

The logo for Citi Handlowy, featuring the word "citi" in blue with a red arc above the 'i', followed by "handlowy" in blue. The background of the entire page is a light blue sky with a grid of thin, dark blue lines that curve and flow across the frame.

citi handlowy

2023

# Report on activities

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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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.

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.

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## CONTENTS

I.	Basic information about the Capital Group of Bank Handlowy w Warszawie S.A. ....	5
1.	HISTORY OF THE CAPITAL GROUP OF BANK HANDLOWY W WARSZAWIE S.A. ....	5
2.	OWNERSHIP STRUCTURE .....	5
3.	BUSINESS PROFILE OF BANK HANDLOWY W WARSZAWIE S.A. ....	5
4.	STRATEGY 2022-2024 - DEVELOPMENT PROSPECTS FOR THE BANK HANDLOWY W WARSZAWIE S.A. ....	6
5.	MAJOR RESULTS AND DEVELOPMENTS IN 2023.....	8
6.	AWARDS AND HONORS.....	9
II.	Poland's economy in 2023 .....	10
1.	MAIN MACROECONOMIC TRENDS .....	10
2.	MONEY AND FOREX MARKETS.....	11
3.	CAPITAL MARKET.....	12
4.	BANKING SECTOR.....	13
5.	FACTORS WITH AN IMPACT ON THE FINANCIAL RESULTS OF THE BANK'S GROUP IN 2024 .....	15
III.	The organizational structure of the Capital Group of Bank Handlowy w Warszawie S.A. ....	17
IV.	Selected financial data of the Capital Group of Bank Handlowy w Warszawie S.A. ....	18
1.	FINANCIAL RESULTS OF THE BANK AND THE GROUP IN 2023 .....	18
2.	INTEREST RATES .....	28
3.	INSTITUTIONAL BANKING SEGMENT.....	29
4.	CONSUMER BANKING SEGMENT .....	35
5.	DEVELOPMENT OF DISTRIBUTION CHANNELS.....	37
6.	CHANGES IN IT TECHNOLOGIES .....	38
7.	EQUITY INVESTMENTS.....	40
V.	Significant risks related to the activities of the Capital Group of Bank Handlowy w Warszawie S.A. ....	41
1.	SIGNIFICANT RISKS AND THREATS RELATED TO THE GROUP'S OPERATING ENVIRONMENT .....	41
2.	SIGNIFICANT RISKS AND THREATS RELATED TO THE GROUP AND ITS ACTIVITY.....	51
VI.	The Bank's community initiatives .....	59
VII.	Investor information .....	70
1.	OWNERSHIP STRUCTURE AND STOCK PRICES ON THE WARSAW STOCK EXCHANGE .....	70
2.	DIVIDEND PAYMENT HISTORY.....	72
3.	RATING.....	73
4.	INVESTOR RELATIONS .....	74
VIII.	Statements of Bank Handlowy w Warszawie S.A. concerning application of corporate governance standards in 2023 ..	74
1.	CORPORATE GOVERNANCE STANDARDS APPLIED BY BANK HANDLOWY W WARSZAWIE S.A. ....	74
2.	INFORMATION ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES FOR SUPERVISED INSTITUTIONS .....	74
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 .....	75
4.	SIGNIFICANT SHAREHOLDINGS.....	76
5.	HOLDERS OF ALL SECURITIES WITH SPECIAL CONTROL RIGHTS TOGETHER WITH A DESCRIPTION OF THOSE RIGHTS .....	76
6.	RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS.....	76
7.	RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF THE SECURITIES .....	77
8.	RULES GOVERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND THEIR POWERS .....	77
9.	AMENDMENTS TO THE ARTICLES OF ASSOCIATION.....	78
10.	GENERAL MEETING PROCEDURE, DESCRIPTION OF ITS FUNDAMENTAL POWERS AS WELL AS SHAREHOLDER RIGHTS AND METHODS OF EXERCISING THEM.....	78
11.	COMPOSITION OF AND CHANGES TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE BANK IN 2023, RULES OF PROCEDURE OF THE BANK'S MANAGING AND SUPERVISORY BODIES .....	81
12.	DIVERSITY POLICY.....	98
IX.	Other information about the authorities of Bank Handlowy w Warszawie S.A. and corporate governance rules.....	99
1.	INFORMATION REGARDING THE REMUNERATION POLICY.....	99
2.	SALARIES AND AWARDS, INCLUDING BONUSES FROM PROFIT, PAID TO PERSONS MANAGING AND SUPERVISING THE BANK.....	101

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

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REMUNERATION FOR THE FUNCTION PERFORMED .....	104
REIMBURSEMENT OF SOCIAL SECURITY CONTRIBUTIONS .....	104
REIMBURSEMENT OF SOCIAL SECURITY CONTRIBUTIONS .....	104
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 .....	105
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 .....	105
5. MANAGEMENT POLICY .....	105
X. Information on pending court proceedings .....	106
XI. Agreements concluded with the registered audit company .....	106
XII. Subsequent events .....	106
XIII. Statement of the Bank's Management Board .....	107

## 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.

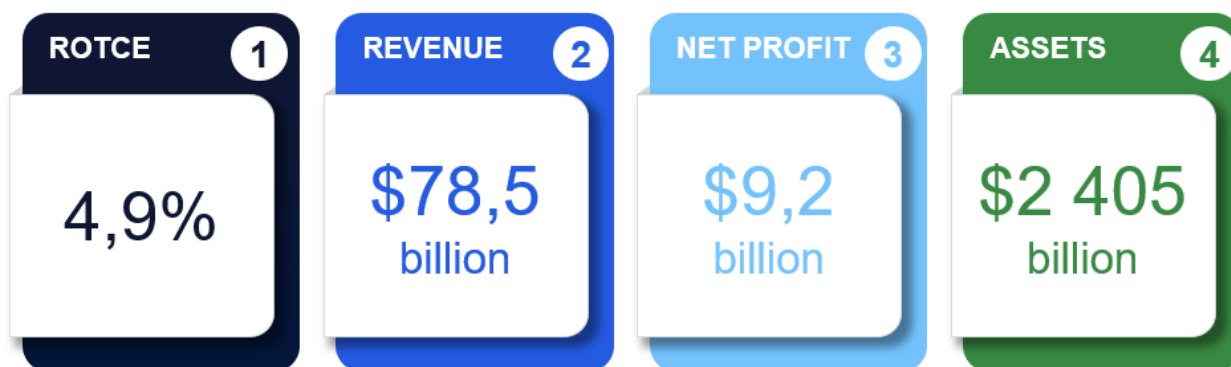
Today, under the brand name Citi Handlowy, Bank Handlowy w Warszawie SA offers a broad and modern range of products and services of corporate, investment and retail banking. Affiliation with Citi, the leading global financial institution, ensures that clients of Citi Handlowy have access to financial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

### 2. Ownership structure

The majority and strategic shareholder of the Bank is Citibank Europe Plc based in Dublin, Ireland – a company in the Citi group that brings together foreign investments. In addition, the total share of funds managed by Nationale Nederlanden PTE S.A. is above the threshold of 5% of shares in the capital and votes at the Bank's General Meeting.

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

The Citi Capital Group in numbers for 2023 (*Citi financial data for 2023*)



Detailed information on the Bank's shareholding structure and changes in the shareholding structure made in 2023 can be found in Chapter VII Investor Information.

### 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) especially enterprises with international needs and aspirations, are another group of significant clients. In addition, the bank focuses on the acquisition of new clients (including so-called new economics participants – software producing companies) and active strengthening relations with the existing clients from selected industries. These elements are the key for further building the market advantage of the Capital Group of Bank Handlowy w Warszawie S.A.

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.

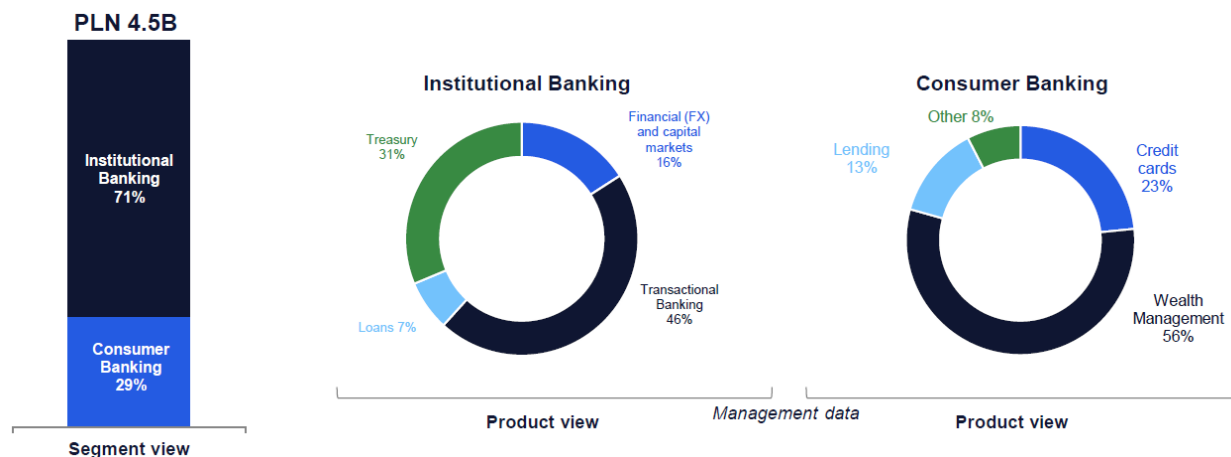
The Bank's sound capital position and its landmark network of international connections, is also appreciated by consumer banking clients. The Bank uses its competitive edge in this regard to foster its leader position in net worth clients banking. Aim-driven, the Bank is constantly developing its offer 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.

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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 Brokerage Department of Bank Handlowy ("DMBH") is one of the most active actors in Poland's capital market among local members of a stock exchange and provides a wide range of brokerage services to both individual and institutional clients.

The structure of the Group's revenues in 2023 (the product view presents the management view).



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

### 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 Polish enterprises with international aspirations;
- 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 (Citi Private Client - 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 December 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 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, focuses on efforts aimed at keeping the segment's profitability. In particular, the Bank focuses 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.

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

## Strategy for 2022-2024 – financial goals:

	Goal	Implementation (2023)
Client revenue compound annual growth rate including:	CAGR +9%	+27% (CAGR 2021-2023)
<i>institutional clients</i>	+8%	+17% (CAGR 2021-2023)
<i>Individual clients</i>	+12%	+41% (CAGR 2021-2023)
Return on equity (ROE in 2024)	>12%	28.6%
Maintaining cost discipline (C/I ratio)	<50%	32%
Customer assets compound annual growth rate (% in three years)	+6%	-3%(CAGR 2021-2023)
Green asset portfolio	PLN 1 billion	PLN 0,4 MM
Continuation of dividend payment , subject to regulatory approvals (% of net profit)	min. 75%	75% (of net profit for 2022)

## 4.1 Institutional banking

The Bank intends to support its clients in transformation towards adopting their business model to new challenges of a dynamically changing 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.

In 2022, Dom Maklerski Banku Handlowego w Warszawie S.A. (the Bank's Brokerage House) was integrated with the Bank to improve cost efficiency on the one hand and to elevate the offer for clients on the other. It also created an opportunity to further expand the offer and provide comprehensive customer service, including investment portfolio management for the clients. However, performance in this regard depends to a large extent on the current market sentiment, which is an area of possible significant improvements in 2024. 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, the Bank has been implementing technology projects to continue the automation and improvement of processes that allow a cost effective servicing of Polish and international institutional clients that are interested in algorithmic trade and high volume transactions. In the face of fierce competition and observed changes in the structure of stock market turnovers, the Bank will not aspire at all costs to become the market leader in terms of turnovers. Its goal is to maintain the economic effectiveness of its operations.

The Bank intends to continue to play a key role in the capital operations market by actively participating in the execution of initial public offerings (IPOs), secondary public offerings (SPOs), accelerated equity offerings (AEOs) and calls for the sale or exchange of shares. 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 and offer a wide range of transaction structuring options on the capital market, both in terms of products and geography, which is an definitely a competitive advantage. 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.

## 4.2 Consumer banking

In line with the 2022-2024 strategy, the Bank will offer a full range of services to individual customers, following the latest trends and proactively responding to changes in customer behavior and expectations in a post-pandemic reality, as well as to changing macroeconomic conditions having a radical impact on the financial decisions of the Bank's customers. Customer segmentation will be maintained, distinguishing between affluent customers (Citigold and Citigold Private Client), consumer banking customers and card customers, or those using only unsecured products.

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. CPC and Citigold clients will be serviced in a hybrid model through modern financial service centers located in Poland's largest cities, the assistance of dedicated, professional personal Relationship Managers and independently through intuitive electronic platforms. An important component of the offer addressed to this group of clients will be the top-quality global banking solutions offered in cooperation with other Citi group entities around the world.

In addition, the Bank will 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 development of 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

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

renew its offer of benefits and privileges available to customers as part of its flagship credit cards, e.g. Citibank World Mastercard®.

The integration of Dom Maklerski Banku Handlowego S.A. into the Bank creates a number of new opportunities for the retail segment: unique offer of foreign markets with the CitiFX Stocks platform and model investment advice regarding foreign shares and bonds. Thanks to the integration of DMBH and the Bank, clients have benefited from simplified process solutions, allowing for easier management of their overall finances and investment activities, as well as an expanded range of advice offered by the Bank.

## 5. Major results and developments in 2023

### 5.1 Summary financial data of the Bank and the Group in 2023

In 2023 the Group recorded net profit amounting to PLN 2,256.3 million, which was higher by PLN 710.7 million (i.e. 46.0%) comparing to the profit for 2022. The increase in net profit was driven by higher revenues, which grew by PLN 861.0 million (i.e. 23.6% YoY) to the level of PLN 4,508.6 million. The driving factor impacting the increase in revenues was higher net interest income driven mainly in the area of treasury activity due to high interest rates maintaining in 2023. In segments view, the revenues in 2023 in Institutional Banking segment increased by PLN 607.6 million (i.e. 23.3% YoY), while the Consumer Banking segment also recorded an increase in revenues by PLN 253.4 million (i.e. by 24.5% YoY).

The stand-alone net profit of the Bank (distributable) for 2023 amounted to PLN 2,255.2 million and was higher by PLN 685.9 million than the profit for 2022.

At the same time, in 2023, the Group maintained a strong and safe capital position, achieving a total capital ratio of 23.6% as at the end of December 2023, i.e. 2.8 p.p. above the TLAC capital requirement.

PLN million	Bank		Capital Group	
	2023	2022	2023	2022
Total assets	73,484.0	69,893.0	73,392.5	69,801.4
Equity	9,668.0	7,899.6	9,729.5	7,960.2
Amounts due from customers*	20,054.5	21,620.5	20,054.5	21,620.5
Deposits *	49,404.8	48,950.4	53,192.8	48,795.5
Net profit	2,255.2	1,569.3	2,256.3	1,545.7
Capital adequacy ratio	23.2%	18.6%	23.6%	19.0%

\* 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 2023

2023 was the year of implementing the growth strategy in the key areas for the Group, which is confirmed by the following achievements and events:

- **The Bank granted a total of PLN 4.2 billion in financing for clients of Institutional Banking**, of which PLN 2.2 billion for Commercial Banking Clients, PLN 1.1 billion for Global Clients and PLN 0.9 billion for Corporate Clients;
- The Bank **organized a bond issue for international financial institution in the amount of PLN 4.6 billion (+48% YoY)**;
- Also, **the Bank supported initiatives in the area of sustainable growth**, including for example: signing a reverse factoring agreement with a company from the retail sales industry, based on the implementation of goals in the area of responsible business, and as part of a consortium of banks, Citi Handlowy provided financing in the Sustainability-Linked Loan formula for acquisition and investment purposes for a company from the medical industry;
- The Bank developed its platforms and conducted extensive commercialization of the **CitiDirect 3.0 electronic banking system - as a result, an increase in transactions processed electronically by 4% YoY was recorded**;
- The Bank's focus on automating processes and settlements in real time resulted in a **9.5-fold increase in the volumes of Express Elixir instant payments** compared to 2022;
- 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) by 22% YoY**. In total, **deposits of individual customers grew by 8% YoY**, which shows that the Bank has built an attractive offer for its strategic group of clients;
- Increases were also observed in the area of investment products - **the total value of funds managed in investment products** purchased by individual clients through the Bank was **15% higher** than the value at the end of the corresponding period in 2022;
- The Bank's intensive efforts to make its credit card offer more attractive also resulted in an **increase in credit card acquisition by 65% YoY, and the volume of transactions processed via cards increased by 7% YoY and was the highest in last 4 years**;
- The observed return of **customer interests in cash loans resulted in an increase in sales of these products by 25% YoY**;
- The Bank also focused on improving customer experience, incl. digital tools such as CitiKantor. **The number of FX transactions in the Consumer Banking segment increased by 8% YoY**.



## 6. Awards and honors

In 2023, the Bank was recognized for its business activities, care of its employees and ESG activities. The Bank received many prestigious awards and distinctions.

- **The first place for Citi Handlowy in the “Efficiency Stars” category by Dziennik Gazeta Prawna**  
In this year edition of the Gwiazdy Bankowości (Stars of Banking) competition of Dziennik Gazeta Prawna organized together with the consulting firm PwC, Citi Handlowy won in the Efficiency category. The ranking takes into account financial data for 2022 as well as more than a dozen detailed ratios. The jury’s evaluation also influences the bank’s position.
- **Private banking of Citi Handlowy recognized in a competition of Euromoney**  
In the Euromoney Global Private Banking Awards 2023, the private banking offered by Citigold Private Client was awarded the title of Best for Digital in Poland. The jury recognized the achievements in the development of the digital channel, such as the innovative Total Wealth Advisor tool and Citibank Global Wallet, as well as the security of clients and their assets.
- **The title of Climate-Conscious Company 2023**  
As part of the Corporate Climate Crisis Awareness Study, the Bank was awarded the title of Climate-Conscious Company 2023. It is a distinction from the Polish Association of Listed Companies for companies that are characterized by a high level of identification and presentation of environmental issues.
- **The Best Employer 2023 According Rzeczpospolita**  
Citi Handlowy together with Citi Solutions Center Poland was named “The Best Employer According to Rzeczpospolita”. The competition jury appreciated the Bank’s competitive remuneration policy. The competition organizers paid attention to real actions taken in dialogue with employees characterized by outstanding efficiency, commitment and creativity in the current economic situation.
- **Citi Handlowy ranked 1st among listed companies for diversity**  
Citi Handlowy was ranked first among the largest companies for diversity according to the report "Women in listed companies. Index of the Women Leadership in Business Foundation". The Bank was the only company to exceed 100 points in the report’s index. The report presents data on the share of women on the boards of all companies listed on the Warsaw Stock Exchange.
- **Citi Handlowy with II Main Prize in “The Best Annual Report 2022” competition**  
The Bank was awarded the II Main Prize in “The Best Annual Report 2022” in the Banks and Financial Institutions category of the competition regularly organized by the Institute of Accountancy and Taxes (Instytut Rachunkowości i Podatków). Citi Handlowy’s report received 75.12 out of 100 possible points. The bank also took 2nd place in the special category “Best Sustainable Report.” The Institute of Accountancy and Taxes competition selects the best reports in terms of utility value for shareholders and investors. The jury appreciated the report on the Bank’s activity, financial statements and summary corporate governance report, as well as the Bank’s contribution to developing good practices in financial reporting at public companies.
- **LinkedIn's 2023 Top Company**  
Citi Handlowy and Citi Solutions Center were named the LinkedIn 2023 Top Company, an award for companies that pursue growth policies and provide professional career building opportunities. The list is compiled based on parameters such as the stability of a company, diversity of its team or opportunities it offers its employees to develop their careers.
- **Citi Handlowy with the highest possible result in the "Cashless for Equality" ranking**  
In the ranking featuring financial institutions caring about professional and social equality of LGBT+ people, prepared for the second time by Cashless.pl, Citi Handlowy together with Citi Solutions Center received the maximum result of 100 points. The ranking is part of the Cashless project, during which surveys are sent out to dozens of companies in the financial industry. Surveys include questions about initiatives supporting the LGBT+ community, such as anti-discrimination training, additional social benefits and advertising activities.
- **Citi Handlowy among top 50 employers of the WPROST weekly**  
Citi Handlowy again ranked as one of the 50 best employers in the WPROST ranking. The financial industry is the largest group in the list, right after the commercial sector. According to the WPROST ranking, Citi Handlowy is one of the leaders among banks that care most about their employees. The ranking’s questions concerned the stability of the employer, including the number of employees and the number of employment contracts.
- **Citi Handlowy among “SuperEthical Companies”**  
In an annual Puls Biznesu survey of corporate operating standards, Citi Handlowy confirms its consistent adherence to the highest ethical requirements. The Bank has been regularly awarded in the competition since its beginning. The Forum of SuperEthical companies consists of organizations that have been awarded the titles of Ethical Companies for three years in a row and can boast good reputation, transparency in business operations, honesty, responsibility and market trust in day-to-day business.
- **CSR White Leaf 2023 of POLITYKA**  
The Bank has been awarded the CSR (Corporate Social Responsibility) White Leaf 2023 of POLITYKA weekly for its implemented ESG activities. The CSR Leaf initiative is one of the oldest on the market. Companies are evaluated in terms of environmental, social and corporate governance. Ratings are awarded on the basis of surveys completed by companies. The surveys are developed in accordance with the standards for the basic principles of social responsibility of ISO 26000 and in relation to the European Sustainability Reporting Standards and the latest ESG trends.

