Business Optimization for the International Financial Services division. Beforehand, he worked for Bain & Company as a management consultant in the San Francisco and London offices. Mr. Gonzalo Luchetti holds an MBA from Standford University’s Graduate School of Business and a BA in Computer Sciences from the Technological Institute of Buenos Aires. He holds FINRA US Securities Registration Series 7, 63, 24 and 65 licenses. Since 24 September 2019, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.
Frank Mannion *Deputy Chairman of the Supervisory Board*	Mr. Frank Mannion currently serves as the Citi Chief Financial Officer for Europe, Middle East and Africa (EMEA). Within his function, which he assumed in January 2011, he is responsible for a group of over 1,000 employees throughout the Region. Mr. Frank Mannion began his professional career in Ireland, and then moved to London, where he worked for PricewaterhouseCoopers. He started working at Citi in 1989 in a planning and analysis team in the UK. During his career, he has held many financial positions, including Technology Finance Manager and the Head of Product Control at CMB EMEA. In 2008, he became Citi Regional Franchise Controller for Europe, Middle East and Africa (EMEA), where he was responsible for a group of over 800 employees in various areas. Previously, he managed the areas of Product Control, Controllers and Regulatory Reporting as CMB EMEA Regional Controller. Frank Mannion graduated from the National University of Ireland in Galway, earning a degree in commerce. He has also earned the title of Chartered Accountant. Since 28 June 2010, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.

Member of Supervisory Board	Professional experience
Anna Rulkiewicz *Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)*	Since 2007, Ms. Anna Rulkiewicz has been the President of the Management Board of the LUX MED Group, which she joined in 2002 as a Member of the Management Board and Sales and Marketing Director. Since the end of 2011 she has also performed duties of the Managing Director of LMG Försäkrings AB, whose branch operates in Poland under the business name LUX MED Ubezpieczenia (Insurance). Since 2011, Ms. Anna Rulkiewicz has been the President of Private Medicine Employers (Pracodawcy Medycyny Prywatnej) and since 2016 she has been the Vice President of Employers of Poland (Pracodawcy RP). Ms. Anna Rulkiewicz gained professional experience by, among others, managing the Sales and Marketing Department at Credit Suisse Life & Pensions Towarzystwo Ubezpieczeń na Życie S.A. and at Powszechne Towarzystwo Emerytalne (General Pension Company)/Winterthur in the years 2001-2002, where she supervised the departments of internal and external sales, group insurance, marketing and communication. In the years 1998-2001, Ms. Rulkiewicz worked for Zurich Towarzystwo Ubezpieczeń na Życie S.A. and Zurich Powszechne Towarzystwo Emerytalne S.A. In her capacity as the Group Insurance and Training Director, she was responsible for, i.a. the group insurance segment, including development of services, recruitment system and training management. After becoming the Corporate Client Segment Head and being appointed a member of the Management Board of Zurich Towarzystwo Ubezpieczeń na Życie S.A., she was responsible for the Small Business and Corporate Client Segment. Between 1995-1998, she worked for Commercial Union Towarzystwo Ubezpieczeń na Życie S.A., where she was responsible, among others, for developing sales of group and individual insurance under bancassurance. Ms. Anna Rulkiewicz is a graduate of Nicolaus Copernicus University in Toruń (Uniwersytet Mikołaja Kopernika w Toruniu), where in 1994 she was awarded a Master's degree. Ms. Rulkiewicz is also a graduate of the University of Hamburg. In 1998, she completed postgraduate studies at the Polish and French Institute of Insurance (Polsko-Francuski Instytut Ubezpieczeń) and a range of training courses in, among other fields, management, sales, communication, and marketing organized under the certified insurance industry program LIMRA "Marketing Strategies for Executive Advancement" (LIMRA Executive Development Group). In 2018, she also completed the Stanford Executive Program at the Stanford University's Graduate School of Business. Between 2013-2017, Ms. Rulkiewicz was also a member of the Supervisory Board of Bank Handlowy w Warszawie S.A., and was again appointed to the Supervisory Board on June 5, 2019.
Barbara Smalska *Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)*	In the years 2015-2017, Ms. Barbara Smalska held the function of the Vice President of the Management Board of Alior Bank S.A., responsible for strategy, mergers (specifically for legal and operational integration with separated operations of Bank BPH S.A. and for merger-related synergies), remote channels (online sales and online and mobile banking development), and for other development and IT projects. Since 2008 she has worked for PZU Group: as the Director of the Product Management Office (2008-2010) and the Managing Director for Mass Market (2010-2012), she was in charge of various aspects of PZU Group's individual client and SME segment management, notably she has been responsible for product management, marketing and sales, and for analytical CRM. In the years 2013-2014, as a member of PZU SA and PZU Życie SA Management Board, she was responsible for PZU Group's individual client and SME segment as a whole. As the Chairperson, and then as an independent member of Link4 TU S.A.'s Supervisory Board (2014-2016), she was in charge of the supervision of the process of incorporating Link4 to PZU Group. Ms. Barbara Smalska also joined PTE PZU SA's Supervisory Board (2013-2014). Ms. Barbara Smalska began her professional career in 2002 at the Boston Consulting Group's Warsaw Office. As Associate, Senior Associate, and Consultant in the years 2002-2006, she was involved in many projects conducted for financial and telecommunications sectors in Poland and in Central and Eastern Europe in, among other fields, business strategy, operational model, sales network organization and activation, costs reorganization and optimization. In the years 2006-2008, as the Project Leader and next as the Principal, she