- **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.

## II. Poland's economy in 2023

### 1. Main macroeconomic trends

#### External environment

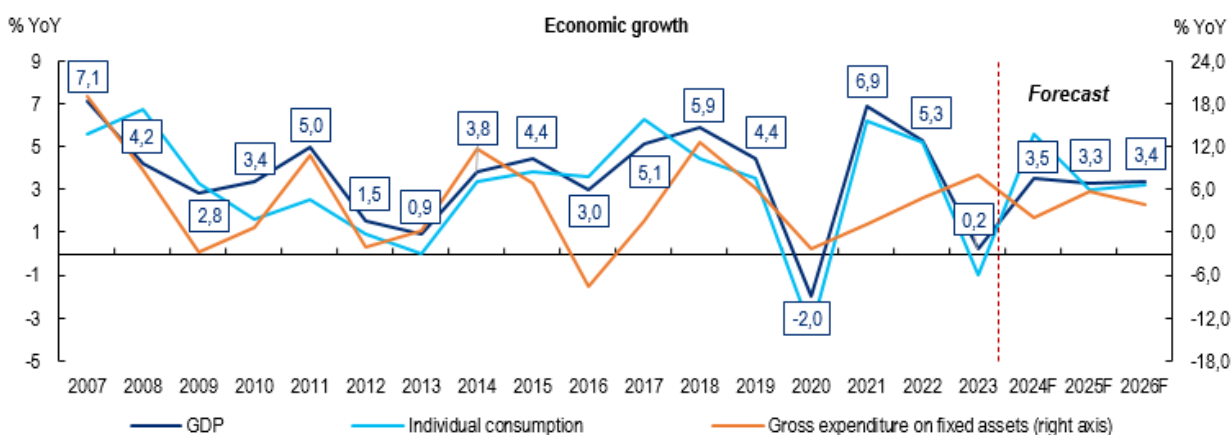
The year 2023 was marked by a continued slowdown in global economic growth due to a protracted supply shock in the commodities market and the consequences of the war in Ukraine. It is likely that global GDP growth slowed down to around 2.7% YoY in 2023, compared to the growth of 2.9% YoY in 2022, but it was still better than expected at the beginning of last year.

A vital challenge for the global economy in 2023 was still strong, though gradually easing, inflationary pressure. In response to stubbornly high inflation in the first half of 2023, major central banks continued to tighten monetary policy. The Federal Reserve's rate at the end of 2023 was 5.25-5.50%, while the ECB ended 2023 with a refinancing rate of 4.5%.

In 2024, global economic growth is likely to decline to around 1.9% of GDP, and the slowdown should be evident in the eurozone, whose economy will continue to contract early next year, and the United States, which has so far managed to avoid recession. We expect the major central banks, i.e. the ECB and the Fed, to begin their interest rate cut cycles in the second quarter of 2024. One of the main risks to global economic activity and the continuation of inflationary pressures is the possibility of further negative supply shocks in the global market. Energy prices have declined significantly from their peaks in 2022; however, energy markets remain tight, and the potential risk of supply disruptions in oil, coal, and gas remains high.

#### Gross Domestic Product („GDP”)

Contribution to GDP growth (%) – forecast of January 31, 2024



Source: Chief Statistical Office, Citi Handlowy forecasts

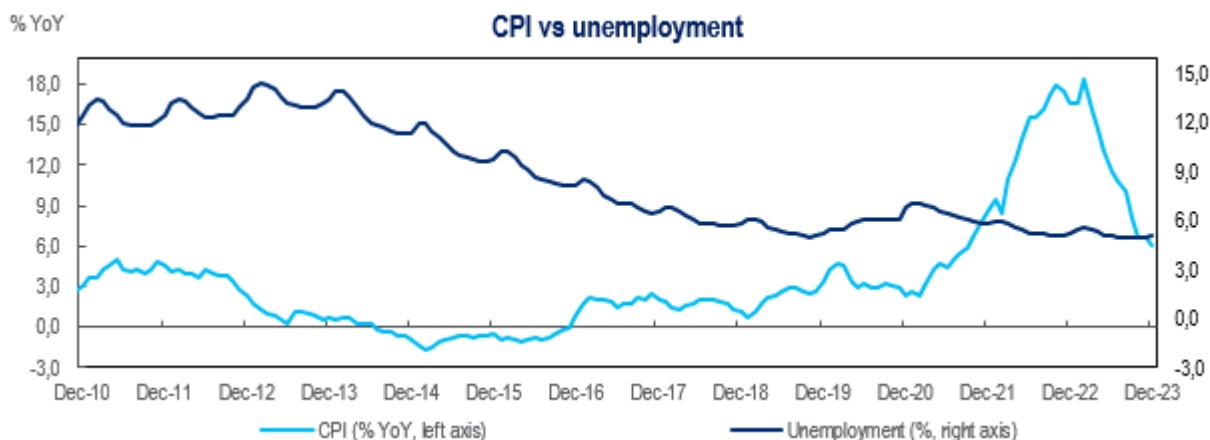
Poland's Gross Domestic Product rose 0.2% in 2023, as compared to 5.3% in 2022. The GDP data turned out to be slightly below the forecasts published at the beginning of 2023. The GDP structure turned out to be surprising, i.e. a 1.0% YoY decline in private consumption in 2023 versus a 5.2% increase in 2022, and an 8.0% YoY increase in capital expenditures versus 4.9% YoY a year earlier. An improvement in private consumption became apparent temporarily in the third quarter of 2023, as a result of support from rising real wages, but annual GDP data show it deteriorating again in the fourth quarter of 2023. The unemployment rate at the end of 2023 was 5.1% compared to 5.2% in 2022. Employment, on the other hand, declined by 0.1% during 2023.

The labor market was stabilizing in 2023. The growth rate of average wages in the companies sector slowed down to 11.9% YoY in 2023, compared to 12.9% YoY in prior year. The growth of wages was particularly high in mining, transportation and administrative and support services. Industrial output growth declined to -1.8% YoY from 10.7% YoY in 2022, and construction output slowed down to 4.4% YoY from 9.6% YoY in 2022. Despite a relatively low average annual growth rate in the construction sector, the second half of the year saw a significant acceleration in growth there, likely due to the consumption of EU funds that had to be used by the end of 2023.

Poland's economic growth in 2024 will be influenced by a significant improvement in private consumption resulting from a double-digit increase in the minimum wage and a deceleration in the growth of gross capital expenditures.

## Inflation

### CPI vs Unemployment



Source: NBP, Chief Statistical Office, Citi Handlowy

Price levels of consumer goods and services in 2023 rose on average by 11.4% as compared with 14.3% in 2022. The main contributors to the persistently high inflation were rising prices of fuel, energy, and food. Prices of services also rose at more than double-digit rates. However, the increase in prices of goods and services started to visibly slow down in March 2023. The year-average net inflation went up to 10.2% in 2023 from 9.1% in 2022. Its decline, however, turned out to be lower than the decline in CPI inflation, mainly due to the healthy labor market. We expect the inflation rate to decline in the first months of 2024; however, in the later part of 2024 we expect price growth to accelerate again, due in part to the reinstatement of VAT on food and the unfreezing of electricity prices. We expect inflation to remain above the inflation target in 2024 and possibly in 2025. We estimate that the downward trend in core inflation will flatten out, and then, from the second half of 2024, it will begin to rise again.

In response to the decline in inflation in the economy in 2023, the Monetary Policy Council ("MPC") decided to cut interest rates by a total of 100 basis points. As a result, the reference rate fell from 6.75% at the beginning of 2023 to 5.75% at the end of the year. Interest rates have been unchanged since October 2023.

## 2. Money and forex markets

### Exchange rates



Source: Reuters, Citi Handlowy

In 2023, the Polish zloty appreciated by about 7.3% versus the euro and by about 10.0% to the U.S. dollar (vs. the end of 2022). Despite the temporary weakness of the zloty resulting from the unexpectedly deep monetary easing in September (by 75 bps), a factor that noticeably contributed to the strengthening of the Polish currency was the expected inflow of EU funds in the wake of the parliamentary election in Poland. In addition, the weakening dollar helped both Polish zloty and other emerging market currencies in the absence of a stronger aversion to risky assets. The EUR/PLN rate decreased from 4.69 as at the end of December 2022 to around 4.34 as at the end of the year 2023 and the USD/PLN decreased from 4.38 to 3.94 in the same period.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

Monetary market rates decreased in 2023 in the wake of interest rates cuts by RPP (Monetary Policy Council). The WIBOR 3M rate was 5.88% at the end of December 2023, as compared with 7.02% at the end of December 2022. In 2023, the yield of 2-year T-bonds decreased by 167 bps, to 5.06% as at the end of 2023 from 6.73% as at the end of 2022. The yield of 10-year bonds declined by 163 bps, to 5.25% as at the end of 2023 from 6.88% as at the end of 2022.

### 3. Capital market

2023 proved to be a year of dynamic growths in global stock markets. The end of interest rate hikes by major central banks in response to falling inflation readings and waning concerns over the energy crisis in Europe, positively affected global stock market sentiment and significantly curbed risk aversion. In addition, regulatory and political factors (including, but not limited to, the introduction of credit holidays, the 2% loan and the expectation of positive changes for the capital market and the economy as a result of the political changes in Poland) were favorable for the quotations of companies on the domestic stock market.

In such an environment, all the main indices on the WSE recorded two-digit increases. In 2023, the broadest market index, WIG, gained 36.5% YoY. The index of the biggest companies, WIG20, increased by 30.7% YoY. The highest growth was seen in the dividend companies index WIG-div with its value change hitting 42.0% YoY. The sWIG40 index recorded the second highest growth, ending 2023 at a level by 39.3% higher than the end of 2022.

In terms of sectors, the following sub-indices showed the largest increases: The WIG-Budownictwo (WIG-Construction) gained 86.9%, the WIG-Banki (WIG-Banks) grew by 76.9% YoY and the WIG-Odzież (WIG-Clothing) rose by 52.2% YoY. On the other hand, the greatest depreciation was recorded by the gaming sector, which lost 6.8% YoY. In addition, pressure on the quotations was observed in the mining sector (-6.4% YoY) and in the WIG-Leki (WIG-Medicine) (-5.3% YoY).

2023 saw a slight increase in activity in the IPO market. Over the last 12 months, the main floor on the WSE saw the IPO of 10 companies (vs. 8 debuts recorded in 2022). The value of the offerings was PLN 3.6 billion and was significantly higher than in the previous year (almost PLN 1.4 billion). Simultaneously, the delisting of companies from the WSE also continued. In 2023, the shares of 12 entities were removed from the WSE main floor (against 24 in 2022). Consequently, at the end of December 2022, 413 companies were traded on the WSE (compared to 415 a year before), including 42 foreign ones. Total capitalization of companies listed on the main floor reached PLN 1,440.3 billion (+29.3% YoY), 52.8% of which was represented by domestic companies (PLN 760.2 billion in nominal terms).

#### Stock market indices, as at 31 December 2023

Index	2023 (1)	2022 (2)	Change (%) (1)/(2)	2021 (3)	Change (%) (2)/(3)
WIG	78,459.91	57,462.68	36.5%	69,296.26	(17.1%)
WIG-PL	81,539.59	58,864.46	38.5%	70,792.15	(16.8%)
WIG-div	1,545.59	1,088.23	42.0%	1,255.85	(13.3%)
WIG20	2,342.99	1,792.01	30.7%	2,266.92	(20.9%)
WIG20TR	4,678.55	3,465.54	35.0%	4,243.99	(18.3%)
WIG30	2,907.55	2,187.63	32.9%	2,764.93	(20.9%)
mWIG40	5,785.21	4,154.32	39.3%	5,291.72	(21.5%)
sWIG80	22,904.49	17,496.16	30.9%	20,056.08	(12.8%)
<b>Sector sub-indices</b>					
WIG-Banks	11,062.01	6,251.97	76.9%	8,640.27	(27.6%)
WIG- Construction	7,628.56	4,081.96	86.9%	3,763.20	8.5%
WIG-Chemicals	10,434.67	10,887.39	(4.2%)	9,822.11	10.8%
WIG-Energy	2,806.75	2,108.92	33.1%	2,415.19	(12.7%)
WIG-Games	15,669.10	16,816.67	(6.8%)	22,304.77	(24.6%)
WIG-Mining	4,315.32	4,612.64	(6.4%)	4,539.55	1.6%
WIG-IT	4,616.29	3,974.54	16.1%	4,706.08	(15.5%)
WIG-Medicines	2,768.40	2,923.20	(5.3%)	5,096.92	(42.6%)
WIG-Media	8,328.80	6,032.39	38.1%	8,762.86	(31.2%)
WIG-Automotive	9,254.33	6,485.02	42.7%	6,728.61	(3.6%)
WIG-Developers	3,545.06	2,624.35	35.1%	2,841.12	(7.6%)
WIG-Clothing	8,962.90	5,889.48	52.2%	9,479.24	(37.9%)
WIG-Oil & Gas	6,697.89	6,010.43	11.4%	6,494.21	(7.4%)
WIG-Food	2,202.63	2,016.48	9.2%	4,484.31	(55.0%)

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

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

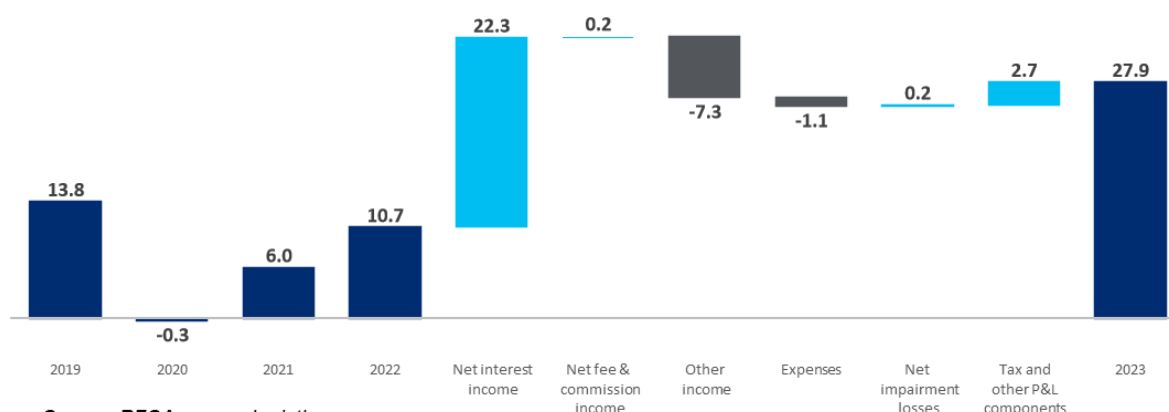
Value of trading in shares and bonds, volume of trading in derivatives on WSE, as at 31 December 2023

	2023 (1)	2022 (2)	Change (%) (1)/(2)	2021 (3)	Change (%) (2)/(3)
Shares (PLN million)*	564,122	586,221	(3.8%)	661,969	(11.4%)
Bonds (PLN million)	8,071	11,802	(31.6%)	4,196	181.3%
Futures ('000 contracts)	28,835	30,560	(5.6%)	23,414	30.5%
Options ('000 contracts)	520	628	(17.2%)	556	12.9%

Source: WSE, Brokerage Department of Bank Handlowy, \*data including session and block transactions.

## 4. Banking sector

Net profit of the banking sector (PLN billion)



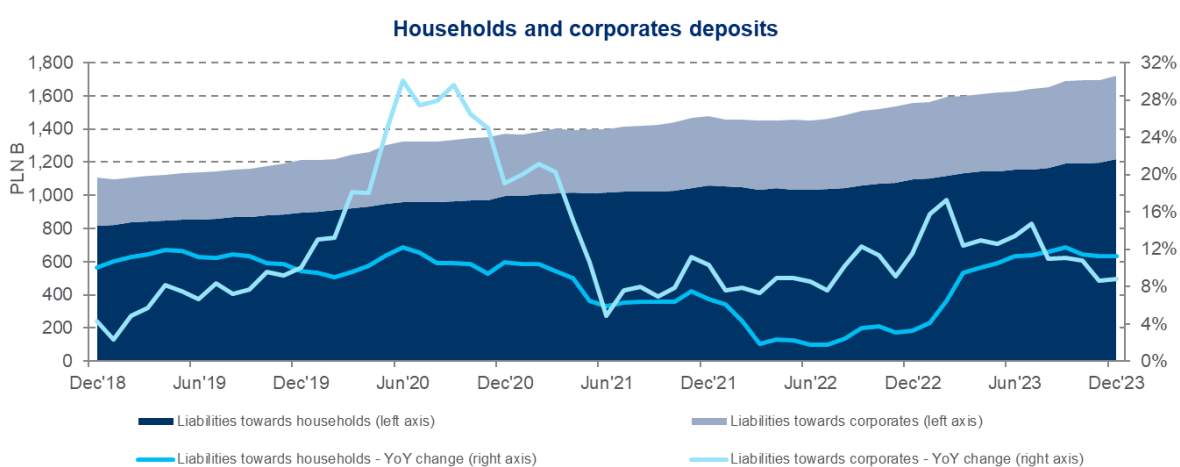
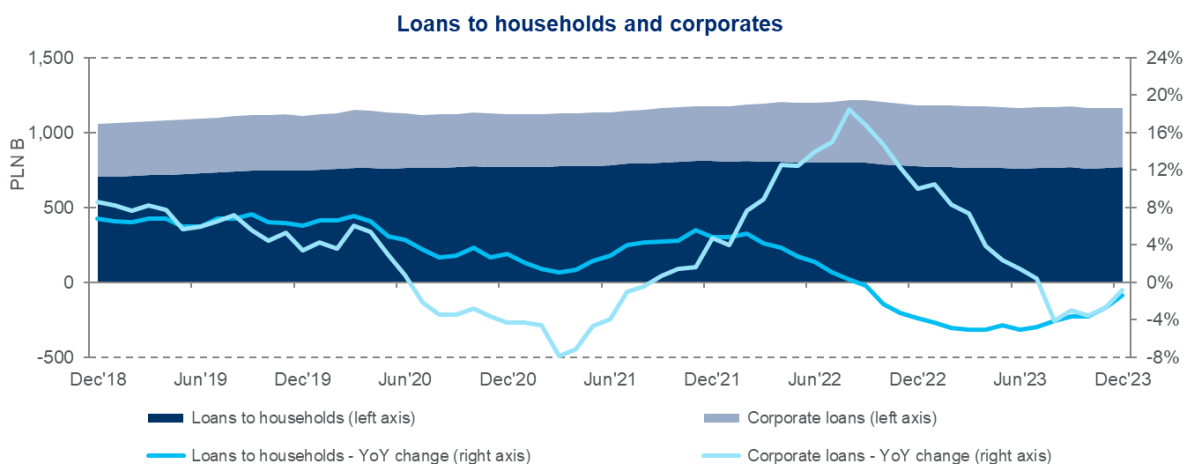
## Financial results

According to data published by the Polish Financial Supervision Authority ("KNF"), the banking sector generated a net profit of PLN 27.9 billion in 2023, i.e. higher by 159% YoY, or PLN 17 billion, than in the previous year. The factor with the most powerful impact on the sector's improved performance was the interest rates, maintained at the highest level in 20 years for most of 2023. As a result, the banking sector's interest income continued its upward trend and exceeded PLN 98 billion (+29% or PLN 22 billion YoY). In turn, net commission income remained almost flat at PLN 18.7 billion for the entire 2023, which means an increase of 1%, or PLN 221 million, compared to 2022. Total revenues were adversely impacted by other revenues (PLN -8.7 billion, compared to PLN -1.5 billion for 2022), which in turn were influenced by litigation costs. Overall, the sector managed to generate record-high revenues, exceeding PLN 100 billion for the first time (i.e. PLN 108.4 billion, i.e. higher by 16%, or PLN 15 billion, from the previous year).

However, this high increase in revenues was followed by a significant increase in costs. The banking sector faced significant cost increases driven primarily by wage pressure (labor costs +22% YoY), rising energy prices and high inflation. Simultaneously, the BFG's decision not to collect contributions to the Bank Guarantee Fund and a 14% reduction in the rate of contribution to the Compulsory Restructuring Fund for 2023 were a significant relief. Despite this, administrative costs exceeded PLN 40 billion in 2023, which means an increase of 2% YoY, or PLN 645 million. Depreciation and amortization expenses also increased significantly (+9% YoY, or PLN 409 million, to nearly PLN 5 billion). However, as revenues were growing faster than costs, the banking sector significantly improved its cost efficiency, as measured by the cost-to-income ratio, from 48% in 2022 to 42% in 2023.

According to the data published by the KNF, the write-downs and provisions recorded in 2023 remained nearly flat from 2022, i.e. they reduced the banks' results by PLN 17 billion. In contrast, the estimated amount of the bank levy paid by the banking sector amounted to PLN 5.3 billion, which is comparable to the previous year. Along with the increase in pre-tax profit, there was also a significant increase in the amount of income tax paid, which for 2023 exceeded PLN 14 billion (+67% or PLN 6 billion YoY).