Member of Supervisory Board	Professional experience
	managed strategic projects for the largest Polish banks, insurance companies and telecom companies, mainly in business strategy and distribution strategy in the retail client segment. Ms. Barbara Smalska is a graduate of the University of Warsaw (Uniwersytet Warszawski), where in 1997 she was awarded a Master's degree in physics and in 2001 a PhD's degree in high energy experimental physics. Since 05 June 2019, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.

In 2021, as of the date of the Ordinary General Meeting of the Bank, i.e. on June 17, 2021, the mandates of the following members of the Supervisory Board expired: dr. Andrzej Olechowski, Mr. Igor Chalupec, prof. Stanisław Sołtysiński, Mr. Stephen Volk and Mr. Zdenek Turek.

In the reporting year, on June 18, 2021, Mr. Sławomir S. Sikora was appointed.to the Supervisory Board of Bank Handlowy w Warszawie S.A.

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

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

1) appointing and recalling the President of the Management Board in secret voting,
2) appointing and removing, in secret voting, Vice Presidents and other members of the Management Board of the Bank."
3) setting the terms of contracts governing employment relationships or other legal relationships between Management Board members and the Bank,
4) authorization for opening or closing branch offices abroad,
5) adoption of the Supervisory Board Regulations and approval of the following documents drafted by the Management Board:
    a. regulations of the Management Board of the Bank,
    b. rules for managing special funds set up with net profits,
6) prior authorization for transactions disposing of the Bank's fixed assets worth more than 1/10 of the Bank's share capital,
7) selection of an audit firm to audit or review financial statements,
8) authorization for recruitment and dismissal (after prior hearing) of the person heading the Audit Department and the person heading the compliance unit, at the request of the Bank's Management Board,
9) authorization for the Bank to enter into a material contract with a shareholder holding at least 5% of the total votes at the Bank or a related party of the Bank,
10) supervision over implementation of the Bank's management system and assessment of the adequacy and effectiveness of that system, including supervision over adoption of the risk management system and annual assessment of the adequacy and effectiveness of that system, and supervision over adoption of the internal control system and annual assessment of the adequacy and effectiveness of that system, including assessment of the adequacy and effectiveness of the control function, compliance unit and the Audit Department, and assessment of the effectiveness of compliance risk management at the Bank,
11) approval of the Bank's strategy as well as the rules of prudent and stable management of the Bank,
12) approval of the basic organizational structure of the Bank, aligned with the size and profile of the risk involved, and determined by the Bank's Management Board,
13) approval of the acceptable general risk level of the Bank,
14) approval of the Bank's compliance policy,
15) approval of the Bank's internal procedures for internal capital assessment, capital management and capital planning,
16) approval of the Bank's information policy,
17) approval of the internal control procedure,
18) approval of the remuneration policy,

19) approval of the risk management strategy and determination of the rules for reporting to the Supervisory Board on the types and volumes of risk in Bank's operations,
20) approval of the regulations for the compliance unit and the Audit Department,
21) approval of the criteria developed by the Management Board for assessing adequacy and effectiveness of internal control,
22) approval of the rules for classifying irregularities detected by internal control,
23) approval of the compliance unit's annual action plan,
24) approval of the principles of cooperation between the compliance unit and the Audit Department with corresponding units at the parent entity and subsidiaries,
25) approval of the rules for the annual reporting by the compliance unit on the fulfillment of its tasks to the Bank's Management Board and the Supervisory Board,
26) approval of the rules of cooperation between the Audit Department and the statutory auditor,
27) approval of the Audit Department's business strategy,
28) approval of the audit rules prepared by the Head of the Audit Department, which ensure objective performance of responsibilities by the Audit Department, and the rules for transferring employees from other organizational units to the Audit Department, improving qualifications, identifying the number of internal auditors with professional certification and periodic performance assessment of internal auditors,
29) approval of the remuneration of the Head of the Audit Department,
30) approval of the strategic (long-term) and operational (annual) audit plans and their revisions,
31) approval of the remuneration of the Head of the Compliance Department, the authority which may be assigned, by a resolution, to the Audit Committee,
32) authorization for every cooperation in audits between the Audit Department with the corresponding unit at the parent entity, the authority which may be assigned, by a resolution, to the Audit Committee,
33) approval of the rules for reporting by the Audit Department to the Management Board and the Supervisory Board,
34) approving the general rules for introducing changes to the organizational structure adopted by the Management Board,
35) approving the policy of identifying key functions in the Bank developed by the Management Board including the rules of appointment and dismissal of persons performing these functions,
36) approving the ethical principles adopted by the Management Board, defining norms and ethical standards of conduct of members of bodies and employees of the Bank, as well as other persons through whom the Bank conducts its business,
37) approving the conflict of interest management policy developed by the Management Board,
38) approving the principles of remuneration in the Bank developed by the Management Board,
39) approving the dividend policy of the Bank developed by the Management Board and specifying the conditions enabling the payment of dividends from the profit generated by the Bank within a specified period of time, taking into account the maintenance of capital at a level adequate to the risk incurred,
40) approving the risk culture principles developed by the Management Board, unless they are included in the risk management strategy, covering the whole Bank, based on a full understanding of the risk which the Bank is exposed to and the method of managing this risk, taking into account the adopted risk appetite,
41) approving a new product approval policy, developed by the Management Board, covering the development of new products, services and markets, and significant changes to the existing products, services and markets.

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

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

Members of the Supervisory Board carry out their responsibilities in person. The Supervisory Board carries out its activities collegially, with each member of the Supervisory Board being entitled to receive information necessary to perform his/her responsibilities from the Management Board. The meetings of the Supervisory Board are held on a quarterly basis, as a minimum. The meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board or, in his/her absence, by Vice Chairman of the Supervisory Board, on his own initiative or at a request of another Supervisory Board member or at a request of the Management Board of the Company. The Chairman of the Supervisory Board may set fixed dates for holding meetings of the Supervisory Board. A notice convening a meeting, including its agenda and materials for the meeting, will be sent by the Supervisory Board Secretary to Supervisory Board members at least 7 (seven) days before the date of the meeting.

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

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

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

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

Resolutions of the Supervisory Board are valid provided that at least one half of the members of the Supervisory Board are present at the meeting. Resolutions of the Supervisory Board are adopted by an absolute majority of votes. Without the consent of the majority of independent Supervisory Board members, no resolutions may be adopted on the following matters:

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

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

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

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

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

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

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

1) is not the member of management board of the Bank, the Bank's dominant company or associated company with the Bank or with the Bank's dominant company with the meaning of the Commercial Companies Code (hereinafter: an associated company), and has not been in such a position for the previous five years;
2) is not an employee of the Bank or an associated company, and has not been in such a position for the previous three years;
3) is not receiving, or has not been receiving any additional remuneration from the Bank or an associated company apart from the pay received as the Supervisory Board member. Such additional remuneration covers in particular any participation in a share option or any other performance-related pay scheme; it does not cover the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Bank (provided that such compensation is not contingent in any way on continued service);
4) is not or does not represent in any way the dominant company;
5) does not have, or has not had within the last twelve months, a significant business relationship with the Bank or an associated company, either directly or as a partner, shareholder, director or senior employee of a body having such a relationship. Business relationships include the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organizations that receive significant contributions from the Bank or its group;
6) is not, or has not been within the last three years, a partner or employee of the present or former entity authorized to audit financial statements of the Bank or an associated company;

7) is not a member of the management board in another company in which the Management Board member of the Bank is a management board member or supervisory board member, and does not have other significant links with the Management Board members of the Bank through involvement in other companies or bodies;

8) has not served on the Supervisory Board for more than 12 years however, this period shall be calculated no earlier than from January 1, 2008;

9) is not a close family member of the Management Board member, or of persons in the situations referred to in points (1) to (8).

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

In 2021, 6 meetings of the Supervisory Board were held. The following attendance was recorded at the meetings:

1) January 11, 2021 - 100%,
2) March 24-25, 2021 - 100%,
3) May 26, 2021 - 75%,
4) June 18, 2021 - 100%,
5) September 29, 2021 - 87.5%,
6) December 3, 2021 - 87.5%.

Supervisory Board Committees

Supervisory Board Permanent Committees are:

1) Audit Committee;

2) Nomination and Remuneration Committee;

3) Risk and Capital Committee.

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

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

1) conducting ongoing analysis of issues related to the work of the Bank's bodies and the improvement of their functioning,

2) submitting recommendations to the Supervisory Board in the area of the Bank's operating strategy, including the analysis of events and circumstances relevant to the assessment of the Bank's situation and management of the Bank,

3) periodic monitoring of the implementation of the Bank's operating strategy (at least once a year) and the most important related issues,

4) monitoring whether the Bank's operating strategy is implemented in a coherent manner, and the achievement of strategic goals is in line with the Bank's long-term financial interest, including the need to meet prudential requirements in terms of own funds and liquidity,

5) indicating the areas of the Bank's operations, the monitoring of which will be of particular interest to the Committee,

6) supervising the implementation of the adopted strategy of the Bank's operations and recommending to the Management Board of the Bank the directions of activities aimed at its implementation in the event of any deviations from the adopted strategy of the Bank's operations,

7) recommending approval or refusal to approve the Bank's operating strategy by the Supervisory Board or presenting proposals to amend the binding strategy,

8) analysis of the assumptions for the financial plan and getting acquainted with periodic information on the implementation of the financial plan.