Data related to quality of the loan portfolio as of the end of December 2023 show further improvement in the ability of customers to service their debts in most portfolios. The share of Stage 3 loans of non-financial clients together with public sector (more than 90 days past due) fell from 5.2% at the end of 2022 to the all-time low of 5.0%. The biggest improvement (-1.4 p.p. YoY) was recorded in the SME customer segment, where, however, the share of Stage 3 loans is still relatively high (8.2%). In contrast, the portfolio of loans to large enterprises saw a slight deterioration in the timeliness of repayments (+0.1 p.p. to 3.5%). In contrast, quality of the household loan portfolio remained unchanged at 5.0% - the impact of the delay in servicing foreign currency mortgage loans was offset by an improvement in quality of the consumer loan portfolio (-0.6 p.p. YoY to 8.0%). However, the positive picture of portfolio quality is disturbed by the continued increase in the share of Stage 2 loans (past due between 30 and 90 days) for several quarters, both the retail and corporate segments.



In 2023, a further weakening of the growth of loans to the non-financial sector was evident, amounting to +0.7% YoY at the end of December 2022, and -1.9% YoY a year later (a decrease by PLN 25 billion). The main reason was a change in trends in the institutional segment, where the growth rate of loans to non-financial companies declined from +10.0% YoY at the end of 2022 to -0.8% YoY (a decrease of PLN 3 billion) at the end of 2023. In total, the volume of loans to non-financial companies dropped to PLN 399 billion. It should be noted that the significant appreciation of the zloty against major foreign currencies strongly contributed to the above-described events (the volume of foreign currency loans fell by 2.6%, or PLN 3 billion YoY). At the same time, the volume of PLN loans remained unchanged. In terms of the type structure, only investment loans stand out positively as their volume increased by 4.0%, or PLN 6 billion, compared to previous year, while both current and mortgage loans had a downward trend and declined by -2.8% YoY (a decline by 5 billion), and -5.7% YoY (PLN 4 billion), respectively. In terms of term structure, the deepest decline occurred in the group of loans with the shortest time to maturity (up to a year) and amounted to -5.8%, or PLN 6 billion YoY, followed by long-term loans with time to maturity of longer than 5 years (-2.8% or PLN 5 billion YoY), while the volume of loans with time to maturity between 1 and 5 years showed a relatively small decline of 0.8% YoY. (PLN 1 billion).

There was a slight improvement in the retail segment. Although the volume of loans to households fell by 1.3% or PLN 10 billion YoY to PLN 767 billion, nonetheless this was a much better result than the decrease of -3.8% YoY as at the end of December 2022. The interest rate cuts announced by the Monetary Policy Council in September and October 2023 contributed to the revival of demand for mortgage loans in the first place. The volume of PLN-denominated mortgage loans increased by 2.2%, or PLN 9 billion, year over year as at the end of December 2023, while foreign currency loans fell by 25.4% YoY (PLN 26 billion). Growth was also observed in the segment of consumer loans, with their volume increased by 2.3% YoY (PLN 4 billion). However, the highest growth rate occurred for the portfolio of current loans to sole proprietor firms and private farmers (by +12.9%, or PLN 6 billion YoY), while the deepest decline was observed for investment loans (by -12.0%, or PLN 2 billion YoY). In terms of time to maturity, the largest growth was in the segment of loans with time to maturity between 1 and 5 years (by +11.8%, or PLN 9 billion YoY). Slight growth was also observed in the segment of loans with time to maturity between 10 and 20 years, while a decrease in volume was clearly visible in the other categories, including a 0.7% YoY decrease for loans with time to maturity shorter than 1 year.

In 2023, the rate of inflow of deposits from non-financial entities increased significantly from +6.0% YoY (PLN 103 billion) as at the end of 2022 to +8.9% YoY (PLN 162 billion) as at the end of December 2023. The biggest contributor was an increase of 11.3%, or PLN 124 billion YoY, in the volume of household deposits. In absolute terms, this trend was visible both for current deposits (+8.0%, or PLN 62 billion YoY) and time deposits (+19.3%, or PLN 62 billion YoY). The portfolio reached PLN 1,218 billion, with current deposits accounting for 69%.

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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The corporate segment also saw a significant inflow of deposits (+8.8%, or PLN 41 billion YoY), with almost identical trends both in current and time deposit categories. The volume of deposits exceeded the threshold of PLN 500 billion for the first time ever, with current deposits accounting for 70%, as in the retail segment.

Significantly 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 7.2 p.p. YoY, setting its new all-time low at the level of 65%.

## 5. Factors with an impact on the financial results of the Bank's Group in 2024

### War in Ukraine

On February 24, 2022, an unprecedented event took place – the invasion of the independent state of Ukraine by Russian troops. The outbreak of war in a country neighboring Poland has a significant impact on the economic and operational environment in which the Bank operates. The Management Board of the Bank monitors the situation of the outbreak of war in Ukraine and its direct impact on the Bank's operational activity, including the quality of the credit portfolio, which was described in the note "Risk management" in the Annual Consolidated Financial Statement of the Capital Group Bank Handlowy w Warszawie S.A. for the financial year ending on December 31, 2023.

#### The operating activity of the Bank

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

#### Supporting the Bank's customers and corporate social responsibility

The Bank undertook a number of initiatives to support institutional and individual clients, such as:

- Cancel the fees for individual and corporate transfers to Ukraine
- Launch of special www site with important information for clients from Ukraine
- Fast track to open a personal account in Poland for Ukrainian citizens
- Cash disbursement ability for corporate clients to support their staff (mainly refugees)
- Opening of banking accounts for 8 international NGOs within few days

### Trends in the Polish and global economy

The most significant risk driver in the coming quarters remains geopolitical tensions throughout the world, and in particular the war between Russia and Ukraine. A possible escalation of the armed conflict could contribute to a renewed weakening of the national currency and greater risk aversion. An intensification of military action could also trigger renewed increases in commodity prices, including gas and oil in particular, which could contribute to renewed inflationary pressures. An escalation of the conflict in the Middle East could have a similar impact.

Uncertainty persists regarding the scale and sustainability of the economic recovery, both in the eurozone and Poland. A prolonged slowdown could negatively affect the financial situation of the Bank's clients and the demand for loans.

Uncertainty regarding the implementation of economic policy changes remains a local risk factor for economic activity.

### Legal and regulatory risks

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

The Bank is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Bank has identified a number of doubts as regards interpretation of the above-mentioned judgment. Despite the still unresolved issues as at the day of these financial statements, 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 measures of the Polish Financial Supervision Authority set out the direction of possible settlements between banks and the Swiss franc borrowers.

On 15 June 2023, the Court of Justice of the European Union (CJEU) in case C 520/21 essentially duplicated the opinion of the Advocate General from February 16, 2023 and ruled that only the consumer may demand additional benefits resulting from the cancellation of the Swiss franc loan agreement. The Bank may only demand the return of the loan capital together with statutory interest for delay without the possibility of demanding remuneration from the customer (consumer) for non-contractual use of capital. It has been held that Directive 93/13 does not directly govern the consequences of the invalidity of a contract concluded between a seller or supplier and a consumer after the unfair terms have been removed. It is for the Member States to determine the consequences of such a finding and the measures which they adopt in that regard must comply with EU law and, in particular, with the objectives of that directive. It will be for the national courts to assess, in the light of all the circumstances of the dispute, whether the acceptance of such consumer claims is compatible with the principle of proportionality.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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

As at December 31, 2023, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 35.6 million. The Bank maintains a collective provision in the amount of PLN 10.2 million. Estimation of the provision assumed 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 the Bank's loss estimate in the event of a dispute in court. This value, as well as provisions for individual disputes, are included in the Bank's condensed consolidated statement of financial position under item: Provisions.

As at December 31, 2023, the Bank was sued in 72 cases relating to a CHF-indexed loan for a total amount of approximately PLN 31.3 million. 26 cases were legally lost, and the Bank decided to file two cassation appeals (one appeal was rejected on formal grounds). Most of the cases are in the first instance.

### 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 term of the consumer loan act.

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

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

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

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

As of December 31, 2023, the Bank was sued in 941 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4.2 million.

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



Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

### III. 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	-	-	9,668,020
Handlowy Financial Services Sp. z o. o. (previously Dom Maklerski Banku Handlowego S.A.)**	Investing activity	subsidiary	100.00%	full consolidation	117,526
Handlowy - Leasing Sp. z o.o.***	Leasing	subsidiary	100.00%****	full consolidation	20,971
Handlowy Investments S.A.***	Investing activity	subsidiary	100.00%	full consolidation	4,031
Handlowy-Inwestycje Sp. z o.o.***	Investing activity	subsidiary	100.00%	full consolidation	10,753

\* Equity of Bank Handlowy w Warszawie S.A. as per the statement of the financial position of the Bank for 2023

\*\*In 2022 Bank concluded with Dom Maklerski Banku Handlowego S.A. ("DMBH") "Business transfer agreement" on the basis of which DBMH was transferred to the Bank on 1 August 2022. On April 7, 2023, the District Court entered the transformation of Dom Maklerski Banku Handlowego S.A. in the National Court Register. Upon transformation, the company adopted the name "HANDLOWY FINANCIAL SERVICES" Spółka z ograniczoną odpowiedzialnością.

\*\*\* Pre-audit data

\*\*\*\*Including indirect participations

#### Changes in Group's structure

In the 2023 the structure of the Bank's Capital Group has not changed compared to the end of 2022.

On 7 April 2023, the Registry Court registered the transformation of Dom Maklerski Banku Handlowego S.A. into Handlowy Financial Services Spółka z ograniczoną odpowiedzialnością.

On 21 April 2023, the Court removed Dom Maklerski Banku Handlowego S.A. from the National Court Register.

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

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

### 1. Financial results of the Bank and the Group in 2023

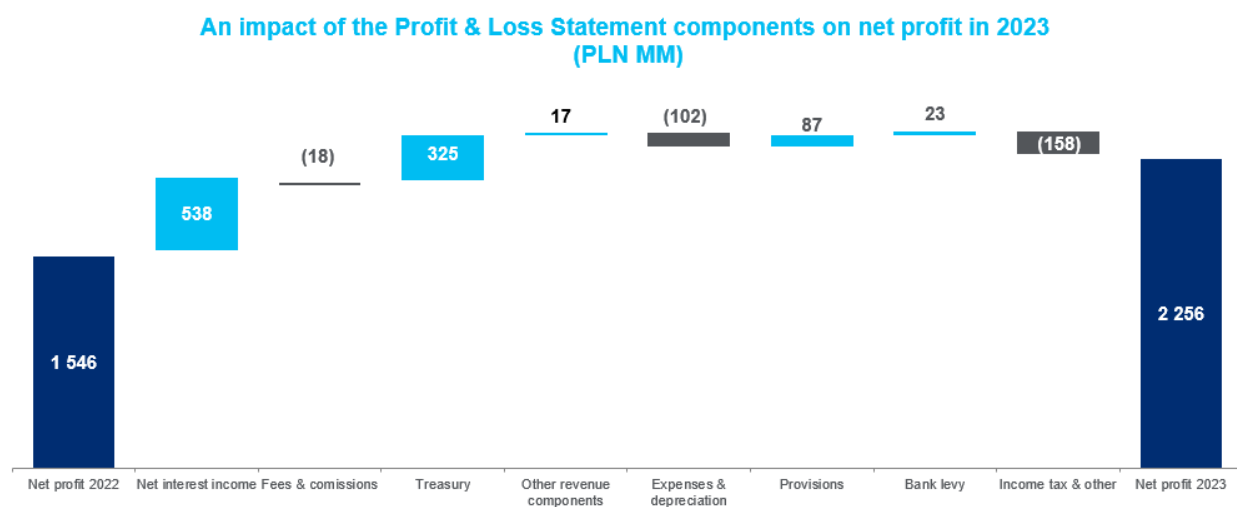
This document presents financial data for both Bank and Group. As activities of the Bank account for the vast majority of operations of the Group (equity of the Bank account for 99.4% of the equity of the Group), both results and financial situation are discussed on the basis of consolidated data, except 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			
	2023	2022	2023	2022	Change	
					PLN '000	%
Net interest income	3,271,208	2,736,722	3,278,718	2,740,874	537,844	19.6%
Net fee and commission income	561,774	562,296	561,499	579,715	(18,216)	(3.1%)
Dividend income	15,026	36,974	11,410	11,089	321	2.9%
Net income on trading financial instruments and revaluation	796,460	643,798	796,754	647,198	149,556	23.1%
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(147,758)	(323,054)	(147,758)	(323,054)	175,296	(54.3%)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	35,351	10,929	35,351	10,886	24,465	224.7%
Net gain on hedge accounting	(10,067)	(1,814)	(10,067)	(1,814)	(8,253)	455.0%
Net other operating income	(17,166)	(15,309)	(17,352)	(17,352)	-	-
<b>Total income</b>	<b>4,504,828</b>	<b>3,650,542</b>	<b>4,508,555</b>	<b>3,647,542</b>	<b>861,013</b>	<b>23.6%</b>
Overheads and general administrative expenses and depreciation, including	(1,437,694)	(1,318,488)	(1,439,548)	(1,337,859)	(101,689)	7.6%
Overheads and general administrative expenses	(1,326,659)	(1,215,931)	(1,328,513)	(1,234,843)	(93,670)	7.6%
Depreciation/amortization of tangible and intangible fixed assets	(111,035)	(102,557)	(111,035)	(103,016)	(8,019)	7.8%
Profit/loss on sale of other assets	(123)	2,772	(123)	2,869	(2,992)	(104.3%)
Net impairment on financial assets and provisions for off-balance sheet commitments	(18,130)	(105,007)	(18,006)	(104,840)	86,834	(82.8%)
Tax on some financial institutions	(190,255)	(213,024)	(190,255)	(213,024)	22,769	(10.7%)
<b>Profit before tax</b>	<b>2,858,626</b>	<b>2,016,795</b>	<b>2,860,623</b>	<b>1,994,688</b>	<b>865,935</b>	<b>43.4%</b>
Income tax expense	(603,436)	(447,485)	(604,275)	(449,008)	(155,267)	34.6%
<b>Net profit</b>	<b>2,255,190</b>	<b>1,569,310</b>	<b>2,256,348</b>	<b>1,545,680</b>	<b>710,668</b>	<b>46.0%</b>

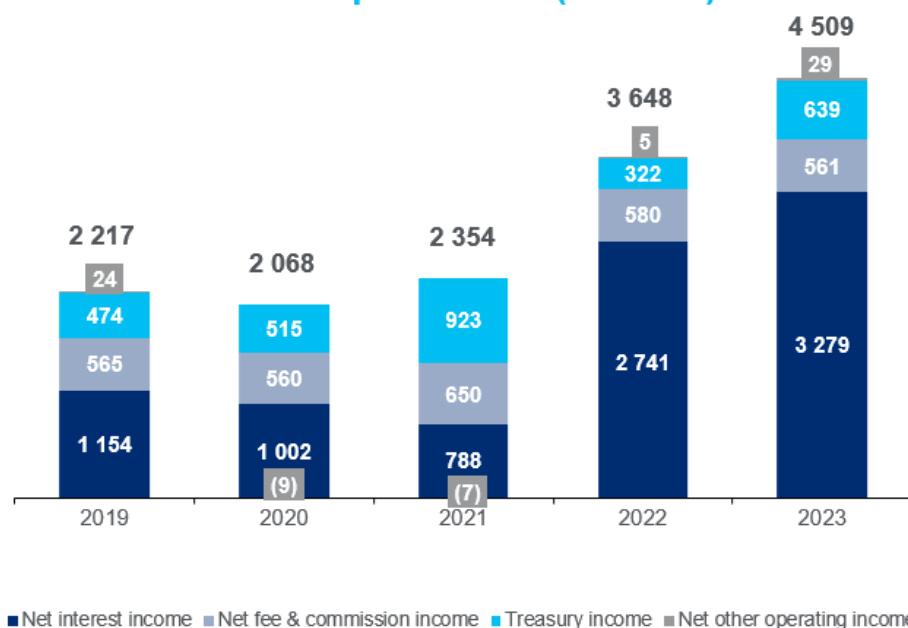
The impact of individual items of the income statement on net profit is shown on the graph below:



### 1.1.1 Revenue

In 2023, revenues from operating activities amounted to PLN 4,508.6 million as compared to PLN 3,647.5 million in 2022, i.e. increased by PLN 861.0 million, i.e. 23.6%.

#### Group's revenue (PLN MM)



The operating result generated by the Group in 2023 was influenced in particular by:

- **Net interest income** amounted to PLN 3,278.7 million in comparison to PLN 2,740.9 million in 2022, which means an increase by PLN 537.8 million (which is 19.6% YoY).

Interest income amounted to PLN 4,399.6 million in 2023 and was higher by PLN 1,066.8 million (which is 32.0%) in comparison to 2022. The largest nominal increase by PLN 437.3 million (i.e. 249.2%) as compared to the 2022 was recorded by interest income on amounts due from banks resulting from the increased volume of reverse repo transactions. Another significant factor of interest income increase was higher interest income on amounts due from customers, which amounted to PLN 1,784.6 million at the end of 2023 and were higher by PLN 301.7 million (i.e. 20.3%) comparing 2022 thanks to maintaining high interest rate environment. As a result, the average interest rate on loans increased from 6.86% in 2022 to 8.89% in 2023.

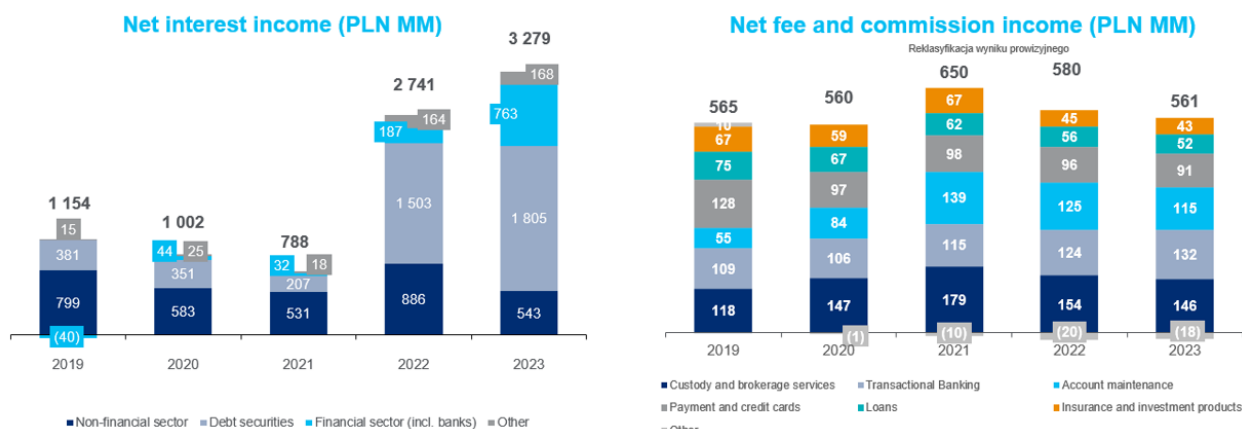
Interest expenses in 2023 also increased significantly - at the end of 2023 amounted to PLN 1,120.9 million and were higher by PLN 529.0 million compared to 2022. The largest nominal increase of PLN 505.4 million concerned amounts due to non-financial sector due to higher interest rates on deposits and an increase in the volume of term deposits from both institutional and individual clients in the entire deposit structure.

- **Net fee and commission income** in the amount of PLN 561.5 million compared to PLN 579.7 million in 2022 - a decrease by PLN 18.2 million (i.e. 3.1% YoY). The decrease in net fee and commission income related to the Consumer Banking segment (decrease by PLN 17.1 million, i.e. at 9.6% YoY), mainly due to lower sale of unsecured products.

In the area of Institutional Banking segment, net fee and commission income remained almost unchanged (a slight decrease by PLN 1.1 million, i.e. 0.3% YoY). In 2023, the Bank observed increased activity of institutional clients in the area of transaction banking, which resulted in an increase of PLN 6.6 million (i.e. 6.3% YoY) in revenues from payment orders as a result of, inter alia, 9.5-fold increase in the volume of instant payments YoY), partially offset by lower revenues from bank accounts maintenance and revenues from custody services (high volatility on capital markets in 2022).

- **Other operating income (i.e. non-interest and non-commission income)** amounting to PLN 668.3 million in comparison to PLN 327.0 million in 2022 (increase by PLN 341.4 million or 104.4% YoY) – due to an increase in the result on treasury activities resulting from interbank activities and a lower loss recorded on investment debt securities portfolio.