Audit Committee

The Audit Committee is composed of the following members:

1) Barbara Smalska - Chairman of the Committee;

2) Frank Mannion – Vice Chairman of the Committee;

3) Anna Rulkiewicz – Member of the Committee;

The Audit Committee is a permanent committee of the Supervisory Board that met four times in 2021.

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

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

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

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

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

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

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

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

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

1) Barbara Smalska – has practical professional experience gained over many years at managerial positions in the PZU Group, including: Vice President of the Management Board of Alior Bank S.A., Chairperson, and previously an independent member of the Supervisory Board of Link4 TU S.A., a Member of the Supervisory Board of PTE PZU S.A., a Member of the Management Board of PZU S.A. and PZU Życie S.A. and recently a Principal at The Boston Consulting Group's Warsaw offices,
2) Frank Mannion - graduated from the National University of Ireland in Galway, earning a degree in commerce. He also has the title of Chartered Accountant;
3) Anna Rulkiewicz - completed the Stanford Executive Program at the Stanford University's Graduate School of Business.

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

1) Barbara Smalska – due to her practical professional experience gained over many years at managerial positions in the PZU Group, including: Vice President of the Management Board of Alior Bank S.A., Chairperson, and previously an independent member of the Supervisory Board of Link4 TU S.A., a Member of the Supervisory Board of PTE PZU S.A., a Member of the Management Board of PZU S.A. and PZU Życie S.A. and recently a Principal at The Boston Consulting Group's Warsaw offices,
2) Frank Mannion - due to his education, the title of Chartered Accountant and professional experience which includes many years of service at managerial positions in Citi;
3) Anna Rulkiewicz – due to her educational training and practical professional experience gained over many years at managerial positions at the Lux Med Group, where she began as a Member of the Management Board, Sales and Marketing Director, and in 2007 she was appointed as the President of the LUX MED Group, and at her position as the

Managing Director of LMG Försäkrings AB, whose branch operates in Poland under the name LUX MED Ubezpieczenia (insurance), and President of the Management Board of the Association of Private Medicine Employers (Związek Pracodawców Medycyny Prywatnej).

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

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

The Audit Committee meets:

1) with the Head of the Audit Department without participation of the Company's management;

2) with the certified auditor of the Company without participation of the Company's management;

The Audit Committee may also meet:

1) by its own.

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

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

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

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

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

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

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

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is composed of:

1) Sławomir S. Sikora – Chairman of the Committee;

2) Jenny Grey – Vice Chairperson of the Committee;

3) Anna Rulkiewicz - Member of the Committee;

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

The Nomination and Remuneration Committee is the Supervisory Board's advisory body, and its members exercise their authority on the basis of Article 390 of the Code of Commercial Companies, Articles 9cb and 9cd of the Act of 29 August 1997 – Banking Law and Regulation of the Minister of Finance of 7 May 2018 on the specific scope of tasks of the nomination committee at significant banks. The Committee submits annual reports on its activities to the Supervisory Board. A report for each successive calendar year is submitted by the end of the first quarter of the following year. The reports are made available to shareholders through publication on the Bank's website. At the next following meeting of the Supervisory Board, the Committee reports to the Supervisory Board on each of the Committee meetings and the Committee's recommendations discussed at its meetings.

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

1) review and monitor the remuneration policies adopted at the Bank and support the Bank authorities in supervising, shaping and implementing those policies, their validity, consistency with the practice and processes in place at the Bank and their impact on the Bank's risk profile,