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

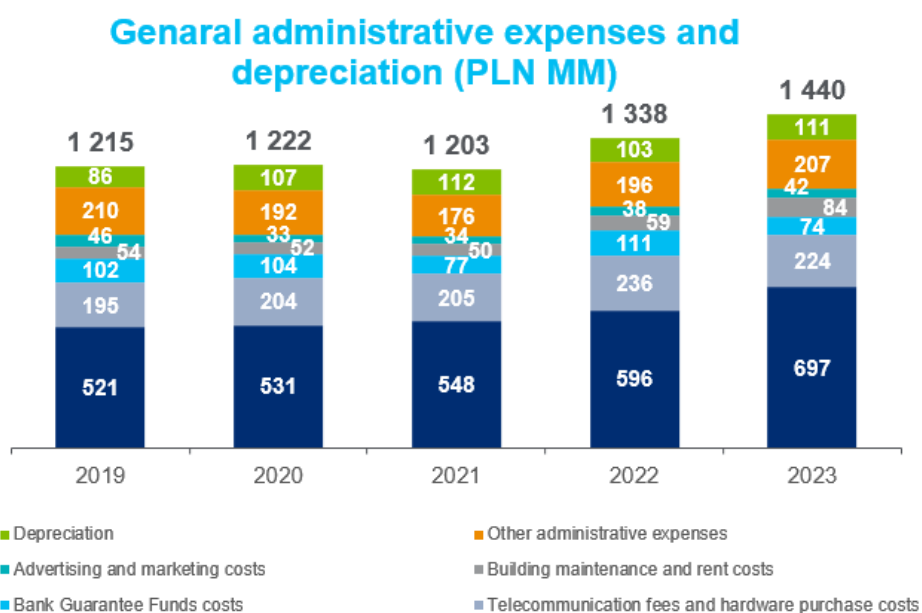


## 1.1.2 Expenses

### General expenses & depreciation

PLN '000	Bank		Capital Group			
	2023	2022	2023	2022	Change	
					PLN '000	%
<b>Personnel costs</b>	(696,694)	(582,843)	(697,495)	(595,537)	(101,958)	17.1%
<b>General administrative expenses, including:</b>	<b>(629,965)</b>	<b>(633,088)</b>	<b>(631,018)</b>	<b>(639,306)</b>	<b>8,288</b>	<b>(1.3%)</b>
Telecommunication fees and IT hardware	(224,276)	(232,096)	(224,344)	(235,635)	11,291	(4.8%)
Bank Guarantee Funds costs	(73,791)	(110,937)	(73,791)	(110,937)	37,146	(33.5%)
Building maintenance and rent	(83,827)	(59,372)	(83,827)	(59,472)	(24,355)	41.0%
<b>Total overheads</b>	<b>(1,326,659)</b>	<b>(1,215,931)</b>	<b>(1,328,513)</b>	<b>(1,234,843)</b>	<b>(93,670)</b>	<b>7.6%</b>
Depreciation	(111,035)	(102,557)	(111,035)	(103,016)	(8,019)	7.8%
<b>Total general expenses &amp; depreciation</b>	<b>(1,437,694)</b>	<b>(1,318,488)</b>	<b>(1,439,548)</b>	<b>(1,337,859)</b>	<b>(101,689)</b>	<b>7.6%</b>

- **General administrative and depreciation expenses** of PLN 1,439.5 million in 2023, which means an increase in expenses by PLN 101.7 million (i.e. 7.6% YoY) as a result of higher staff expenses (remuneration costs increased by PLN 71.5 million, i.e. 16.3% YoY due to the prevailing inflation pressure, employment growth and increase in provisions for deferred capital awards) and due to higher building maintenance and rent costs (an increase by PLN 24.4 million or 41.0% YoY), which was partially offset by a decrease in regulatory expenses by PLN 37.2 million (i.e. 31.3% YoY) and a decrease in the telecommunication fees and hardware purchase costs (a decrease by PLN 11.3 million, i.e. 4.8% YoY).



## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

In 2023 average employment (excluding employees who are absent due to illness, parenthood or unpaid leaves) in the Group amounted to 2,967 FTEs, thus being by 2.1% higher than in 2022. The number of FTEs at the end of the period increased by 2.3% as compared with the same period of 2022. As of December 31, 2023 employment in the Group amounted to 2,978 FTEs, of which 1,536 in consumer banking, 667 in institutional banking and 775 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			
	2023	2022	2023	2022	Change	
					PLN '000	%
Provision for expected credit losses on receivables, including	(29,565)	(89,533)	(29,565)	(89,533)	59,968	(67.0%)
Provision for expected credit losses on financial assets – Stage 1	31,996	(6,786)	31,996	(6,786)	38,782	(571.5%)
Provision for expected credit losses on financial assets – Stage 2	(21,999)	(19,312)	(21,999)	(19,312)	(2,687)	13.9%
Provision for expected credit losses on financial assets – Stage 3	(42,607)	(64,378)	(42,607)	(64,378)	21,771	(33.8%)
Provision for expected credit losses - assets granted with impairment	3,045	943	3,045	943	2,102	222.9%
Provision for expected credit losses for granted off-balance sheet commitments	9,371	(10,879)	9,371	(10,879)	20,250	(186.1%)
Provision for expected credit losses on equity investments	(124)	(167)	-	-	-	-
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income	2,188	(4,428)	2,188	(4,428)	6,616	(149.4%)
<b>Provision for expected credit losses</b>	<b>(18,130)</b>	<b>(105,007)</b>	<b>(18,006)</b>	<b>(104,840)</b>	<b>86,834</b>	<b>(82.8%)</b>

**Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments** amounted to PLN 18.0 million (negative impact on P&L) versus PLN 104.8 million in 2022. The largest nominal change in the amount of net write-offs concerned the Institutional Banking segment (improvement by PLN 94.2 million YoY), mainly due to an improvement of macroeconomic outlook and the falling loan volume. The decrease in net write-offs in Institutional Banking was partially offset by their increase in the Consumer Banking segment (deterioration of the provision for expected credit losses by PLN 7.4 million YoY) due to the stabilization of the loan portfolio. Costs of risk in 2023 were 9 basis points below the average in the banking sector.

### 1.1.4 Ratio analysis

The Group's efficiency ratios

	2023	2022
Return on equity (ROE)*	28.6%	24.0%
Return on assets (ROA)**	3.1%	2.2%
Net interest margin (NIM)***	4.5%	3.9%
Margin on interest-bearing assets	5.0%	4.6%
Earnings per share in PLN	17.27	11.83
Cost/income****	32%	37%
Loans/Deposits	38%	43%
Loans/Total assets	27%	31%
Net interest income to total revenue	73%	75%
Net fee and commission income to total revenue	12%	16%

\* 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.

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

The Bank's efficiency ratios

	2023	2022
Return on equity (ROE)*	29.2%	25.4%
Return on assets (ROA)**	3.1%	2.2%
Net interest margin (NIM)***	4.5%	3.9%
Earnings per ordinary share in PLN	17.26	12.01
Cost/Income****	32%	36%

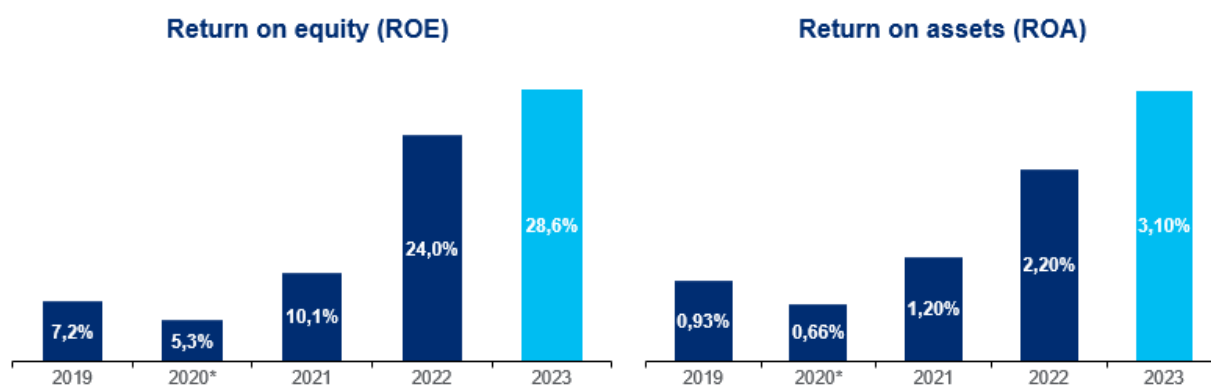
\* Net profit to average equity (including net profit for the current year) calculated on a quarterly basis

\*\* 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 2023, the Group's returns on equity and assets remained at levels of respectively 28.6% and 3.1% 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 32% due to higher revenues (mainly interest income). On the other hand, thanks to the persistent high interest rates, the interest margin increased from 3.9% to 4.5%.



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

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

## 2.2 Consolidated statement of financial position

As of December 31, 2023, total assets of the Group amounted to PLN 73.4 billion, up by PLN 3.6 billion (i.e. 5.1% compared to the end of 2022). Simultaneously, total liabilities amounted to PLN 63.7 billion, up by PLN 1.8 billion (or 2.9%) compared to the end of 2022.

The loan-to-deposit ratio dropped to 38% at the end of December 2023 (down by 6 percentage point compared to the end of December 2022).

### Consolidated statement of financial position

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	PLN'000	%
<b>ASSETS</b>						
Cash and cash equivalents	1,241,724	671,189	1,241,724	671,189	570,535	85.0%
Receivables from banks	15,371,552	968,748	15,371,552	968,748	14,402,804	1,486.7%
Financial assets held for trading	4,880,332	7,029,163	4,880,332	7,029,163	(2,148,831)	(30.6%)
<i>Assets pledged as collateral</i>	-	60,988	-	60,988	(60,988)	(100.0%)
Hedging derivatives	6,731	623	6,731	623	6,108	980.4%
Debt financial assets measured at fair value through other comprehensive income	29,560,292	37,180,808	29,560,292	37,180,808	(7,620,516)	(20.5%)
<i>Assets pledged as collateral</i>	697,771	697,698	697,771	697,698	73	-
Equity investments valued at equity method	91,639	91,775	-	-	-	-
Equity and other instruments measured at fair value through income statement	141,495	106,144	141,495	106,144	35,351	33.3%
Receivables from customers	20,054,454	21,620,507	20,054,454	21,620,507	(1,566,053)	(7.2%)
Property and equipment	508,403	455,418	508,403	455,418	52,985	11.6%
Intangible assets	1,285,314	1,263,863	1,285,314	1,263,863	21,451	1.7%
Receivables due to current income tax	-	-	9	-	9	-
Asset due to deferred income tax	115,401	287,368	115,413	287,368	(171,955)	(59.8%)
Other assets	217,366	217,360	217,535	217,571	(36)	-
Fixed assets held-for-sale	9,266	-	9,266	-	9,266	-
<b>Total assets</b>	<b>73,483,969</b>	<b>69,892,966</b>	<b>73,392,520</b>	<b>69,801,402</b>	<b>3,591,118</b>	<b>5.1%</b>
<b>LIABILITIES</b>						
Liabilities towards banks	3,375,687	4,794,671	3,375,687	4,794,671	(1,418,984)	(29.6%)
Financial liabilities held for trading	3,522,203	4,896,099	3,522,203	4,896,099	(1,373,896)	(28.1%)
Hedging derivatives	92,869	6,917	92,869	6,917	85,952	1,242.6%
Liabilities towards customers	55,162,586	50,667,780	55,008,001	50,512,860	4,495,141	8.9%
Provisions	111,011	111,885	111,689	112,507	(818)	(0.7%)
Current income tax liabilities	457,871	245,173	457,871	245,937	211,934	86.2%
Provision on deferred income tax	-	-	94	165	(71)	(43.0%)
Other liabilities	1,093,722	1,270,837	1,094,615	1,272,001	(177,386)	(13.9%)
<b>Total liabilities</b>	<b>63,815,949</b>	<b>61,993,362</b>	<b>63,663,029</b>	<b>61,841,157</b>	<b>1,821,872</b>	<b>2.9%</b>
<b>EQUITY</b>						
Issued capital	522,638	522,638	522,638	522,638	-	-
Supplementary capital	2,944,585	2,944,585	3,001,260	3,001,259	1	-
Revaluation reserve	128,406	(573,528)	128,406	(573,528)	701,934	(122.4%)
Other reserves	3,191,946	2,811,344	3,190,659	2,833,345	357,314	12.6%
Retained earnings	2,880,445	2,194,565	2,886,528	2,176,531	709,997	32.6%
<b>Total equity</b>	<b>9,668,020</b>	<b>7,899,604</b>	<b>9,729,491</b>	<b>7,960,245</b>	<b>1,769,246</b>	<b>22.2%</b>
<b>Total liabilities and equity</b>	<b>73,483,969</b>	<b>69,892,966</b>	<b>73,392,520</b>	<b>69,801,402</b>	<b>3,591,118</b>	<b>5.1%</b>

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

### 2.2.1 Assets

In terms of assets, the biggest nominal changes in the balance sheet took place on two lines: **amounts due from banks** and **investment debt financial assets**. The balance of amounts due from banks increased by PLN 14.4 billion (i.e. almost fifteen times) compared to the end of 2022, mainly due to the increase in the volume of receivables from Reverse Repo transactions. The balance of investment debt financial assets decreased by PLN 7.6 billion (i.e. 20.5%) compared to the end of 2022, as a result of the lower volume of NBP money bills. At the same time, debt financial assets had the largest share in the Group's asset structure at the end of 2023. Their share in total assets was 40.2%.

#### Debt securities portfolio of the Bank

PLN '000	As at		Change	
	31.12.2023	31.12.2022	PLN '000	%
Treasury bonds, including:	12,518,748	17,394,133	(4,875,385)	(28.0%)
Bank bonds, including:	10,737,222	5,378,487	5,358,735	99.6%
covered bonds in fair value hedge accounting	2,595,263	485,494	2,109,769	434.6%
Bonds issued by financial entities	2,099,422	2,729,265	(629,843)	(23.1%)
covered bonds in fair value hedge	236,733	-	236,733	-
NBP bills	4,996,012	13,951,438	(8,955,426)	(64.2%)
<b>Total</b>	<b>30,351,404</b>	<b>39,453,323</b>	<b>(9,101,919)</b>	<b>(23.1%)</b>

In turn, the second largest share in the structure of the Group's assets at the end of 2023 was **amounts due from customers**, their share in total assets was 27.3%. The value of amounts due from customers at the end of 2023 amounted to PLN 20.1 billion and was lower by PLN 1.6 billion (i.e. 7.2%) compared to the end of 2022 as a result of decline in loan volumes, mainly in the Institutional Banking segment. In 2023, the Bank observed lower demand for loans due to the good liquidity situation of customers and the actions of customers to diversify sources of financing other than traditional loans.

The value of amounts due from clients in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities (i.e. excluding individual clients), amounted to PLN 14.1 billion, down by PLN 1.4 billion (i.e. 8.9%) compared to the end of 2022 and concerned primarily Commercial Banking Clients and Corporate Clients.

The volume of amounts due from clients made to individual customers decreased by PLN 186.9 million (i.e. 3.1%) compared to the end of 2022 and amounted to PLN 5.9 billion. The above decrease relates to unsecured receivables (decrease by PLN 224.7 million), mainly due to the lower cash loan balance, which was partially offset by an increase in mortgage volumes (a decrease by PLN 37.8 million).

#### Net amounts due from clients

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	PLN '000	%
<b>Receivables from financial sector entities</b>	<b>4,175,333</b>	<b>3,810,512</b>	<b>4,175,333</b>	<b>3,810,512</b>	<b>364,821</b>	<b>9.6%</b>
loans	3,993,717	-	3,993,717	3,810,512	183,205	4.8%
Reverse repo	181,616	-	181,616	-	181,616	-
<b>Receivables from non-financial sector entities, including:</b>	<b>15,879,121</b>	<b>17,809,995</b>	<b>15,879,121</b>	<b>17,809,995</b>	<b>(1,930,874)</b>	<b>(10.8%)</b>
Corporate clients*	9,951,131	11,695,148	9,951,131	11,695,148	(1,744,017)	(14.9%)
Individuals, including:	5,927,990	6,114,847	5,927,990	6,114,847	(186,857)	(3.1%)
Unsecured loans	3,715,799	3,940,483	3,715,799	3,940,483	(224,684)	(5.7%)
Mortgage loans	2,212,191	2,174,364	2,212,191	2,174,364	37,827	1.7%
<b>Total net receivables from clients</b>	<b>20,054,454</b>	<b>21,620,507</b>	<b>20,054,454</b>	<b>21,620,507</b>	<b>(1,566,053)</b>	<b>(7.2%)</b>

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



Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

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

PLN'000	As at		Change PLN'000	%
	31 Dec 2023	31 Dec 2022		
<b>Loans without recognized impairment (Stage 1), including:</b>	<b>17,683,703</b>	<b>19,027,051</b>	<b>(1,343,348)</b>	<b>(7.1%)</b>
financial institutions	4,178,181	3,813,160	365,021	9.6%
non-financial sector entities	13,505,522	15,213,891	(1,708,369)	(11.2%)
institutional clients*	8,795,125	10,162,452	(1,367,327)	(13.5%)
individual customers	4,710,397	5,051,439	(341,042)	(6.8%)
<b>Loans without recognized impairment (Stage 2), including:</b>	<b>2,286,856</b>	<b>2,558,056</b>	<b>(271,200)</b>	<b>(10.6%)</b>
financial institutions	25	869	(844)	(97.1%)
non-financial sector entities	2,286,831	2,557,187	(270,356)	(10.6%)
institutional clients*	1,075,188	1,484,776	(409,588)	(27.6%)
individual customers	1,211,643	1,072,411	139,232	13.0%
<b>Loans with recognized impairment (Stage 3), including:</b>	<b>793,882</b>	<b>874,631</b>	<b>(80,749)</b>	<b>(9.2%)</b>
financial institutions	-	-	-	-
non-financial sector entities	793,882	874,631	(80,749)	(9.2%)
institutional clients*	379,303	455,104	(75,801)	(16.7%)
individual customers	414,579	419,527	(4,948)	(1.2%)
<b>Purchased or originated credit-impaired loans, including:</b>	<b>27,205</b>	<b>16,948</b>	<b>10,257</b>	<b>60.5%</b>
financial sector entities	0	0	0	-
non-financial sector entities	27,205	16,948	10,257	60.5%
institutional clients*	8,936	7,007	1,929	27.5%
individual customers	18,269	9,941	8,328	83.8%
<b>Total gross loans to customers, including:</b>	<b>20,791,646</b>	<b>22,476,686</b>	<b>(1,685,040)</b>	<b>(7.5%)</b>
financial institutions	4,178,206	3,814,029	364,177	9.5%
non-financial sector entities	16,613,440	18,662,657	(2,049,217)	(11.0%)
institutional clients*	10,258,552	12,109,339	(1,850,787)	(15.3%)
individual customers	6,354,888	6,553,318	(198,430)	(3.0%)
<b>Impairment, including:</b>	<b>(737,192)</b>	<b>(856,179)</b>	<b>118,987</b>	<b>(13.9%)</b>
<b>Total net amounts due from customers</b>	<b>20,054,454</b>	<b>21,620,507</b>	<b>(1,566,053)</b>	<b>(7.2%)</b>
<b>Impairment provisions coverage ratio</b>	<b>71.3%</b>	<b>74.8%</b>		
institutional clients*	68.9%	72.1%		
individual customers	75.1%	77.6%		
<b>Non-performing loans ratio (NPL)**</b>	<b>4.0%</b>	<b>4.0%</b>		

\* 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.

Gross loans to customers of the Group

PLN'000	As at		Change PLN'000	%
	31 Dec 2023	31 Dec 2022		
Loans in PLN	17,177,473	17,813,379	(635,906)	(3.6%)
Loans in foreign currency	3,614,173	4,663,307	(1,049,134)	(22.5%)
<b>Total</b>	<b>20,791,646</b>	<b>22,476,686</b>	<b>(1,685,040)</b>	<b>(7.5%)</b>

## 2.2.2 Liabilities

As of the end of 2023 **amounts due to customers** were the dominant source of financing of the Group's activity (they accounted for 75.0% of the Group's liabilities and equity) and amounted to PLN 55.0 billion at the end of December 2023, which means an increase by PLN 4.5 billion (i.e. 8.9%) as compared to the end of 2022. At the same time, funds on current accounts were a dominant position in amounts due to customers with a share of 65.8% (a decrease by 5 percentage points in relation to the end of 2022), as a result of the continuation of the time deposit balance growth trend (up by PLN 3.9 billion or 29.5%) among both institutional and individual clients due to attractive interest rates on this deposits. The above increase in the deposit balance was partially offset by a decrease in funds on current accounts by PLN 523.2 million, i.e. 1.5% compared to the end of 2022.

The deposit volumes in the Institutional Banking segment as of the end of 2023 amounted to PLN 34.0 billion, up by PLN 3.0 billion (i.e. 9.8%) compared to the end of 2022. The above growth concerned mainly time deposits.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

The deposit volumes in the Consumer Banking segment amounted to PLN 19.2 billion and increased by PLN 1.4 billion (i.e. 7.7%) compared to the end of December 2022 as a result of a higher balance of time deposits due to the attractive interest rates on these deposits for customers from the strategic customer group.