2) assess the mechanisms and systems in place at the Bank in order to ensure that the remuneration policy adopted at the Bank takes into account all types of risk, and liquidity and capital levels, complies with the principles of, and supports sound and effective risk management, and is consistent with the Bank's strategy, objectives, corporate culture and values as well as long-term interests of the Bank, including assessment of the need to adjust remunerations for ex-post risk,
3) analyze possible scenarios to examine how the remuneration policies adopted at the Bank and the remuneration practice respond to external and internal events, and perform back-testing of the criteria used to determine remuneration levels and to adjust remunerations for ex-ante risk on the basis of actual risk-based results,
4) recommend candidates for the Management Board, taking into account the necessary knowledge, competence and experience of the Management Board as a whole, that are necessary to manage the Bank, and ensuring diversity on the Management Board,
5) identify the scope of duties for a candidate to the Management Board, as well as the requirements in terms of knowledge and competence, and the expected time commitment necessary to serve in that capacity,
6) identify the target representation of the gender underrepresented on the Management Board and develop a policy of diversity on the Management Board with the aim of achieving that target,
7) make periodic evaluation, at least once a year, of the structure, size, composition and effectiveness of the Management Board and recommend changes in that regard to the Supervisory Board,
8) make periodic evaluation, at least once a year, of the knowledge, competence and experience of the Management Board as a whole and of individual Management Board members, and inform the Management Board of the evaluation results,
9) review periodically the Management Board's policy on selection and appointment of Bank managers and present recommendations in that regard to the Management Board,
10) assess, based on market conditions, the remunerations received by members of the Management Board,
11) assess the remuneration paid to members of the Bank's Management Board as compared to their duties and performance;
12) submit recommendations for remuneration of Management Board members to the Supervisory Board, each time prior to its determination or revision,
13) review and monitor variable remuneration components of the persons whose professional activities have a significant impact on the Bank's risk profile, including in particular those responsible for risk management, management of the compliance unit, management of the internal audit unit, and key persons, as identified in the Employee Remuneration Policy of Bank Handlowy w Warszawie S.A.,
14) conduct preliminary assessments of qualifications of candidates for members of the Supervisory Board and prepare recommendations whether or not to appoint them,
15) conduct preliminary assessments of qualifications of members of the Supervisory Board and prepare recommendations if a re-assessment is required.

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

The Committee consists of at least three members of the Supervisory Board.

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

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

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

Resolutions of the Nomination and Remuneration Committee are adopted by the absolute majority of votes of the members of the Committee present at the meeting. In case of an equal number of votes, the casting vote belongs to the Chairman.

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

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

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

Risk and Capital Committee

The Risk and Capital Committee is composed of:

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

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

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

The Risk and Capital Committee consists of at least three Supervisory Board members, one of whom acts as the Committee’s Chairperson. In order for the Committee's resolutions to be valid, at least three of its members must attend the meeting.

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

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

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

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

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

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

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

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

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

12. Good practices in Dom Maklerski Banku Handlowego S.A - company belonging to the Bank's capital group

Dom Maklerski Banku Handlowego S.A. (DMBH) is not a public company and is not required to adhere to the Best Practice for GPW Listed Companies or to make statements in that respect, however, due to the significant role of that entity in the Group, the following circumstances should be pointed out.

DMBH is a member of the Chamber of Brokerage Houses - as a member of the Chamber, it is required to comply with the Code of Good Practice for Brokerage Houses, developed by the Chamber of Brokerage Houses. The Code does not regulate corporate governance, it is mainly concerned with protection of professional secrecy, client relationships, conduct of brokerage house employees, including in relations with other brokerage houses. DMBH is regulated by the Act on Trading in Financial Instruments and therefore, in addition to the Code of Commercial Companies, it adheres to corporate governance rules for supervised institutions. The Financial Supervision Authority is informed by DMBH about changes in the composition of the Management Board, with the reservation that the appointment of the President of the Management Board and the Member of the Management Board responsible for supervising the risk management system is subject to the approval of the Financial Supervision Authority. In addition, DMBH has reporting obligations to the KNF (including on changes on the Management Board, on the wording of specific resolutions of the General Meeting). The Act on Trading also regulates the issue of purchase of shares in a brokerage house. It provides that the head office of a brokerage house must be in the territory of Poland. As of 1 January 2015, DMBH is subject to the Principles of Corporate Governance for Supervised Institutions (“CG") adopted by the KNF resolution of 22 July 2014. The Principles of Corporate Governance are a set of rules governing internal and external relations of institutions supervised by the KNF, including their relationships with shareholders and customers, their organization, the operation of internal oversight as well as of key internal systems and functions, and of corporate bodies and their cooperation. The purpose of the Principles of Corporate Governance is to enhance corporate governance in financial institutions and transparency of their operations, which is designed to promote public confidence in the Polish financial market. On 23 December 2014, the Management Board of DMBH declared the desire of DMBH to abide by the CG Rules, and the Supervisory Board accepted adherence to those CG Rules which fall under the authority of the Supervisory Board. On 17 May 2021, the Supervisory Board approved the 2020 CG compliance report.

Three CG Rules are not applied by DMBH:

a) § 11.2 (related party transactions) - this rule will not be applied to contracts related to daily operating activities;

b) § 22.1 and 22.2 (independence of members of the supervisory authority) - these rules are not applied due to the current composition of the Supervisory Board.

13. Diversity Policy

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

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

Our diversity initiatives apply to three levels:

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

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

In its employment policy, the Bank strongly supports diversity, and being committed to talent development it takes on career and development of female employees who manage vital organizational units in Citi Handlowy. As a result of internal and external recruitment, the Bank employs a total of 51.1% women compared to 40.9% men. The ratio change in relation to 2020 is a result of the Bank's special attention to maintaining measures to support women in their development. The recruitment processes for higher level specialist and managerial positions were monitored in 2021 to ensure diversity among the candidates considered. Women were also absolutely required on panels for all recruitment processes for high level managerial positions. The Bank will continue these recruitment principles in all its recruitment processes in the coming years.