### Amounts due to customers

PLN '000	Bank		Capital Group			
	As at		As at		Change	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	PLN '000	%
<b>Deposits of financial sector entities</b>	<b>3,942,528</b>	<b>3,790,071</b>	<b>3,787,943</b>	<b>3,635,151</b>	<b>152,792</b>	<b>4.2%</b>
<b>Deposits of non-financial sector entities, including</b>	<b>49,404,816</b>	<b>45,160,337</b>	<b>49,404,816</b>	<b>45,160,337</b>	<b>4,244,479</b>	<b>9.4%</b>
Non-financial sector entities	27,320,481	24,327,592	27,320,481	24,327,592	2,992,889	12.3%
Non-commercial institutions	382,432	526,599	382,432	526,599	(144,167)	(27.4%)
Individuals	19,169,969	17,798,734	19,169,969	17,798,734	1,371,235	7.7%
Public sector entities	2,531,934	2,507,412	2,531,934	2,507,412	24,522	1.0%
<b>Other liabilities</b>	<b>1,815,242</b>	<b>1,717,372</b>	<b>1,815,242</b>	<b>1,717,372</b>	<b>97,870</b>	<b>5.7%</b>
<b>Total liabilities towards customers</b>	<b>55,162,586</b>	<b>50,667,780</b>	<b>55,008,001</b>	<b>50,512,860</b>	<b>4,495,141</b>	<b>8.9%</b>
<b>Deposits of financial and non-financial sector entities, including:</b>						
Liabilities in PLN	36,810,244	31,970,168	36,655,659	31,815,248	4,840,411	15.2%
Liabilities in foreign currency	16,537,100	16,980,240	16,537,100	16,980,240	(443,140)	(2.6%)
<b>Total deposits of financial and non-financial sector entities</b>	<b>53,347,344</b>	<b>48,950,408</b>	<b>53,192,759</b>	<b>48,795,488</b>	<b>4,397,271</b>	<b>9.0%</b>

### 2.2.3 Source and use of funds

PLN '000	Bank		Capital Group	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
<b>Source of funds</b>				
Funds of banks	3,375,687	4,794,671	3,375,687	4,794,671
Funds of customers	55,162,586	50,667,780	55,008,001	50,512,860
Own funds with net income	9,668,020	7,899,604	9,729,491	7,960,245
Other funds	5,277,676	6,530,911	5,279,341	6,533,626
<b>Total source of funds</b>	<b>73,483,969</b>	<b>69,892,966</b>	<b>73,392,520</b>	<b>69,801,402</b>
<b>Use of funds</b>				
Receivables from banks	15,529,803	1,043,968	15,529,803	1,043,968
Receivables from customers	20,054,454	21,620,507	20,054,454	21,620,507
Securities, shares and other financial assets	34,680,489	44,408,513	34,588,850	44,316,738
Other uses of funds	3,219,223	2,819,978	3,219,413	2,820,189
<b>Total use of funds</b>	<b>73,483,969</b>	<b>69,892,966</b>	<b>73,392,520</b>	<b>69,801,402</b>

## 2.3 Equity and the capital adequacy ratio

As compared to 2022, shareholders' equity increased by PLN 1.8 billion (i.e. 22.2%) mainly as a result of an increase in retained earnings, thanks to a higher net profit, and increase in revaluation reserve.

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	
	31.12.2023	31.12.2022	PLN '000	%
Share capital	522,638	522,638	-	-
Supplementary capital	3,001,260	3,001,259	1	-
Revaluation reserve	128,406	(573,528)	701,934	(122.4%)
Other reserves	3,190,659	2,833,345	357,314	12.6%
Retained earnings	2,886,528	2,176,531	709,997	32.6%
<b>Total equity</b>	<b>9,729,491</b>	<b>7,960,245</b>	<b>1,769,246</b>	<b>22.2%</b>

\* Equity net of net profit/(loss)

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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.

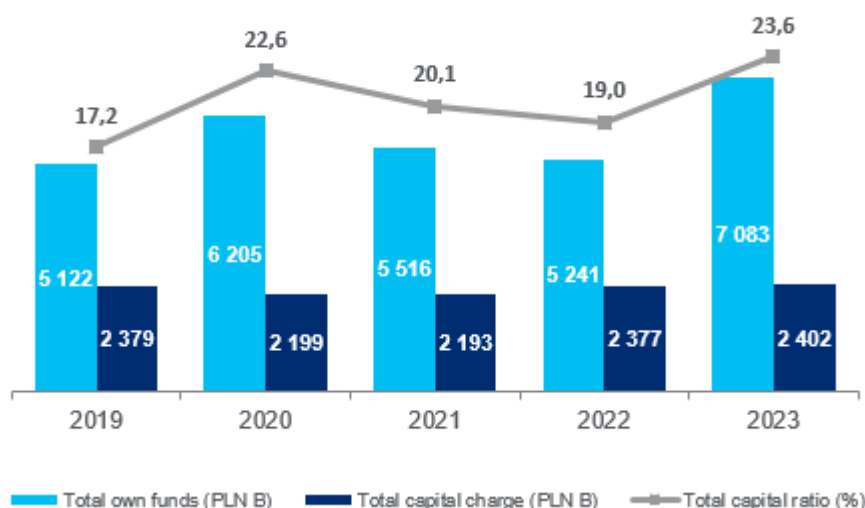
### Capital adequacy ratio\*

PLN'000	31.12.2023	31.12.2022
<b>I Common Equity Tier 1 Capital</b>	<b>7,083,074</b>	<b>5,634,175</b>
<b>II Total capital requirements, including:</b>	<b>2,401,607</b>	<b>2,376,855</b>
credit risk capital requirements	1,624,282	1,728,066
counterparty risk capital requirements	102,614	149,289
Credit valuation correction capital requirements	5,533	4,037
excess concentration and large exposures risks capital requirements	-	-
total market risk capital requirements	105,048	97,497
operational risk capital requirements	564,130	397,966
<b>Common Equity Tier 1 Capital ratio</b>	<b>23.6%</b>	<b>19.0%</b>

\*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. Data as at respective reporting dates includes profits included in own funds, taking into account the applicable EBA guidelines.

\*\*In connection with the above, the capital ratio presented in the table takes into account the position of the European Banking Authority (EBA) regarding the inclusion of audited financial data when calculating the capital requirement for operational risk. In 2020, the EBA published, as part of the single rulebook Q&A, the position (Q&A 2018\_3969), according to which the capital requirement for operational risk should be adjusted as soon as the audited data for a given year is available, if it differs on the requirement calculated on the basis of audited data for previous years or on the basis of estimated data for a given year, if they differed from the audited data.

### Capital adequacy of the Group



As disclosed in current report No. 14/2023 of May 26, 2023, the Bank as a resolution entity that is part of a global systemically important institution (G-SII) in accordance with the definition contained in Art. 4 (136) of the CRR, shall meet the following requirements for own funds and eligible liabilities in accordance with Art. 92a CRR:

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

The Bank meets the TLAC TREA requirement after increasing the combined buffer requirement as at December 31, 2023 due to obtaining the approval of the Polish Financial Supervision Authority on September 29, 2023 to include an appropriate part of the profits from the current period, in the amount of PLN 800 million, into Common Equity Tier 1 capital on the basis on the Bank's reviewed results for the first half of 2023.

In accordance with the CRR regulations, the amount of the required TLAC TREA plus the combined buffer requirement for the Bank was 23.2% at the end of December 2023, while the total capital ratio of the Bank on a consolidated basis was 23.6%.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

The level of the required Capital ratios encompasses:

- The basic requirement for capital ratios resulting from the CRR Regulation: 8% at the own funds level, 6% at the Tier I level and TLAC TREA at the level of 18%
- The combined buffer requirement - 2.82% on consolidated basis, which consists of:
  - The capital conservation buffer – 2.50%
  - The other systemically important institution's buffer – 0.25%
  - Countercyclical capital buffer – 0.07%
  - 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 2023, the capital adequacy ratio of the Group and TLAC TERA ratio amounted to 23.6% and this value enables the Group to develop its lending activities.

An increase of the capital adequacy ratio in 2023 compared to 2022 was caused by: retention of 25% of the profit for 2022, recognition of an appropriate part of the profits from the current period, in the amount of PLN 800 million, to Common Equity Tier 1 capital and an increase in revaluation reserve.

## 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 2023

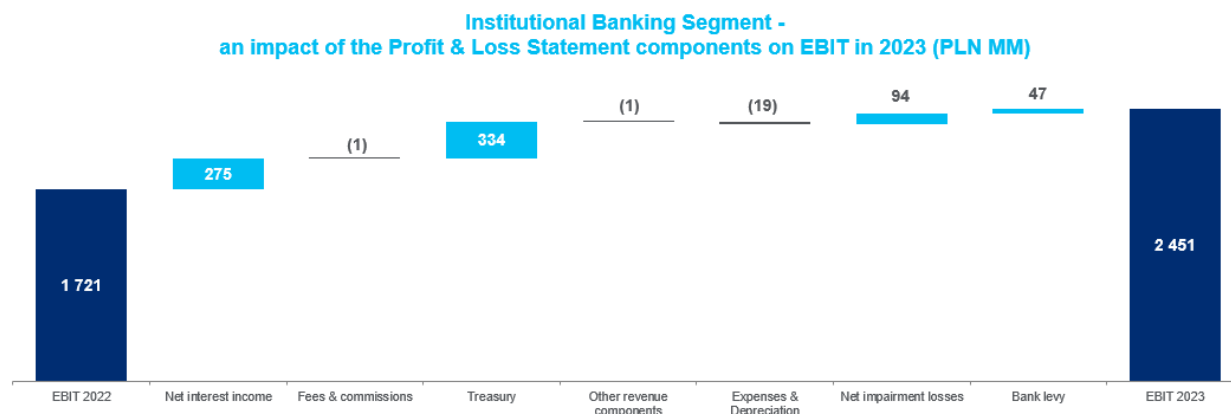
<i>in %</i>	Institutional Bank			Consumer Bank		
	PLN	EUR	USD	PLN	EUR	USD
<b>ASSETS</b>						
Receivables from banks and customers						
- fixed term	7.64	5.46	7.70	7.64	-	-
Debt securities	6.26	3.47	5.32	-	-	-
<b>LIABILITIES</b>						
Liabilities towards banks and customers						
- fixed term	4.56	1.56	3.78	5.23	0.80	1.74

As at 31 December 2022

<i>in %</i>	Institutional Bank			Consumer Bank		
	PLN	EUR	USD	PLN	EUR	USD
<b>ASSETS</b>						
Receivables from banks and customers						
- fixed term	8,62	3,64	5,52	6,98	4,68	-
Debt securities	6,37	2,53	2,96	-	-	-
<b>LIABILITIES</b>						
Liabilities towards banks and customers						
- fixed term	6,71	0,61	3,26	5,90	0,59	2,14

### 3. Institutional Banking Segment

#### 3.1 Summary of segment's results



In 2023, the pre-tax profit of the Institutional Banking segment increased by PLN 729,2 million, i.e. 42.4%. The following factors affected the pre-tax profit of the Institutional Banking segment in 2023 as compared to the previous year:

- Net interest income of PLN 2,193.2 million compared to PLN 1,917.9 million in 2022 - an increase of PLN 275.3 million, mainly related to higher interest income due to continuing high interest rate environment and increased volume of reverse repo transactions;
- Net commission income of PLN 400.4 million compared to PLN 401.5 million in 2022, i.e. almost unchanged level (a slight decrease of PLN 1.1 million, i.e. 0.3% YoY). In 2023, the Bank observed increased activity of institutional clients in the area of transaction banking, which resulted in an increase of PLN 6.6 million (i.e. 6.3% YoY) in revenues from payment orders as a result of, inter alia, 9.5-fold increase in the volume of instant payments YoY), partially offset by lower revenues from bank accounts maintenance and revenues from custody services (high volatility on capital markets in 2022).
- Lower loss on investment debt financial assets measured at fair value through other comprehensive income in the amount of PLN 147.8 million compared to the loss of PLN 323.1 million in 2022, i.e. improvement by PLN 175.3 million;
- General and administrative expenses and depreciation in the amount of PLN 672.1 million compared to PLN 652.8 million in 2022 - an increase of PLN 19.3 million YoY (i.e. 3.0%); caused by higher staff expenses due to prevailing inflationary pressures, employment growth and an increase in provisions for deferred equity awards) and from higher building maintenance and rent costs, which were partially offset by a decrease in regulatory expenses and a decrease in the telecommunication fees and hardware purchase costs;
- Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments amounted to PLN 36.6 million (positive impact on the P&L) compared to PLN 57.6 million (negative impact on P&L) in 2022, which means an improvement by PLN 94.2 million YoY due to improvement of macroeconomic outlook and the falling loan volume;
- Decrease in taxes by PLN 49.8 million as a result of lower bank levy due to change in balance structure.

#### 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 2023, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) stood at slightly below 5,500, i.e. increased by 2% as compared to 2022.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 374 new clients in 2023, including 33 Large Companies, 90 Small and Medium-Sized Companies, 130 International Clients of Commercial Banking Segment, 19 Digital and 102 Public Sector Entities. In the strategic and global client segments, the Bank established 42 new client relationships.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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

### Assets

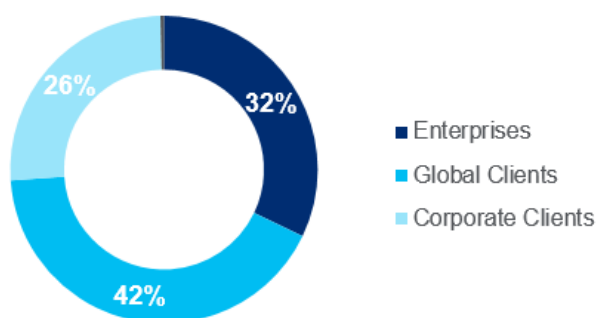
PLN million	31.12.2023	31.12.2022	Change	
			PLN million	%
Enterprises, including:	3,984	4,685	(701)	(15.0%)
SMEs	1,749	1,789	(40)	(2.2%)
Large enterprises	2,235	2,895	(660)	(22.8%)
Public Sector	1	1	-	-
Global Clients	5,180	4,713	467	9.9%
Corporate Clients	3,193	4,240	(1,047)	(24.7%)
Other*	47	48	(1)	(2.1%)
<b>Total Institutional Bank</b>	<b>12,405</b>	<b>13,687</b>	<b>(1,282)</b>	<b>(9.4%)</b>

### Liabilities

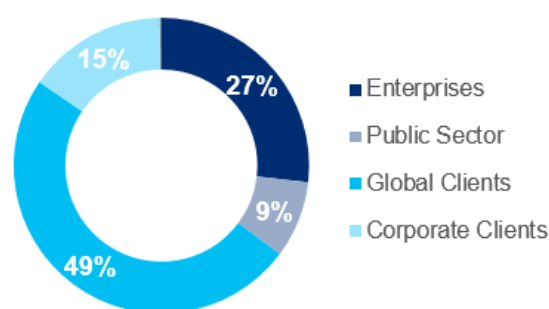
PLN million	31.12.2023	31.12.2022	Change	
			PLN million	%
Enterprises, including:	8,815	6,692	2,123	31.7%
SMEs	5,693	4,432	1,261	28.5%
Large enterprises	3,122	2,260	862	38.1%
Public Sector	2,765	2,703	62	2.3%
Global Clients	16,226	14,897	1,329	8.9%
Corporate Clients	5,035	5,075	(40)	(0.8%)
Other*	46	55	(9)	(16.4%)
<b>Total Institutional Bank</b>	<b>32,887</b>	<b>29,421</b>	<b>3,466</b>	<b>11.8%</b>

\* 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 31.12.2023**



**Structure of the Institutional Bank  
liabilities as of 31.12.2023**



### Key transactions and achievements in Institutional Banking in 2023:

<b>Credit activity</b>	<p><b><u>Granting new financing or increasing or extending existing ones in the amount of PLN 4.2 B</u></b></p> <ul style="list-style-type: none"> <li>• PLN 2.2 billion for Commercial Bank clients, including for a client doing business in the wholesale of waste and scrap metal, for a client doing business in the retail sale of electrical household appliances, for a client doing business in poultry rearing and breeding, for a leading European manufacturer of a wide range of surfactants for the cosmetics industry, for a manufacturer of equipment for the power industry and for a leader in the fish market offering comprehensive services in fish production, processing and transport;</li> <li>• PLN 1.1 billion for Global Clients, including for one of the world's leading car manufacturers, for a client from the automotive industry dealing with car leasing and rental, for a grocery store chain in Poland, for one of the global manufacturers of household appliances and for one of the world's largest steel producers;</li> <li>• PLN 0.9 billion for Corporate Clients, including for one of the leading retail companies in Poland, for an e-commerce company, for one of the leaders in the food industry in Poland and for one of the largest operators of terrestrial radio and television infrastructure in Poland.</li> </ul>
<b>Transactional Banking</b>	<p><b><u>Increasing shares in banking services and transaction banking</u></b></p> <ul style="list-style-type: none"> <li>• Winning 38 mandates for comprehensive banking services or extending the Bank's cooperation with its clients;</li> <li>• Signing of supplier financing agreements and increasing of amounts for existing factoring, promises, letters of credit and guarantees for the total amount of PLN 1.8 billion.</li> </ul>

### 3.3 Treasury Activity

Despite the observed recovery of economies after the pandemic period, the year 2023 was ripe with geopolitical events affecting financial markets.

In times of increased uncertainty, foreign exchange fluctuations and in commodity prices, the Bank's clients particularly appreciated the commitment of the Sales Division's experts. Specifically, noteworthy are the following actions:

- Adding the new Israeli shekel (ILS) as a fully transactional currency, enabling both account maintenance, outgoing transfers, and acceptance of payments in ILS;
- Supporting Polish enterprises in their green energy transition;
- Providing market data, economic forecasts and analyses prepared by a team of experts and economists;
- Supporting clients in the process of developing a foreign exchange exposure management policy;
- Offering a top-notch platform for electronic foreign exchange transactions.

In 2023, the Bank remained among the top banks in terms of spot trading, being one of the leaders in the Treasury BondSpot.

The Financial Markets Sector was also active on the primary market of debt securities by way of orchestrating the following transactions:

- Eleven bond issues for the international financial institution totaling PLN 4.6 billion, including bonds issued for the purposes of furthering the sustainable development goals and the first issue of 20-year bonds
- Bond issues for Bank Gospodarstwa Krajowego (BGK), including:
  - Five issues of eurobonds boosting various funds, including, but not limited to the Ukraine Assistance Fund and the National Road Fund in the total amount of EUR 995 million,
  - One issue of BGK's own bonds in the amount of PLN 1.3 billion in collaboration with a local bank

### 3.4 Transactional banking

In 2023, in accordance with its adopted strategy, the Bank focused on elevating the client experience and usability of its platforms, as well as modernizing its infrastructure. These efforts were aimed at supporting clients in their digital transformation, leveraging Citi's global technology capabilities, but also its local regulatory and market expertise. The Bank encouraged its clients to automate their processes and use its tools for real-time decision-making and settlements using self-service platforms. At the same time, Citi's global expertise and geographical footprint allowed the Bank to foster its position as a strong partner for companies growing and developing their business on international markets.

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

<p><b>Current account</b></p>	<p>In the area of bank accounts, the digital transformation continued, including the digitization of document workflows. <b>The number of documents signed by clients using a qualified electronic signature</b> in 2023 <b>amounted to 46%</b> of all documents submitted, which means an increase by 12 pp. compared to 2022.</p> <p>The Bank also observed an increase in the number of audit certificates issued via the confirmation.com platform, with <b>10% more audits issued</b> compared to 2022.</p> <p>As part of the digitization of processes, the Bank enabled client identity verifications also on the basis of the mObywatel document (mDowód).</p>
<p><b>Electronic Banking</b></p>	<p>In 2023, in the area of electronic banking, the Bank continued the development of its platforms to provide its clients with greater transparency, efficiency and control. The Bank was working to improve the client experience and to promote solutions that facilitate the automation of processes on the client side, based on API functionality, among other things.</p> <p>The Bank conducted extensive commercialization of the modern version of the electronic banking system <b>CitiDirect 3.0</b>, which offers simpler and more intuitive navigation, and the users' most popular functions are presently more handy. The new release of the system has already been made available to most current users. With their comfort in mind, the Bank conducted regular training sessions for users and collected their feedback.</p> <p>Caring about the client's security and comfort, the Bank actively encouraged clients to self-manage CitiDirect user privileges on their end by designated <b>system administrators</b>. A new Mobile Token was promoted, which, in combination with biometric authentication (fingerprints or facial recognition), is a convenient way to log in to the system. The Bank on a regular basis shared its knowledge and provided practical guidance in the field of cybersecurity.</p> <p>In 2023, the commercialization of the <b>CitiConnect API</b> solution underwent further commercialization, enabling the clients to place transfer orders directly in the provider's ERP system. The Bank completed the process of integration with another ERP platform provider – Soneta company. As a result, the joint clients of Soneta and the Bank can benefit from significant automation of processes and the possibility of instant responses and settlements.</p> <p>In 2023, the <b>Bank processed over 35,3 million transactions via electronic channels</b>, which represents an <b>increase by 4%</b> vs. the prior year period.</p>
<p><b>Payment processing</b></p>	<p>Payment volumes continued to increase also throughout 2023. In the area of domestic transactions, the Bank observed an unusually high, <b>as much as a 9,5-fold increase in Express Elixir instant payment volumes</b> compared to 2022. The growing popularity of Express Elixir among the clients corroborates the Bank's strategic assumption to focus its support on the need to automate processes and settlements in real time, in particular from the perspective of entities using the Bank's services in the <i>Banking as a Service</i> (BaaS) model and entities making urgent payments to their consumers.</p> <p>In 2023, the Bank further strengthened its suite of payment solutions prepared for clients in the <i>Digital Natives</i> segment, as reflected in the <b>24 percent increase in domestic payment volumes of "new economy" clients</b> compared to 2022. Clients from the "new economy" category use the full range of the Bank's payment solutions, however their demand for domestic payments seems to be greater than for foreign payments when juxtaposed against the Bank's total number of clients, showing that the Bank plays an important role as a local partner in the context of Citi's global knowledge and geographical footprint.</p> <p>In the area of payments, servicing global banking clients who use the Bank as a provider allowing access to domestic payment services in Poland is also an important aspect. The increase in payment volumes is therefore also evident in the area of correspondent banking: <b>volumes of domestic loro client transfers increased by 30%</b> compared to the previous year.</p> <p>Continuing its strategy of providing flexible and intelligent transaction banking solutions, the Bank promoted <b>Citi Payment Insights</b>, which, among others, makes it possible to track the status of payments or generate confirmations on request from the beneficiary, and <b>Citi Payment Outlier Detection</b>, which, thanks to advanced analytics and algorithms, makes it possible to monitor and control the company's payments in real time, as well as identify transactions that differ significantly from previous trends.</p> <p>In 2023 the Bank maintained <b>a high share in the Direct Debit market at 34,7%</b> (data as at the end of December 2023).</p>
<p><b>Corporate cards</b></p>	<p>In corporate cards, in 2023 <b>the value of cashless transactions went up 32% for credit cards and 6% for debit cards</b> versus 2022. Transaction volumes also increased, with the Bank recording <b>21% more transactions for credit cards and as much as 17% more transactions</b></p>



	<p><b>for debit cards.</b> The increase in transaction-related metrics was driven by both the Bank's active initiatives to promote corporate card payments (especially in the area of B2B payments), acquisition activities and inflation.</p> <p>In the area of product functionality, in 2023 the Bank focused on activities aimed at increasing the convenience of corporate card service and reducing the formalities, by promoting tools enabling self-management in corporate card programs based on the <b>CitiManager platform</b>. In 2023, the implementation of new solutions continued - such as modules enabling the clients to apply for cards in bulk and to manage cards in bulk. These actions allowed the Bank to achieve the intended effect of setting processes for applying for cards using CitiManager as a standard and by default, with a view to and in the direction of full digitization of card processes.</p>
<p><b>Trade Finance and Service</b></p>	<p>In the annual surveys, the Bank's clients continued to rate the services and solutions in the field of trade service and finance very highly. Specifically, suppliers gave their positive feedback on the supplier finance program. The trade finance structures that the Bank – thanks to its experience and Citi's global footprint – created for its clients, significantly assisted them in maintaining sound supply chains and smooth and safe settlements, even during market turmoil.</p> <p>At the end of 2023, the value of transactions granted under trade finance products was <b>18% higher</b> compared to the previous year. Clients were more likely to use trade finance products such as reverse factoring, trade credit and supplier finance. One of the important agreements concluded by the Bank in the area of trade finance was a financial agreement taking into account the <b>achievement of objectives in the field of responsible business and sustainable development of the Client.</b></p> <p>In 2023, the value of guarantees issued by the Bank <b>increased by 18%</b> compared to 2022. The increased demand for guarantees results primarily from the growing needs of companies to secure transactions. Clients appreciated the possibility of issuing guarantees electronically, which was reflected in the share of e-guaranties in the total guaranties issued, <b>maintained at more than 70%.</b></p>

### 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 2023, the Bank maintained more than 16.5 thousand securities accounts (including collective accounts).

Simultaneously, the Bank acted as depository of open-end pension fund 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., Allianz Polska TFI S.A. Templeton Asset Management (Poland), Skarbiec TFI S.A. and mTFI S.A.

The Bank continued servicing investment funds and pension funds operating under the Employee Capital Plans program: PKO Emerytura SFIO, Santander PPK SFIO, Allianz 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 nine 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 depository 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

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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 Brokerage Department of Bank Handlowy w Warszawie ("DMBH").

As at the end of 2023, DMBH was the market maker for 65 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 15.7% of the shares listed in its main equity market.

In 2023, DMBH was the intermediary in in-session transactions accounting for 4.0% 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 21.2 billion and declined by 8.6% as compared to last year, with decrease in turnovers on the WSE by 3.9%.

In 2023, DMBH was on a 9. 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 13.4 thousand as at the end of 2023 and increased by 11% compared to 2021. The change follows the arrangement of acquisition processes in DMBH after its incorporation into the Bank and the effect of synergy in distribution processes.

In 2023, shareholders and issuers were observably circumspect in taking activities due to the war in Ukraine, high inflation and the uncertain macroeconomic situation in Poland. In 2023, DMBH carried out an Accelerated Share Sale transaction combined with a capital increase in the company CCC S.A., in the amount of PLN 505 million – DMBH acted as the Global Coordinator in this transaction (April 2023).

Furthermore, DMBH worked on preparing transactions of initial and secondary public offerings.

#### Summary financial data as at 31 December 2023\*

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial result for 2023
		%	PLN '000	PLN '000	PLN '000
Handlowy Financial Services Sp. z o.o. (previously Dom Maklerski Banku Handlowego S.A.)	Warsaw	100.00	118,440	117,526	3,573

\*preliminary data

#### Summary financial data as at 31 December 2022

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial result for 2022
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	119,220	117,286	3,333

### 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 2023\*

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial profit/loss for 2023
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,662	20,971	574

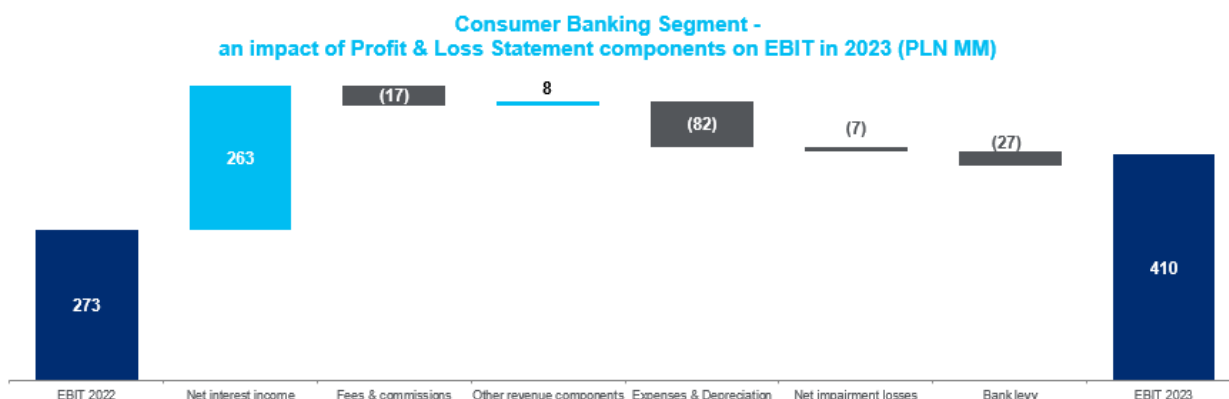
\*pre-audit data

#### Summary financial data as at 31 December 2022

Company	Headquarter	% of authorized Capital/votes in GM held by the Bank	Balance sheet total	Equity	Net financial profit/loss for 2022
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,378	20,688	292

## 4. Consumer Banking Segment

### 4.1 Summary of the segment's results



The following factors affected the pre-tax profit of the Consumer Bank segment in 2023:

- higher **interest income** mainly due to continued high interest rates environment. At the same time, high rates and a tightened credit policy reduced the creditworthiness of customers, which resulted in a decline in the balance of loan products (-3.1% YoY). The downward trend in loan balances reversed in the third quarter of 2023, when mortgage product balances began to increase and cash loan balances stabilized as interest rates were expected to decline;
- an increase in **interest expenses** as a result of a higher interest rates raise for the polish zloty and other currencies which translated into an increase in the balance of deposits (+7.7% YoY);
- lower **net fee and commission income**, due to reduction in commissions on credit products granted (as a result of growing interest on loans) and an increase in the costs of obtaining credit products (mainly an increase in credit card acquisition +65% YoY);
- lower income on **trade financial instruments and revaluation** due to exceptionally high income in this line generated in 2022, mainly caused by the war in Ukraine;
- an increase in **operating expenses**, mainly due to increase in staff expenses, technology expenses and costs of renovation of the bank's headquarters.

### 4.2 Selected business data

	2023	2022	Change	
			PLN '000	%
Number of individual customers	565.3	571.1	(5.8)	(1.0%)
Number of current accounts	516.0	492.2	23.8	4.8%
Number of savings accounts	117.5	116.8	0.7	0.6%
Number of credit cards	466.4	479.2	(12.8)	(2.7%)
Number of debit cards	264.0	252.4	11.6	4.6%

### 4.3 Key business achievements

<b>Bank accounts</b>	<b>Current accounts</b>	The total balance on the accounts <b>amounted to PLN 9.0 billion</b> as at the end of 2023, i.e. <b>decreased by 8%</b> as compared to 2022. The decrease in the balance is a consequence of the transfer of funds accumulated on current accounts to the accounts of the time deposits.
		The number of personal accounts was <b>516,000</b> as at the end of 2023, i.e. <b>increased by 5%</b> as compared to 2022. Of that number, 278,000 were PLN accounts and 238,000 accounts in foreign currencies.
	<b>Savings accounts</b>	The number of savings accounts was <b>117,000</b> as at the end of 2023, with a simultaneous their total balance of <b>PLN 2.2 billion</b> . The lack of increase in the balance on savings accounts is caused, similarly to current accounts, by the transfer of funds to term deposit accounts, the balance of which <b>increased by 32%</b> compared to the previous year from PLN 4.4 million at the end of 2022 to nearly <b>PLN 5.8 billion</b> at the end of December 2023.

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

	<p><b>Changes in the offer</b></p> <p>At the beginning of the year, the Bank enlarged the offer by a special deposit facility up to PLN 20,000 with an attractive interest rate in the amount of 8% per annum for a 3-month term. In addition, the Bank offered attractive interest rates on term deposits as part of the offer for new Citigold Clients and Citigold Private Clients.</p> <p>In response to the lower market rates, in December 2023 the Bank changed the interest rate on Savings Accounts maintained in PLN. At present, on the Konto SuperOszczędnościowe (SuperSavings Account), deposits up to PLN 20,000 bear interest of 5%, for deposits above that amount the interest is 2%. On the Konto Oszczędnościowe (Savings Account), the interest rate is 2%, regardless of the amount of the balance. The Bank responded in a similar way with respect to the interest rate on term deposits in PLN as part of the standard deposit offer and special offers.</p> <p><b>Awards and honors</b></p> <p><b>In 2023, Citi Handlowy was celebrating the 30th anniversary of its private banking in Poland.</b> 30 years ago, in 1993, Bank Handlowy w Warszawie S.A. (presently Citi Handlowy) designed and developed a new type of banking not obtainable in that time in Poland - private banking. In the following years, the Bank developed its offer, and after the merger of Bank Handlowy w Warszawie S.A. with Citibank (Poland) S.A., the banking offer that catered to the affluent Poles evolved. Citigold banking appeared, followed by Citigold Private Client, offering wealth management, advisory and wealth succession services at the highest level.</p> <p>In the last year edition of the prestigious <b>Euromoney Global Private Banking Awards 2023</b>, the private banking offered by Citigold Private Client was awarded the title of <b>Best for Digital in Poland</b>. The jury recognized the achievements in the development of the digital channel, such as the innovative Total Wealth Advisor tool and Citibank Global Wallet, as well as the security of clients and their assets.</p>
<p><b>Credit Cards</b></p>	<p>As at the end of 2023, the number of credit cards was <b>466,400</b>. The total debt on credit cards amounted to <b>PLN 2.2 billion</b> as at the end of 2023 and decreased by 5.9% from the end of 2022. The Bank's share on the credit card market, measured by the value of loans granted on credit cards, was 17.0% according to the data at the end of December 2023.</p> <p>In 2023, the <b>acquisition of credit cards amounted to approximately 37,200 cards, which means an increase by 65% as compared to 2022</b>. It was possible thanks to the Bank's intensive activities in the area of acquisitions by making the offer of credit cards more attractive.</p> <p>In 2023, 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.</p> <p>The Bank consistently diversifies its acquisition channels while continuously optimizing its sales processes.</p>
<p><b>Cash loans and installment products on credit card accounts</b></p>	<p>In 2023, the bank observed an increase in customer interest in cash loans. As a result, at the end of 2023, the sales volume of unsecured loans (cash loans and loans on credit card) amounted to <b>PLN 714 million</b> and was <b>higher by 25 YoY</b>.</p> <p>At the end of 2023, the balance of the unsecured loan portfolio amounted to <b>PLN 1.7 billion</b>, which means a decrease by 7% compared to 2022. The above decline is a consequence of the decline in customers' creditworthiness and the greater number of early repayments of loans made by customers.</p> <p>The balance of cash loans, which is the dominant product of unsecured loans, stabilized in the second half of 2023 compared to the second half of 2023 due to the increase in the sales volume of this product.</p>
<p><b>Mortgage products</b></p>	<p>As at the end of 2023, the mortgage loan portfolio amounted to <b>PLN 2.2 billion</b>, i.e. the same level as it was in 2022. In 2023, sales of mortgage products amounted to <b>PLN 366 million</b>, i.e. decreased by 5% compared to the sales results recorded in 2022.</p>
<p><b>Investment and insurance products</b></p>	<p>As at the end of 2023, the <b>funds under management as part of investment products</b> (including investment insurance products, without dual currency investments) acquired by retail clients via the Bank were <b>15% higher</b> as compared to the same period in 2022. This increase was mainly due to the increase in assets and the valuation of shares and bonds listed on the foreign markets, which have the largest share in the asset portfolio and also due to the increase in the valuation of investment fund units. The portfolio of assets for foreign stock and bond markets at the end of 2023 <b>increased by 53%, and for investment funds increased by 17%</b> compared to the end of 2022.</p> <p>In 2023, the volume of foreign exchange transactions (FX) in the Consumer Banking segment decreased by 31% compared to 2022, while the <b>number of foreign exchange transactions increased by 8%</b> compared to 2022.</p> <p>In the structured product segment, the Bank completed <b>2 subscriptions for PLN denominated</b></p>

**structured bonds** in 2023. At the end of the year, work on the implementation of a new model for the distribution of structured bonds in a public offering with the participation of the Bank's Brokerage Office was completed.

As regards open-ended investment funds, in 2023 the Bank enhanced the offer by adding 7 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 2023, two new insurance products were introduced to the offer. 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

In 2023, no changes were made to the structure, number and location of the branch network. As at 31 December 2022, there were 18 branches dedicated to customer service. 9 Hub Gold branches, 8 Smart branches and 1 corporate branch operate within the branch network.

The Bank maintained a stable branch network. The lease agreements regarding commercial premises whose expiry dates were due in 2023 were extended, therefore the level of availability to the branch network remained unchanged, while ensuring the continuity of customer service.

Due to the unceasing popularity of digital banking solutions and the increasing use of remote service channels and customer self-service processes, the past year was a continuation of the downward trend in the number of financial transactions concluded at the branches. At the same time, direct contact with customers in the Bank's branches, which gives the opportunity to tailor the service and products offered to the individual needs and expectations of clients, remains an important form of service and acquisition. The Bank's response to these market conditions was to take modernizing activities regarding the maintenance of the branch network, the main objective of which was to improve the quality and ergonomics of the work environment and increase the efficiency of service. The activities were focused primarily on Smart branches. The works resulted in changes in the spatial arrangement of workstations and changes in social spaces and facilities. Heating, lighting and air conditioning systems were also modernized in selected branches.

#### Number of branches (at the end of period)

	December 31, 2023	December 31, 2022	Change
<b>Number of branches:</b>	<b>18</b>	<b>18</b>	-
- HUB Gold	9	9	-
- Smart Branches	8	8	-
- 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.

Electronic banking also includes a transaction module for investment funds and a Citi Kantor currency exchange module, enabling, among others, placing a conditional order and setting a currency alert.

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 353,000 as at the end of 2023. The share of active Citibank Online users in the entire client portfolio of the Bank was 65% as at the end of 2023, i.e. down by 1 p.p. as compared to the end of 2022.

At the same time, as at the end of 2023, digital users accounted for 84% of all transactionally active clients, which means that the level of 2022 was maintained.

## 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 modernized 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. The application has also been enriched with a module presenting offers of products and services tailored to customer needs, as well as a section that allows you to recommend products to friends directly from the application. At the end of June 2023, the Citi Mobile application introduced the ability to change contact details, including telephone number and email address.

The mobile 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.

**The number of BLIK payments** made by the Bank's customers in 2023 **increased by 62%** compared to 2022. **The number of BLIK phone transfers** made in 2023 **increased by 51%** compared to 2022. The number of users using BLIK increased by 48% YoY.

As at the end of the 2023, 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 254,000, i.e. decreased by 12% as compared to the end of 2022.

As at the end of 2023 the share of active users of mobile banking in the retail client portfolio of Citi Handlowy was 47%, i.e. decreased by 5 p.p. as compared to the same period in 2022.

## Social media

In 2023, Citi Handlowy continued its activities in social media. The platforms on which the Bank has a presence represent an important channel of communication with customers. In 2023, Citi Handlowy conducted active communication in this form regarding products, special offers prepared for the Bank's clients, educated them on the use of its digital solutions.

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

In 2023, the posts published by the Bank on social media reached 6.8 million unique users, i.e. decrease in the range by 4.2% compared to the previous year. It results from a smaller amount of published materials: 241 publications appeared in 2023 (37.0% less than in the previous period). The materials were viewed 46.7 million times (-7.5% YoY). Thanks to paid activities, users left 4,368 reactions (-24% YoY), 136 comments (-59% YoY) under the Bank's publications, and the content was shared 169 times (-10% YoY), and links were clicked 96,392 times (+7% YoY).

## 6. Changes in IT technologies

In 2023, 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 promote an electronic distribution the channels based on the most advanced online and mobile solutions. Projects supporting the automation and digitization of the Bank's internal processes were also important.

IT processes of the Bank are executed in accordance with international standards, which was confirmed, in the first half of 2023, by the positive outcome of recertification/supervisory audits of compliance with ISO 20000 version 2018 (information technology – service management), ISO22301 (continuity of business) and ISO 27001 (information security management).

The most crucial modifications and improvements implemented in 2023 included:

- **in institutional banking:**
  - implementation of solutions to support incoming SWIFT payments in the new ISO 20022 format – implementation of the solution enable SWIFT payments to be supported in the new global ISO format. As a result of the implementation, the Bank expects to maintain its international transaction flows at current levels;
  - implementation of solutions supporting digitization and automation of back-office processes. As a result of implementing the automation of subsequent back-office processes, the Bank expects increased reliability and efficiency in the area of automated processes.
- **in consumer banking:**
  - implementation of a new solution eliminating active links in SMS messages for online card payments. In the new solution, credentials are entered by customers when called up on the merchant/store page;
  - implementation of a new convenient feature for the Bank's current customers, who can apply for a cash loan directly on the Bank's website, with the entire process being fully automated;
  - enabling the Bank's customers to confirm their identity using an ID card in the mObywatel application;

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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- implementation of a number of changes to improvement of the online and mobile banking platform (addition of a new functionality) in order to increase the client satisfaction level, revenues and security;
- implementation of tools supporting automation and digitization of sales processes (straight through processing) in the area of consumer banking products - for credit card processes, cash loans and accounts.
- **in the scope of adaptation of systems of the Bank to ensure their compliance with regulatory requirements:**
  - adaptation of the Bank to the revised STIR (Clearing House Information and Communication System) reporting requirements and the launch of reporting to SINP (Financial Information System).
- **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 addition of new solutions in the data leakage prevention (Data Leakage prevention systems), which have significantly mitigated the risks connected with data leaks;
  - implementation of a new backup computing center in Poland (in the colocation model) as an alternative location to the local infrastructure in Warsaw;
  - completion of the second phase of the Microsoft365 office suite implementation, in which the SharePoint Online service (without bank data) was launched for internal communication;
  - adaptation of the end-user infrastructure to the requirements of the Hybrid Work Act;
  - launch of the first modules of the IT infrastructure management system, ServiceNow 3.0, in the cloud;
  - implementation of a solution for managing the Bank's mobile devices enabling software version control and forcing the activation of anti-virus software.

Technology units proactively develop and improve their portfolios of services to fully meet both current and future business needs of the Bank. They deliver to their business partners optimal technology solutions used to build competitive advantage. Technology units actively 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:**
  - Integration with the National e-Invoice System;
  - Implementation of the new WIRON benchmark;
  - implementation of reporting within the Central Electronic Payment Information System (CESOP),
  - implementation of solutions for robotization and automation of operating processes of the Bank;
  - expansion of the ICT environment for financial reporting – by automating current processes, this implementation will ensure greater cost efficiency and reliability of financial and supervisory reporting processes;
  - ongoing identification and elimination of safety gaps in used systems;
  - optimization of the technology services portfolio through the elimination and consolidation of obsolete IT architecture elements.
- **in consumer banking:**
  - implementation of a functionality that will allow the Bank to verify the PESEL reservation status when customers conclude loan agreements;
  - implementation of solutions for robotization and automation of operating processes of the Bank;
  - continued automation and digitization of sales processes (straight through processing);
  - continued improvement of the online and mobile banking platform (addition of a new functionalities and products);
  - ongoing identification and elimination of safety gaps in used systems.

- **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;
  - continued modernization of the architecture of network infrastructure of the Bank's main locations using SDN technology (software defined network);
  - implementation of the Microsoft365 office bundle to improve the efficiency of the Bank's employees (in the next phase, users are planned to be migrated to M365 in the computing cloud with the possibility of processing banking data);
  - continued migration of the IT infrastructure management system, ServiceNow 3.0, to the cloud;
  - preparation works before using AWS cloud and GCP 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 the first quarter of 2023 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 2023, 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.



# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

## Special purpose investment vehicles companies

As at 31 December 2023, 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 2023 were as follows:

Entity	Headquarter	Authorized capital/votes in GM held by the Bank	Balance sheet	Equity	Net financial profit/loss for 2023
		%	PLN '000	PLN '000	PLN '000
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	10,821	10,753	293
Handlowy Investments S.A.*	Luxemburg	100.00	4,063	4,031	(111)

\* Financial data of Handlowy Investments S.A. originate from the financial statements prepared as at 28 February 2023 (pre-audit data), which is the entity's balance sheet date.