In 2020, women represented over 49% of the managerial staff and, simultaneously, almost 63% of the population of the entire Bank. In 2021, this positive trend was maintained, women still accounted for over 49% of management staff, while at the same time, constituting 62% of the entire Bank work force.

The average length of service at the Bank grows continuously. In 2020, it exceeded 10 years, while the average length of service of women exceeded 11 years. In 2021 this upward trend was continued, the length of service for women exceeded 11.6 years, for men 10 years, and the average length of service was over 10.8 years.

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

The Bank ensures support for employee initiatives and commitment to others and to our organization. An example of such support are organizations which bring together the Bank's employees involved in different types of activities. In 2021, CitiWomen, CitiPride and CitiParents were very active at the Bank. The Bank also has CitiClub and CitiDisability.

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

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

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

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

Remuneration of women employed by the Bank is comparable to the total remuneration of men and as the end of 2021 it constituted 93% of the remuneration of men (taking into account employees actively performing work, the sectors they work in and grades for full time jobs - excluding child care leave, unpaid leave and long-term sick leaves).

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

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

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

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

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

The employees can also use the internal social platform "Citi Collaborate". Its wide accessibility allows for exchanging information and building close cooperation between employees and management.

2021 Bank continued building organizational culture focused on the employees. The goal of the people-oriented strategy is to strengthen employee engagement and improve their working conditions by taking actions and implementing projects facilitating their work and communication.

Of particular significance in 2020 was the work of the People Board group which operates within one of the six People Strategy project groups. In 2021, the People Board – a group of 9 employee representatives chosen in internal elections by employees themselves – focused on communicating with employees by regularly collecting their feedback and forwarding it to the Management Board. People Board communications also focused on communicating messages from the Bank's Management Board. People Board's mission is to be a communication bridge between employees and the Management Board. Such initiatives help to regularly influence the culture of the organization and to shape it based on a joint vision. Employees feel that the Bank is a place where they can find fulfillment and their needs are heard. Despite the pandemic period, in 2020 members of the People Board remained in close contact with the Bank's employees in all locations in Poland.

The first People Board members ended their term in December 2020. In 2021, employees elected their representatives for the new People Board, which has permanently entered the organizational culture of the Bank, implementing the idea of an open dialogue between the Management Board and employees.

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

1. Information regarding the remuneration policy

The Bank Handlowy Group has in place “Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Bank Handlowy w Warszawie S.A.”, “Employee Remuneration Policy of Bank Handlowy w Warszawie S.A.” (adopted on 22 December 2017, as amended) and the “Employee Remuneration Policy of Brokerage House of Bank Handlowy S.A.” (adopted on 3 January 2018, as amended), hereinafter referred to as the “Remuneration Policy”, and also the “Remuneration policy for persons whose professional activity significantly influences the risk profile of Bank Handlowy w Warszawie S.A.” (adopted on 22 December 2017, as amended) and the “Remuneration Policy for Persons whose professional activity significantly influences the risk profile of the Brokerage House of Bank Handlowy S.A. (adopted on 3 January 2018, as amended), hereinafter referred to as the “Authorized Persons Remuneration Policy”, which replaced previous policies in this area.

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

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

Eligibility for individual payments of deferred variable remuneration must be each time approved by the Supervisory Board - in relation to the Management Board and by the Management Board - in relation to other employees.

At least 50% of variable remuneration should be awarded in the form of non-monetary instruments the value of which depends strictly on the financial performance of the Bank or DMBH, respectively. This condition is met by the phantom shares adopted by the Group, whose value will fluctuate depending on the market value of the Bank's shares or the value of DMBH. In the case of DMBH, according to the Authorized Persons Remuneration Policy, the value of phantom shares depends on the value of DMBH's common shares and they are granted if the value of the annual award for a given year exceeds 50% of the employee's permanent remuneration in that year.. The remaining portion of the variable remuneration is a monetary bonus, with interest accruing on the deferred portion of the bonus for the period between granting and payment of that remuneration component.

Eligibility for each portion of a deferred bonus will depend on performance of the Bank or DMBH, respectively, in the calendar year immediately preceding the date of becoming eligible for that portion and other conditions indicated in Authorized Persons Remuneration Policy.

An Authorized Persons Remuneration Policy is described in more detail in the Report on capital adequacy, risk and remuneration policy of the Bank Handlowy w Warszawie S.A. Group as of 31 December 2021.

In 2021 The Supervisory Board of the Bank positively assessed functioning of the Remuneration Policy applied in Bank Handlowy w Warszawie S.A..

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

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

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

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

	Cash awards for years:			
	2020	2019	2018	2017
Maciej Kropidłowski	528	242	306	259
Dennis Hussey	423	0	0	0
Barbara Sobala	172	40	40	41
James Foley	347	75	0	0
Katarzyna Majewska	142	32	41	41
Natalia Bożek	112	19	19	0

Former members of the Management Board					
Sławomir S. Sikora	- to 17 June.2021	504	146	146	210
David Mouille	- to 31 January 2020	0	121	142	147
Czesław Piasek	- to 31 March 2018	0	0	13	52
Witold Zieliński	- to 19 February 2018	0	0	0	53
		2,228	**675**	**707**	**803**

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

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

The table below presents the amount of fixed remuneration components (in PLN thousand) paid to the members of the Bank's Management Board in 2020.

		Base salary	Other benefits
Sławomir S. Sikora		2,391	321
Maciej Kropidłowski		1,733	256
Dennis Hussey	- since 1 April 2020	1,083	1,602
Barbara Sobala		900	110
James Foley		1,200	237
Katarzyna Majewska		862	105
Natalia Bożek		867	86
Former members of the Management Board			
David Mouille	- to 31 January 2020	120	954
Czesław Piasek	- to 31 March 2018	0	12
Witold Zieliński	- to 19 February 2018	0	7
		9,157	**3,689**

The table below presents the amount of variable remuneration components in the form of cash awards (in PLN thousand) paid in 2020 to the members of the Bank's Management Board.

	Cash awards for years:			
	2019	**2018**	**2017**	**2016**
Sławomir S. Sikora	470	141	204	339
Maciej Kropidłowski	468	295	252	152
David Mouillé	173	39	40	40
Barbara Sobala	327	0	0	0

Katarzyna Majewska		138	39	40	39
Natalia Bożek		82	18	0	0
Former members of the Management Board					
David Mouille	- to 31 January 2020	526	137	143	136
Czesław Piasek	- to 31 March 2018	0	13	50	50
Witold Zieliński	- to 19 February 2018	0	0	52	55
		2 184	**682**	**780**	**810**

The table below presents the amount of variable remuneration components in the form of capital awards (in PLN thousand) paid in 2020 to the members of the Bank's Management Board.

		Capital rewards for the years:			
		2019	**2018**	**2017**	**2016**
Sławomir S. Sikora		0	369	140	201
Maciej Kropidłowski		332	167	127	90
Barbara Sobala		123	22	20	24
James Foley		232	0	0	0
Katarzyna Majewska		98	22	20	23
Natalia Bożek		59	10	0	0
Former members of the Management Board					
David Mouille	- to 31 January 2020	374	77	72	81
Czesław Piasek	- to 31 March 2018	0	7	25	29
Witold Zieliński	- to 19 February 2018	0	0	26	32
		1 219	**675**	**432**	**481**

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

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

The table below presents the amount of the total remuneration (in PLN thousand) paid to members of the Bank's Supervisory Board in 2020.

	Remuneration for the function performed	Remuneration for participation in Supervisory Board committees	Reimbursement of social security contributions
Andrzej Olechowski	192	210	0
Igor Chalupec	96	180	9
Stanisław Sołtysiński	96	120	0
Shirish Apte	96	120	0
Marek Kapuściński	96	180	3
Anna Rulkiewicz	96	120	8

Barbara Smalska	96	210	0
	768	**1,140**	**20**

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

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

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

The total number and nominal value of the Bank's shares and shares in affiliated companies of the Bank held by members of the Management Board and the Supervisory Board as at 31 December 2020 is presented in the table below:

	Shares of Bank Handlowy w Warszawie S.A.		Shares of Citigroup Inc.	
	Number of shares (units)	Nominal value (PLN)	Number of shares (units)	Nominal value (PLN)
Management Board				
Sławomir S. Sikora	-	-	13,204	496
James Foley	-	-	6,416	241
Dennis Hussey			626	24
Katarzyna Majewska	-	-	29	1
Supervisory Board				
Andrzej Olechowski	2,200	8,800	-	-
Frank Mannion	-	-	33,106	1,244
Stephen R. Volk	-	-	80,091	3,010
Marek Kapuściński	-	-	140	5
Kristine Braden	-	-	2,917	110
Jenny Grey	-	-	1,279	48

As at 31 December 2021 and 31 December 2020, no member of the Management Board and the Supervisory Board was a shareholder of a subsidiary of the Bank.

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

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

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

5. Management policy

The management policy of the Bank did not change in 2021. The policy is described in the Note to the Annual Consolidated Financial Statements of the Capital Group of the Bank.

XI. Information on pending court proceedings

In 2021 there was no single proceeding regarding receivables and liabilities of the Bank or its subsidiary, pending in court, public administration authority or an arbitration authority, the value of which would be significant. A detailed description of pending court proceedings is provided in Note 40 to the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the financial year ended December 31, 2021.

XII. Agreements concluded with the registered audit company

On 7 December 2018 the Supervisory Board of the Bank appointed the auditor: KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa [KPMG Audyt limited liability partnership] with its registered office in Warsaw, operating at the following address: ul. Inflancka 4A, 00-189 Warszawa entered into the list of entities authorized to audit financial statements under No. 3546, to conduct an audit and a review of the annual and the interim financial statements of the Bank and the Capital Group of the Bank for years 2019 - 2021. KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa was selected in compliance with the applicable laws and auditing standards.

The Bank used the services of KPMG Audit Spółka z ograniczoną odpowiedzialnością sp. k. with respect to auditing and reviewing stand-alone and consolidated financial statements also for 2017 and 2018.

The Management Board of the Bank declares that the auditing company authorized to audit financial statements, auditing the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy S.A. for the financial year ended December 31, 2021 and the Stand-alone Annual Financial Statements of Bank Handlowy w Warszawie S.A. for the financial year ended December 31, 2021, it was selected in accordance with the law. In accordance with the best knowledge of the Management Board, the audit firm and members of the audit team met the conditions for drawing up an impartial and independent report on the audit of the annual consolidated and stand-alone financial statements in accordance with the applicable regulations, professional standards and professional ethics rules.

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

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

The auditor’s net fees under the agreements (paid or payable) for the years 2021 and 2020 are presented in the table below:

PLN'000	For the year	2021	2020
Bank (the parent company) audit fees (1)		516	480
Bank (the parent company) review fees (2)		199	199
Subsidiary companies audit fees (3)		225	236
Other assurance fees (4)		336	336
		1,277	**1,251**

(1) The audit fees include fees paid or payable for the audit of the annual stand-alone financial statements of the Bank and the annual consolidated financial statements of the Capital Group of the Bank.
(2) The review fees include fees paid or payable for the review of the semi-annual stand-alone financial statements of the Bank and the semi-annual consolidated financial statements of the Capital Group of the Bank.
(3) The audit fees include fees paid or payable for the audit of the financial statements of the Bank’s subsidiaries.
(4) The fees for other assurance services include all other fees paid to the auditor. These fees include assurance services related to the audit and review of the financial statements not mentioned in points (1), (2) and (3) above.

XIII. Subsequent events

On January 1, 2022, the Recommendation R published by the Polish Financial Supervision Authority came into force. It sets forth the rules on classification of credit exposures, estimation and recognition of loss allowance and management of credit risk. Recommendation R incorporates and clarifies the provisions resulting from the International Financial Reporting Standard (IFRS) 9 Financial Instruments (pursuant to the Commission Regulation (EU) 2016/2067 of 22 November 2016).

As regards the estimation of loss allowance, Recommendation R introduces provisions clarifying the rules applied to the individual and portfolio approach in estimating loss allowance and regarding parameters of the IFRS 9 models including, among others, for assessing the increase in credit risk since the initial recognition, requirement of applying coherent estimation techniques of IFRS model parameters at the level of homogeneous portfolios, restrictions in applying zero write-offs. The changes did not have a substantial influence on the amount of allowances.

In the area of classification and valuation of financial assets, Recommendation R introduced a detailed catalog specifying which modifications of financial assets' features are to be treated, in particular, as a significant change.

After 31 December 2021 there were no other major events undisclosed in these report on activities, that could have a significant influence on the net result of the Group.

XIV. Statement of the Bank's Management Board

Accuracy and fairness of the statements presented

To the best knowledge of the Bank's Management Board, composed of: Ms. Elżbieta Światopełk-Czetwertyńska, President of the Management Board; Ms. Natalia Bożek, Vice-President of the Management Board; Mr. Maciej Kropidłowski, Vice-President of the Management Board, Mr. Dennis Hussey, Vice-President of the Management Board; Ms. Barbara Sobala, Vice-President of the Management Board; Ms. Katarzyna Majewska, Member of the Management Board, the annual financial data and the comparative data presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the year ended 31 December 2021 were prepared consistently with the accounting standards in force and reflect the accurate, true and fair view of the assets and the financial position as well as the financial profit or loss of the Bank. The Annual Report on the Activities of Bank Handlowy w Warszawie S.A and the Capital Group of Bank Handlowy w Warszawie S.A. for 2021 contained in the annual financial statements is a true representation of the development, achievements and situation (together with a description of the main risks) of the Bank in 2021.

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

Signatures of Management Board Members

23.03.2022	Elżbieta Świątopełk-Czetwertyńska	President of the Management Board
....	....	....
Date	Name	Position/function
23.03.2022	Natalia Bożek	Vice-President of the Management Board
....	....	....
Date	Name	Position/function
23.03.2022	Dennis Hussey	Vice-President of the Management Board
....	....	....
Date	Name	Position/function
23.03.2022	Maciej Kropidłowski	Vice-President of the Management Board
....	....	....
Date	Name	Position/function
23.03.2022	Barbara Sobala	Vice-President of the Management Board
....	....	....
Date	Name	Position/function
23.03.2022	Katarzyna Majewska	Member of the Management Board
....	....	....
Date	Name	Position/function