## V. 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 2023 the financial and organizational situation of the Group was affected, among other things, by:

Legal acts / regulations	Effective date and summary of new requirements
<p><a href="#">Announcement of the UKNF (Office of the Polish Financial Supervision Authority) of 28 February 2022 on supporting solidarity of the financial sector</a>  <a href="#">Announcement of the UKNF of 4 March 2022 on the product offer for refugees from the areas of military operations in Ukraine</a></p>	<ul style="list-style-type: none"> <li>Date: February/March 2022</li> <li>The UKNF has said it appreciates and supports the ethical and responsible approach as well as the solidarity of many institutions of the Polish financial sector in the face of the ongoing humanitarian crisis caused by the aggression of the Russian Federation against Ukraine,</li> <li>The Polish watchdog expects supervised entities to display exceptional business ethics during this difficult time for everyone and to actively counteract any practices consisting in abusing and exploiting the tragedy of the Ukrainian nation to achieve non-standard benefits.</li> <li>The UKNF said it expected banks to implement offers addressed to the group of refugees from Ukraine as soon as possible, in order to grant them access to the basic payment services and facilitate the distribution of the financial support among them. The Office also emphasized the need to help them easily satisfy their everyday life needs that require standard payment transactions.</li> </ul>
<p><a href="#">Announcement of the European Banking Authority (EBA) on ensuring compliance with sanctions against Russia following the invasion of Ukraine</a></p>	<ul style="list-style-type: none"> <li>Date: 11 March 2022</li> <li>The EBA has called on financial institutions to ensure compliance with sanctions against Russia following the invasion of Ukraine and emphasized that it will continue to closely monitor and assess the situation.</li> <li>The EBA underscored that financial institutions are required to assess the adequacy and effectiveness of internal controls and governance to ensure compliance with restrictive measures adopted in response to the above-mentioned crisis. They should also adapt or enhance systems and processes as appropriate.</li> <li>Moreover, the EBA called on them to facilitate access to basic payment accounts for refugees.</li> <li>The EBA's announcement was also locally supported by the UKNF through its published stances and communiqués.</li> </ul>
<p><a href="#">Recommendations of the National Working Group for Benchmark Reform (NGR) on new agreements for PLN products</a></p>	<ul style="list-style-type: none"> <li>Date: 2023/2024</li> <li>The purpose of the recommendation is to identify best practice for financial market participants in the use of the WIRON (Warsaw Interest Rate Overnight) benchmark or the indices from the WIRON Family of Composite Indices to determine variable interest rates when entering into new contracts with customers for gold products based on the</li> </ul>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

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	<p>benchmark. The recommendations include recommended interest calculation guidelines,</p> <ul style="list-style-type: none"> <li>• The guidelines specified in the recommendations are not mandatory and may be applied voluntarily taking into account the specific characteristics of a financial market participant and of customers with whom agreements are made.</li> </ul>
<p>PFSA's stand on the assessment of creditworthiness when granting floating and periodically fixed interest rate loans</p>	<ul style="list-style-type: none"> <li>• Date: 2023</li> <li>• The PSFA has published a position paper on the assessment of creditworthiness when granting variable and periodically fixed interest rate loans,</li> <li>• The position states that the level of minimum interest rate change to be adopted in the credit assessment process should be reviewed and possibly redefined by the bank. The right level should be differentiated according to the risk factors recognized by the bank and should also correspond to the characteristics of the product. The PFSA also indicated that the Management Boards of banks should be cautious in setting the percentage decrease in the income buffer indicated in Recommendation S,</li> <li>• The position withdraws the obligation for banks to accept an absolute minimum change in the level of the interest rate of 5 p.p. in the creditworthiness assessment process.</li> </ul>
<p>The position of the UKNF (the Office of the Polish Financial Supervision Authority) on the risk of earlier repayment under mortgage loan agreements with a periodically fixed interest rate</p>	<ul style="list-style-type: none"> <li>• Date: 2023</li> <li>• The Office of the Polish Financial Supervision Authority published a position in which it indicated, among other things, that it might be considered acceptable to apply a solution as part of a mortgage loan offer with a periodically fixed interest rate, according to which a fixed or periodically fixed interest rate on the loan would be replaced (contractually), before the end of the period for which it was set, with a new – lower fixed or periodically fixed interest rate.</li> <li>• Such interest rate should be set for a new period, running from the date of conclusion of the annex, and at the same time not shorter than the period for which the fixed interest rate was set in the agreement (namely in accordance with Recommendation S – not shorter than 5 years), but not longer than the remaining lending period.</li> </ul>
<p>Amendment to Recommendation A on the management by banks of the risks associated with operations on derivative instruments</p>	<ul style="list-style-type: none"> <li>• Date: 31 December 2023</li> <li>• Recommendation A is a set of good practices relating to roles and responsibilities of the management board and supervisory board, risk identification and assessment, monitoring, internal control system and risk control &amp; reporting in the area covered by the Recommendation. The Recommendation covers derivative transactions between banks with all categories of clients, provided that it should be noted that the definition of the client has changed as compared to the version that is currently in force. In addition, it covers all types of derivative instruments, including those admitted to organized trade within the meaning of the Act of 29 July 2005 on trade in financial instruments and derivative instruments outside such trade.</li> <li>• Recommendation A applies to the following areas:             <ol style="list-style-type: none"> <li>a) Management Board and Supervisory Board</li> <li>b) Risk identification and assessment (including risk measurement / estimation), monitoring, control and reporting</li> <li>c) internal control system.</li> </ol> </li> </ul>

**In addition, the Bank's activity in 2023 was affected by the following European Banking Authorities' Guidelines:**

**AML and Sanctions Risk:**

- EBA guidelines on the compliance management policies and procedures and the role and responsibilities of the AML / CFT Compliance Officer (AMLRO) in accordance with Article 8 and chapter VI of Directive (EU) 2015/849
- EBA Guidelines amending Guideline EBA/2021/02 Guidelines on Money Laundering and Terrorist Financing Risk Factors
- EBA Guidelines on Principles and Controls for the Effective Management of Money Laundering and Terrorist Financing Risks when Providing Access to Financial Services

**Product and Customer Relationship Management:**

- ESMA guidelines on MiFID II product governance requirements
- ESMA Guidance on Specific Aspects of MiFID II Suitability Requirements
- EBA Guidelines on the Use of Remote Customer Onboarding Solutions

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

### Corporate Governance:

- ESMA Guidance on Certain Aspects of the MiFID II Remuneration Requirements

<p>Act of 25 February 2021 r. amending the Banking Law Act and certain other acts</p>	<ul style="list-style-type: none"> <li>In 2023 the Bank's activities was affected by the requirement to establish an intermediary EU parent entity of the Bank, arising from the above Act.</li> </ul>
<p>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.</p>	<ul style="list-style-type: none"> <li>Announcement date: 11 September 2019</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
<p>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</p>	<ul style="list-style-type: none"> <li>Announcement date: 3 October 2019</li> <li>According to the CJEU ruling, if Polish courts find that indexation clauses in foreign currency indexed mortgage loan agreements are abusive:             <ol style="list-style-type: none"> <li>1) courts may assume that the contract cannot continue to operate without such clauses because this would change the nature of the contract,</li> <li>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),</li> <li>3) courts cannot freely supplement their terms based on equity principles (e.g. by introducing settlements based on NBP exchange rates into contracts),</li> <li>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.</li> </ol> </li> <li>As a result of this judgment, a case law unfavorable for banks has developed, affirming the ability to invalidate mortgage loan contracts indexed to a foreign currency.</li> </ul>
<p>Banking package CRD V/CRR II, which includes:</p> <p>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,</p> <p>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.</p>	<ul style="list-style-type: none"> <li>Date: most of the new regulations came into force in mid-2021, some in 2022,</li> <li>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.</li> </ul> <p>The package includes the following measures in particular:</p> <ul style="list-style-type: none"> <li>a binding leverage ratio for all institutions and a leverage ratio buffer for all global systemically important institutions</li> <li>a net stable funding ratio</li> <li>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</li> <li>a requirement for non-EU institutions with significant activity in the EU to have an EU intermediate parent undertaking</li> <li>a new Total Loss Absorption Capacity (TLAC) requirement for Global Systemically Important Institutions</li> <li>a more refined minimum requirement for own funds and eligible liabilities (MREL) and compliance rules for Global Systemically Important Institutions and other large banks</li> <li>new moratorium powers for resolution authorities.</li> </ul>
<p>Act of 1 December 2022 amending the Labor Code and certain other acts</p>	<ul style="list-style-type: none"> <li>Effective date: 07 April 2023,</li> <li>Repeal of the currently applicable provisions of the Labor Code on telework and their replacement with the drafted provisions on remote work,</li> </ul>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

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Act of 9 March 2023 amending the Labor Code and certain other acts

- Effective date: 27 April 2023
- The act introduced, among others, new employee rights (parenting rights) and other rights such as leave due to force majeure,
- The act implements two directives into the Polish law, i.e.
  - a) Directive (EU) 2019/1152 of the European Parliament and of the Council of 20 June 2019 on transparent and predictable working conditions in the European Union,
  - b) Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents and carers and repealing Council Directive 2010/18/EU.

Act on the Financial Information System

- The effective date of the Act is 10 February 2023 and the banks had 2 months or 3 months after the effective date, whichever ends sooner, and investment firms and custodian banks 7 months or 9 months after the effective date, whichever ends sooner, to start providing reports,
- 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, 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.

The Act introduced amendments to several acts regulating the performance of activities by financial market entities, justified by the purpose to facilitate the functioning of supervised entities by simplifying licensing procedures and reporting obligations, as well as in the area of strengthening the protection of individual investors. Specifically, the Act introduced:

- changes in the regulations on banking and investment outsourcing and sub-outsourcing,
- a wider acceptable scope of banks' activities pursuant to Article 70(2) of the Act on Trading in Financial Instruments (the so-called single banking license),
- exclusion of certain obligations of investment firms towards clients who are eligible counterparties;
- changes in the scope of brokerage activities conducted by banks,
- the entitlement to conduct securities lending activities by custodian banks,
- the entitlement to submit declarations of intent in connection with the performance of activities related to trading in securities or other financial instruments in electronic form without a prior agreement between the parties in this respect,
- the inclusion of the activities of banks within the scope of Article 70(2) of the Act on Trading in Financial Instruments – the principles of professional secrecy within the meaning of this Act,
- the necessary adaptation of the bank's articles of association to the current business.

The Act of 16 August 2023 on amending certain acts in connection with ensuring the development of the financial market and the protection of investors in this market

The Act of 1 December 2022 Amending the Act on Consumer Rights and Certain Other Acts

- Effective date: 01 January 2023
- The prohibition of concluding financial services contracts at a show (added Article 7ab to the Consumer Rights Act).

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

Commission Delegated Regulation (EU) 2022/2360 of 3 August 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2018/389 as regards the 90-day exemption for account access.

- Its effective date is 25 July 2023.
- Introduction of the mandatory exemption from the SCA use if a user wants to get access to information on a payment account (check the balance or transactions for last 90 days) via a provider that provides information on the account (AISP),
- Implementation of the requirement to use SCA when a user gets access to account information via an AISP for the first time or after at least 180 days from the last SCA.

The mCitizen Application Act

- Effective date – 14 July 2023, whereby obliged institutions are to apply the provisions of the Act with regard to the use of the mCitizen document as a financial security measure for customer identification and identity verification, from 1 September 2023,
- The Act sets out a new legal basis for the functioning of the mCitizen application and the services made available within the application, in particular:
  - a) introduction of legal changes that provide a basis for the use and recognition of electronic documents, supported by the mCitizen application,
  - b) definition of the legal basis for the scope of data that users of the mCitizen application can use in the services made available and provided within this application,
  - c) enabling the use of the mCitizen application as a trusted profile authentication factor,
  - d) ensuring that payments can be made for services provided by public bodies in the mCitizen app,
  - e) regulating the functioning of a new means of electronic identification – the so-called mCitizen profile.
- According to the Act, an mCitizen document is a document stating identity and Polish citizenship in the territory of Poland.

In 2024, 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

Amendment to Recommendation G concerning interest rate risk management at banks (draft)

- Date: 2024 (planned)
- 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 U on good bancassurance practices (KNF's Resolution No. 243/2023)

The position of the PFSA on uniform rules for the application of point 20 of the U. Recommendation

- Date: 1 July 2024 (deadline for adjusting activity),
- The Polish Financial Supervision Authority (KNF) published an amendment to Recommendation U on good bancassurance practices that will replace the current Recommendation U of 2014.
- The aim of Recommendation U is to improve the standards of bancassurance business and to set the conditions for the stable development of the bancassurance market, The adopted Recommendation U introduces new provisions concerning in particular:
  - a) ensuring that the insurance products offered through bancassurance, including in credit or loan repayment insurance (so-called CPI products), provide adequate value for the customer,
  - b) the way insurance products are offered in bancassurance,
  - c) the relationship of a bank, operating in the field of bancassurance, with an insurance financier who, on the basis of a contract concluded with the bank, is obliged to cover the costs of the bank's insurance cover,

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

	<ul style="list-style-type: none"> <li>d) monitoring, as part of the bank's internal control and risk management system and by the audit committee, of the processes involved in the offering of insurance products by these entities.</li> <li>• The UKNF's position refers to Recommendation 20, which contains the Commission's expectation that the insurance products offered will provide adequate value for the client, and that the remuneration of the entity received for insurance intermediation will be determined taking into account the client's interest and the amount of insurance cover costs.</li> </ul>
<p>Amendment to Recommendation S on good practices for management of credit exposures secured with mortgages (KNF's Resolution No. 242/2023)</p>	<ul style="list-style-type: none"> <li>• Date: 1 July 2024 (deadline for adjusting activity),</li> <li>• The adoption of the amendment is dictated by the need to adapt Recommendation S to changing legislation and to implement the regulatory and supervisory policy of the Financial Supervision Commission,</li> <li>• The changes introduced in Recommendation S relate to:             <ul style="list-style-type: none"> <li>a) the inclusion in Recommendation S of a guaranteed housing loan covered by a government program,</li> <li>b) the inclusion in Recommendation S of a housing loan covered by the government's interest rate subsidy program,</li> <li>c) a buffer against rising interest rates, which is taken into account in determining a customer's creditworthiness,</li> <li>d) the introduction of new expectations regarding the inclusion of models estimating the risk of early repayment of loans (prepayment models),</li> <li>e) the introduction of new expectations regarding the information on mortgage risks that should be provided to customers.</li> </ul> </li> </ul>

In addition, the Bank's activities in 2024 may be affected by the following EBA Guidelines:

**Corporate Governance:**

- [EBA Guidelines on Improving Resolvability for Institutions and Resolution Authorities \(EBA/GL/2022/01\)](#)
- [EBA Guidelines amending Guideline EBA/GL/2022/01 on Improving Resolvability for Institutions and Resolution Authorities to Introduce a New Section on Resolvability Testing](#)
- [EBA Guidelines on Transferability in the Context of the Resolvability Assessment for the Purposes of the Transfer Strategy](#)
- [EBA Guidelines on General Resolvability in Recovery and Resolution Planning](#)

<p>Recommendations of the National Working Group for Benchmark Reform (NGR) on new agreements for PLN products</p>	<ul style="list-style-type: none"> <li>• Date: end of 2027</li> <li>• These recommendations are to present to financial market entities the best practices relating to the use of the WIRON interest rate benchmark (Warsaw Interest Rate Overnight) or rates from the WIRON composite index family for determination of variable interest rates when concluding new agreements with customers for benchmark-based PLN products. The recommendations include recommended interest calculation guidelines.</li> <li>• The guidelines specified in the recommendations are not mandatory and may be applied voluntarily taking into account the specific characteristics of a financial market participant and of customers with whom agreements are made.</li> </ul>
<p>CRD VI / CRR III package,</p>	<ul style="list-style-type: none"> <li>• Deadline: final work is underway on the CRD VI Directive, which will require implementation into the Polish legal system, and on the CRR III Regulation, which is to take effect on 1 January 2025,</li> <li>• As part of CRR III, it is envisaged that, among other things, the following would be introduced:             <ul style="list-style-type: none"> <li>– changes to the method of calculating capital requirements in all risk areas,</li> <li>– the so-called output floor (a baseline level), which aims to reduce the unjustified variability of capital requirements generated by internal models and excessive capital reductions,</li> <li>– a number of changes in the standardized approach for a credit risk in order to increase the sensitivity of this approach to the risk in several key aspects,</li> <li>– the obligation to include in the calculation of capital requirements contracts that have been offered by the institution but have not yet been accepted by the client.</li> </ul> </li> <li>• The CRD VI Directive envisages the following:</li> </ul>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

	<ul style="list-style-type: none"> <li>– the requirement to include ESG risks in the calculation of internal capital;</li> <li>– the requirement to integrate ESG risks into strategies, policies, procedures and systems for risk identification, measurement and monitoring;</li> <li>– the requirement to test the bank's resilience to long-term adverse effects of ESG factors in different scenarios, including stress scenarios;</li> <li>• the requirement to include ESG risk topics in the supervisory authority's reviews and assessments.</li> </ul>
<p>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.</p>	<ul style="list-style-type: none"> <li>• Announcement date: 11 September 2019</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p>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</p>	<ul style="list-style-type: none"> <li>• Announcement date: 3 October 2019</li> <li>• According to the CJEU ruling, if Polish courts find that indexation clauses in foreign currency indexed mortgage loan agreements are abusive:             <ol style="list-style-type: none"> <li>a. courts may assume that the contract cannot continue to operate without such clauses because this would change the nature of the contract,</li> <li>b. 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),</li> <li>c. courts cannot freely supplement their terms based on equity principles (e.g. by introducing settlements based on NBP exchange rates into contracts),</li> <li>d. 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.</li> </ol> </li> <li>• 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.</li> </ul>
<p>EU Cybersecurity Package</p> <ol style="list-style-type: none"> <li>1. Directive on the resilience of critical entities ("DRCE"),</li> <li>2. Directive on measures for high common level of cybersecurity across the Union ("NIS 2"),</li> <li>3. draft Regulation on operational resilience to digital threats ("DORA" – Digital Operational Resilience Act).</li> </ol>	<ul style="list-style-type: none"> <li>• DRCE extends the scope of existing EU legislation on critical infrastructure from two to ten sectors: energy, transport, banking, financial market 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.</li> <li>• NIS2 Directive 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. The deadline for the implementation of the NIS 2 directive in the national order is October 17, 2024,</li> <li>• 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. The regulation entered into force on January 16, 2023, and will enter into force on January 17, 2025.</li> </ul>
<p>Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive</p>	<ul style="list-style-type: none"> <li>• Under the Directive, all large entities and small and medium-sized listed companies are to provide information on: environmental, social, human rights and corporate governance issues in their management report. This information will be reported according to the Common European Sustainability Reporting Standards (ESRS). The provisions of the</li> </ul>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

<p>2013/34/EU with regard to corporate sustainability reporting</p> <p>Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (ESRS)</p>	<p>Directive provide for a three-stage timetable for the application of the new obligations, depending on the size of the obliged entity Bank Handlowy w Warszawie S.A. as a large entity with more than 500 employees, will be required to provide information first – for the financial year 2024. The directive needs to be implemented in Polish law.</p> <ul style="list-style-type: none"> <li>With regard to Directive 2013/34/EU of the European Parliament and of the Council as amended by Directive (EU) 2022/2464 of the European Parliament and of the Council, large undertakings, small and medium-sized undertakings whose securities are admitted to trading on an EU regulated market, as well as parent undertakings of large groups, are required to include in a separate section of their management report or consolidated management report the information necessary to understand the undertaking's impact on sustainability related matters and the information necessary to understand the impact of sustainability matters on the undertaking's development, performance and position. Entities are to prepare this information in accordance with the sustainability reporting standards (ESRS). The Regulation takes effect beginning from 1 January 2024 in respect of financial years beginning on or after 1 January 2024.</li> </ul>
<p>A bill on the protection of persons signaling violations of law</p>	<p>Date: First quarter 2024</p> <p>The proposed act is to specify:</p> <ul style="list-style-type: none"> <li>The scope and definition of reportable breaches of law,</li> <li>The legal status of the person reporting the breach of law, the so-called whistleblower,</li> <li>The conditions required to provide protection for the reporting persons,</li> <li>The protective measures for individuals who report or publicly disclose information on violations of law,</li> <li>The rules of establishment of the internal procedure for reporting violations of law and taking follow-up activities,</li> <li>The rules of public disclosures of violations of law.</li> </ul>
<p>The Electronic Service of Documents Act of 18 November 2020</p>	<ul style="list-style-type: none"> <li>Effective date: 5 October 2021, provided that for some entities, including banks, the obligation to use the National Electronic Service System depends on the date specified in the announcement of Digitization Minister, which cannot be later than 1 October 2024,</li> <li>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.</li> </ul>
<p>The draft act on debt collection activities and the debt collector profession</p>	<ul style="list-style-type: none"> <li>Effective date: 2023, provided that the Act lays down a 1-year transition period,</li> <li>The draft implements regulations concerning the functioning of debt collection companies and activities of debt collectors. It introduces, among other things, a requirement to keep debt recovery records and the list of conducted collections. The draft will affect the activities of debt enforcement companies as it regulates the rules they must adhere to in the course of their activities,</li> <li>The Act may affect the prices of disposed receivables.</li> </ul>
<p>Proposed Regulations on Artificial Intelligence (AI Act)</p>	<ul style="list-style-type: none"> <li>This proposed regulation is to ensure that AI systems introduced in the EU market and used in the EU are safe and in compliance with the law in the area of fundamental rights and EU values. One of the assumptions is that comprehensive requirements will be implemented for so-called high-risk Artificial Intelligence systems, which include creditworthiness assessment systems for individuals, but also other systems that may be used in the banking system.</li> </ul>
<p>Technical standards approved by the European Parliament on 7 October 2022 concerning the implementation of changes in the EMIR regulatory system set out in EMIR Refit.</p>	<ul style="list-style-type: none"> <li>These standards are to significantly affect the obligations of derivative market participants arising from EMIR, and in particular their reporting requirements. The standards will become effective from the end of April 2024, but adaptation works should start in 2023 due to the scale of the project.</li> </ul>



Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

<p>Road Map for the process to replace WIBOR and WIBID benchmarks</p>	<ul style="list-style-type: none"> <li>• The Road Map approved by the Steering Committee of the National Working Group for Benchmark Reform (NGR) established by the UKNF presents the key assumptions and work schedule for the benchmark reform pending in Poland. According to the Road Map, it is assumed that, with the effective cooperation of all parties involved, the reform of the indices will be implemented in its entirety by the end of 2024. The assumptions of the Road Map developed as part of the NGR's work indicate a readiness to stop developing and publishing the WIBOR and WIBID reference indices from the beginning of 2025. The NGR Steering Committee has chosen the WIRON rate as the recommended replacement for WIBOR and WIBID rates.</li> <li>• On 25/10/2023, the Steering Committee of the National Working Group issued a communication on changes to the expected Reference Rate Reform Roadmap regarding the decision to change the maximum deadlines for the implementation of the Roadmap, which assumes a bottom-up withdrawal by the financial sector from the use of WIBOR in favor of newly concluded agreements and financial instruments using a fixed interest rate or new RFR benchmarks. To that effect, the Committee indicated the final moment of conversion at the end of 2027.</li> </ul>
<p>Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 concerning measures to mitigate excessive exposures to third country central counterparties and improve the efficiency of Union clearing markets</p>	<ul style="list-style-type: none"> <li>• As part of the revision of EU Regulation 648/2012, further legislative action was identified as necessary to limit excessive exposures to third-country central counterparties and to improve the efficiency of EU clearing markets (CCPs). In view of the above, the European Commission has proposed amendments to EU regulations, i.e. Regulations 648/2012, 575/2013 and 2017/1131, regarding, inter alia, the recognition of exemptions from central clearing for intragroup transactions, the need to maintain a so-called active account with an EU CCP, the authorization of CCPs, supervisory competence in this respect. The proposed amendments will apply to Bank Handlowy w Warszawie S.A. inter alia, with regard to the bank's OTC derivative transactions that are subject to central clearing and relationships with central counterparties.</li> </ul>
<p>Draft Regulation of the Minister of Finance on the detailed rules for the organizational separation of the bank's brokerage activities and the activities that may be performed by the organizationally separated unit or other organizational units of the bank</p>	<ul style="list-style-type: none"> <li>• Planned effective date: 14 days after the date of publication,</li> <li>• The specification of detailed rules for the organizational separation of the bank's brokerage activities,</li> <li>• The specification of the scope of activities that may be performed by a brokerage house or organizational units of the bank other than a brokerage house in connection with the bank's brokerage activities and other activities of the bank, and the method of determining the conditions for performing these activities.</li> </ul>
<p>The Act of 14 April 2023 amending the Act on Goods and Services Tax and certain other acts</p>	<ul style="list-style-type: none"> <li>• Its effective date is on 1 January 2024.</li> <li>• individual payment service providers involved in cross-border transactions will be required to report certain cross-border transactions to a central electronic payments information system ("CESOP") managed by the European Commission,</li> <li>• Payment service providers will be required to keep quarterly records of payment recipients and cross-border payments, in electronic form, for the payment services provided. The obligation will arise when the number of services provided by the provider amounts to more than 25 cross-border payments to the same recipient in a quarter.</li> </ul>
<p>The Act of 16 June 2023 Amending the Goods and Services Tax Act and Certain Other Acts (implementing the National System of e-Invoices, the so-called KSeF)</p>	<ul style="list-style-type: none"> <li>• Effective date – 1 July 2024 for active VAT taxpayers,</li> <li>• The National System of e-Invoices (KSeF) is a system that enables the generation and sharing of structured invoices. The aim of KSeF is to centralize the process of registering invoices in business transactions by directing them to one central facility,</li> <li>• Taxpayers will face sanctions of up to 100% of the amount of VAT indicated on the invoice, in the event of a failure to comply.</li> </ul>
<p>Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union</p>	<ul style="list-style-type: none"> <li>• The Directive introduces the concept of the so-called global minimum tax (a top-up tax, Pillar 2),</li> <li>• Pillar 2 is, in simple terms, a set of rules that impose an obligation on large multinational enterprise groups to pay a top-up tax so that the group's effective tax rate in a given country is not lower than 15%,</li> <li>• The provisions of Pillar 2 should enter into force on 1 January 2024, Poland has still not presented a draft law implementing the Directive</li> </ul>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

	<p>into the national legal system. However, Pillar 2 should be analyzed in terms of the entire capital group and the regulations introduced in individual countries.</p>
<p>Regulation (EU) 2023/1113 of the European Parliament and of the Council of 31 May 2023 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849</p>	<ul style="list-style-type: none"> <li>• The Regulation takes effect on 30 December 2024 and Regulation (EU) 847/2015 of the European Parliament and of the Council will cease to apply on the above effective date.</li> <li>• The draft introduces:             <ul style="list-style-type: none"> <li>a) amendments to the obligations of payment service providers to provide information on payers and payees accompanying transfers of funds,</li> <li>b) obligations of crypto-asset service providers involved in the transfer of crypto-assets to provide information on the originators and beneficiaries accompanying transfers of crypto-assets;</li> <li>c) obligations to implement internal policies, procedures and controls to ensure that restrictive measures are applied.</li> </ul> </li> </ul>
<p>Draft Act on Credit Servicers and Credit Purchasers</p>	<ul style="list-style-type: none"> <li>• On 12 January 2024, the information about the draft was displayed in the list of legislative works of the Government – the planned date of adoption by the Council of Ministers is the second quarter of 2024. The deadline for implementation under EU law has already lapsed, so it is expected that the act will be enacted and enter into force in 2024.</li> <li>• Regulation of credit servicing activities (supervision, register, authorizations, capital requirements, policy and internal procedure requirements),</li> <li>• The Directive lays down the rules of national supervision over the above-mentioned entities (including but not limited to, supervision of individual categories of entities and establishment of a procedure for granting authorization to credit servicers), including in terms of cross-border trade in receivables,</li> <li>• Amendment to the Consumer Credit and Mortgage Credit Act with respect to mandatory elements of the agreement, and information provided before the agreement is amended.</li> </ul>
<p>Directive of the European Parliament and of the Council on credit agreements for consumers and repealing Directive 2008/48/EC (CCD2)</p>	<ul style="list-style-type: none"> <li>• Deadlines - entry into force on 19 November 2023, the deadline for transposition: by 20 November 2025, the deadline for application: beginning from 20 November 2026,</li> <li>• The requirements contained in the directive are by and large reflected in the current Consumer Credit Act, the "Anti-Usury Act" and other provisions. However, the Directive contains a number of new provisions, therefore it will be necessary to review and amend the current provisions.</li> <li>• wider scope of application – loans up to EUR 100 000,</li> <li>• new reporting obligations,</li> <li>• new advertising policies,</li> <li>• upper limits of fees, interest rates, APR.</li> </ul>
<p>Draft act amending the Act on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation and the Act on Crowdfunding for Business Ventures</p>	<ul style="list-style-type: none"> <li>• Effective date: one day after the announcement date, with the exception of the provisions concerning the Borrowers Support Fund (FWK) which come into effect on 1 May 2024.</li> <li>• The draft envisages an amendment to the existing provisions of the Act of 9 October 2015 on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation in terms of, including but not limited to, reducing, as one of the conditions for obtaining support, the size of the Installment to Income ratio, increasing the amount of income entitling to obtain support or a loan for debt repayment, extending the possible period of granting support from 36 to 40 months, increasing the value of the maximum support from the current level of PLN 2,000 to PLN 3,000,</li> <li>• The draft introduces amendments to the Act of 7 July 2022 on Crowdfunding for Business Ventures and assistance to borrowers by extending the credit holiday mechanism for 2024, which provides for a criterion according to which the consumer will be entitled to suspend the repayment of the loan if the arithmetic average of the value of the Installment to Income ratio (the Installment to Income ratio in the meaning of the Act of 9 October 2015 on Support for Borrowers Who Have Taken a Housing Loan and Are in a Difficult Financial Situation), for the period of the last three months preceding the month of submitting the request exceeds 35%.</li> </ul>

Financial data access and payments package (PSR/PSD3/FIDA)

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on payment services in the internal market (PSR)

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on payment services and electronic money services in the internal market (PSD3)

Regulation of the European Parliament and of the Council on a Framework for Financial Data Access (FIDA)

- Date of entry into force of the PSR: the Regulation enters into force on the twentieth day following its publication in the Official Journal of the European Union. It applies 18 months after the date of entry into force of the Regulation,
- Date of entry into force of PSD3: the Directive enters into force on the twentieth day following its publication in the Official Journal of the European Union and needs to be transposed into national law.
- FIDA effective date: The Regulation is to enter into force on the twentieth day following its publication in the Official Journal, and is to be applied after twenty four months following the date of entry into force, with the proviso that data holders and data users must become members of financial data sharing schemes within eighteen months following the entry into force of the Regulation,
- PSR – the establishment of uniform requirements for the provision of payment services and electronic money services in relation to the following matters:
  - (a) transparency of the reporting conditions and requirements for payment services and electronic money services;
  - (b) the rights and obligations of users of payment services and electronic money services and of payment service and electronic money service providers with regard to the provision of payment services and electronic money services.
- PSD3 - the establishment of the provisions concerning:
  - (a) the admission of payment institutions to an activity consisting of the provision of payment services and electronic money services within the Union;
  - (b) supervisory powers and tools for the supervision of payment institutions.
- FIDA - the extension of the "open banking" principle by allowing access to data to which access has not been granted yet under the PSD2 directive. This includes access to data on mortgage loans, loans, savings, non-payment accounts, and even access to data that constitute the basis for assessing a customer's creditworthiness, which is collected as part of a loan application or credit rating.

## 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 Models Risk Commission and the Consumer Bank Risk Commission;
- New Products Committee.
- Operational Risk, Control and Compliance Committee.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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 2022 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, cybersecurity and information security risk and continuity of business risk;
- Outsourcing/vendor management risk;
- Fraud risk;
- Geopolitical risk;

### Credit risk and credit counterparty risk

Definition	<ul style="list-style-type: none"> <li>• Risk of a client's failure to perform their liabilities.</li> <li>• Risk of the counterparty's failure to perform their liabilities arising from a transaction, before or on the date of its final settlement.</li> </ul>
Risk management strategy	<ul style="list-style-type: none"> <li>• 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: <ul style="list-style-type: none"> <li>– Business and independent risk management units share responsibility for quality of the credit portfolio and credit process and for any credit losses;</li> <li>– Conduct must be in compliance with the guidelines on the portfolio structure to ensure its diversification and to keep balance between risk and capital;</li> <li>– 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 of Risk Management Sector, taking into account their track record and risk assessment skills and abilities;</li> <li>– Acceptance level must depend on assumed risk – higher-risk exposures (defined taking into account both amount and level of risk) require higher-level approval;</li> <li>– Diversified and adequate risk assessment standards must be used for each borrower and each commitment, including as part of corrective actions;</li> <li>– A consistent rating process is required, which is based, <i>inter alia</i>, on results produced by rating or scoring models;</li> <li>– 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;</li> <li>– External environment must be monitored to ensure early detection of economic threats which may adversely affect particular portfolios;</li> <li>– 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.</li> </ul> </li> </ul>
Risk measurement	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>• 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: <ul style="list-style-type: none"> <li>– annual comprehensive review of limits, exposures, financial situation of and cooperation with borrowers,</li> <li>– reports generated in the Early Warning process,</li> <li>– periodic financial reviews of borrowers,</li> <li>– periodic reviews of negatively classified credit exposures,</li> <li>– periodic visits to clients,</li> <li>– reports on ongoing contacts of employees of business units/bankers with clients,</li> <li>– analysis and assessment of external information (rating reports, analytical reports, press, sector sources, etc.),</li> </ul> </li> </ul>

- 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 for the trading book

Definition	<ul style="list-style-type: none"> <li>• Market risk is the risk that the financial result and equity of the Bank may be adversely affected by a change in:           <ul style="list-style-type: none"> <li>– market interest rates;</li> <li>– currency rates;</li> <li>– stock prices;</li> <li>– commodity prices; and</li> <li>– any parameters of volatility of such rates and prices.</li> </ul> </li> </ul>
Risk management strategy	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Market risk management at the Bank is based on:           <ul style="list-style-type: none"> <li>– applicable Polish laws and regulations, in particular the Banking Act,</li> <li>– 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),</li> <li>– requirements of Polish and EU regulatory institutions and especially resolutions of the Polish Financial Supervision Authority (KNF),</li> <li>– 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.</li> </ul> </li> <li>• 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.</li> <li>• 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</li> </ul>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

	<p>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.</p>
<p>Risk measurement</p>	<ul style="list-style-type: none"> <li>• The following risk measurement methods are applied to trading portfolios: factor sensitivity (DV01) method, value at risk (VaR) method and stress tests.</li> <li>• 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%).             <ul style="list-style-type: none"> <li>– For interest rates, the sensitivity measure is DV01;</li> <li>– For currency risk the sensitivity factor is equal in value to the position in a given currency;</li> <li>– For positions in equity securities, the sensitivity factor is equal in value to the net position in a given instrument (stocks, index, participation unit).</li> </ul> </li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p>Monitoring</p>	<ul style="list-style-type: none"> <li>• 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).</li> <li>• 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.</li> </ul>

**Interest rate risk for the banking book**

<p>Definition</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<p>Risk management strategy</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>

Risk measurement

- 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.
- 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

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

	positions (for example interest rate swaps) established to hedge the fair value of a portfolio.
Monitoring	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

## Liquidity risk

Definition	<ul style="list-style-type: none"> <li>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.</li> </ul>
Risk management strategy	<ul style="list-style-type: none"> <li>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).</li> <li>Liquidity risk management is based on: <ul style="list-style-type: none"> <li>applicable Polish laws and regulations, in particular the Banking Act;</li> <li>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),</li> <li>requirements of Polish regulatory institutions and especially resolutions of the Polish Financial Supervision Authority (KNF);</li> <li>principles of prudent and stable risk management at the Group and the general risk level accepted by the Supervisory Board of the Bank;</li> <li>taking into account best practices applied in the market.</li> </ul> </li> <li>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.</li> <li>The management of long-term liquidity is a task of Assets &amp; 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.</li> <li>The management of medium-term liquidity, within the 1-year time horizon, is a task of Assets &amp; 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.</li> <li>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.</li> <li>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.</li> </ul>
Risk measurement	<ul style="list-style-type: none"> <li>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: <ul style="list-style-type: none"> <li>gap analysis – MAR/S2</li> <li>crisis/stress scenarios,</li> <li>structural liquidity ratios,</li> <li>market warning signals,</li> <li>significant sources of financing,</li> <li>emergency financing plan,</li> <li>intra-day liquidity management process,</li> <li>short-term liquidity gap – M1,</li> </ul> </li> </ul>



Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

	<ul style="list-style-type: none"> <li>- short-term liquidity ratio – M2,</li> <li>- illiquid assets with own funds coverage ratio - M3,</li> <li>- illiquid assets and assets of limited liquidity with own funds and stable external funds coverage ratio - M4.</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>• 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):             <ul style="list-style-type: none"> <li>- limits for the S2 Report – for pre-determined currencies and time ranges;</li> <li>- warning thresholds for structural liquidity ratios;</li> <li>- warning threshold for tests of stress scenarios.</li> </ul> </li> <li>• 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.</li> <li>• 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.</li> </ul>

**Operational risk**

Definition	<ul style="list-style-type: none"> <li>• Operational risk should be understood as a possibility of loss as a result of application of inappropriate or defective internal processes, human, systems or external events. The definition of operational risk also includes legal risk, i.e. the risk of loss (including litigation costs, settlements and penalties imposed by the regulator) resulting from non-compliance with the law, prudent ethical standards and contractual obligations in every aspect of the Bank's business, excluding strategic and reputational risk.</li> <li>• For the purposes of the ICAAP process, the compliance risk is also included in the operational risk (i.e. the risk of negative effects of non-compliance with legal provisions, supervisory regulations, internal normative acts of the bank and the practices and standards available on the market).</li> </ul>
Risk management strategy	<ul style="list-style-type: none"> <li>• In terms of operational risk, the strategic goal of operational risk management is to ensure a permanent and effective approach to identification, measurement/assessment, limitation, control, monitoring and reporting of risk, as well as effective reduction of the level of exposure to operational risk, and as a consequence limiting the number and scale of events of an operational risk (policy of low level of tolerance to operational losses).</li> <li>• The main assumptions of the operational risk strategy focus on increasing the bank's capacity to early identifying areas of increased system risk and reduction of exposure areas resulting from the risk resulting from human errors.</li> <li>• 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.</li> <li>• 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</li> </ul>
Risk measurement	<ul style="list-style-type: none"> <li>• In the risk assessment process, the Group uses combinations of various risk measurement or estimation methods.             <ul style="list-style-type: none"> <li>- 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, KRIs, data about losses and operational risk events, control issues and corrective actions, self-assessment process, risk concentration areas and rising-risk areas, scenario analysis, stress tests, changes in processes and products, information from internal and external reviews and audits and information reported to Commissions and Committees).</li> <li>- 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.</li> </ul> </li> </ul>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

Monitoring	<ul style="list-style-type: none"> <li>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.</li> <li>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 and the various Commissions supporting the Committees.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
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**Geopolitical risk**

Definition	<ul style="list-style-type: none"> <li>Geopolitical risk is defined as the risk associated with terrorist threats, threats of war, nuclear attacks and the build-up of armed forces between states or countries that disrupt the normal, peaceful course of international affairs.</li> </ul>
Risk management strategy	<ul style="list-style-type: none"> <li>Geopolitical risk can be manifested or amplified through existing risks within the risk taxonomy. Risk management, therefore, includes processes applicable to other types of risk, among others, a comprehensive risk management cycle including risk identification, measurement, monitoring, control and reporting, as well as monitoring of the geopolitical situation with assessment of several crisis scenarios.</li> </ul>
Risk measurement	<ul style="list-style-type: none"> <li>Geopolitical risk measurement is carried out as part of strategic/business risk monitoring based on a set of indicators describing the Bank's operating environment (including annual dynamics of gross domestic product, financial impact of regulatory changes, change in the Bank's rating, change in the Bank's share price). Some of the above-mentioned indicators are also used in the monitoring process carried out as part of the Recovery Plan prepared annually by the Bank, in order to ensure the coherence of these processes.</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>The Bank carries out regular monitoring of the level of risk in order to increase the effectiveness and efficiency of its operations and to minimize the potentially adverse impact of changes in the market environment. Macroeconomic reports prepared by the Bank's Chief Economist are also used in the risk monitoring process. Risk monitoring is presented at the Risk and Capital Management Committee of the Bank's Management Board on a quarterly basis.</li> </ul>

## VI. 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 2023. 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 area is fulfilled through the Citi Handlowy Leopold Kronenberg Foundation, established in 1996. Representatives of the Foundation participate in initiatives to increase corporate involvement in activities supporting local communities.

Among the initiatives undertaken in 2023 to promote corporate social responsibility, participation in events such as conferences on economic and business issues should be mentioned: The European Financial Congress and the European Forum for New Ideas, where meetings were held to present knowledge and experience in the area of social projects. During European Financial Congress in June 2023, the Foundation was the host of a discussion panel "Ranking of Failures and Successes of Financial Education" and at the European Forum for New Ideas in October 2023 one of the EFNI Talks focused on entrepreneurship among Polish youth.

In 2023, projects carried out by the Foundation were also mentioned in the 21st edition of the Good Practices Report. This is the largest summary and review of the most important ESG, CSR and sustainable development activities in Poland initiated by businesses in Poland.

In 2023, the Foundation was featured in the media at economic and business events of utmost importance for Citi in Poland, as well as at community service events, and its activities were mentioned in more than 440 times in both traditional and social media.

In 2023, Citi Handlowy was ranked **first among the largest companies for diversity** according to the report "Women in listed companies. Index of the Women Leadership in Business Foundation". Citi Handlowy, together with Citi Solutions Center Poland, was also **recognized in the "Best Employer According to Rzeczpospolita" competition**, and was once again **among the Top 50 Employers in the WPROST ranking**. The Bank has been regularly ranked among **Super-Ethical Companies** since the competition's inception, and was **a winner of POLITYKA's White Leaf 2023** for its ESG activities. As part of the Corporate Climate Crisis Awareness Study, the Bank was awarded the title of a **Climate-Conscious Company 2023**. It is a distinction from the Polish Association of Listed Companies for companies that are characterized by a high level of identification and presentation of environmental issues.

### 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

Citi Handlowy 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 Citi Handlowy's key client segments, products and processes as well as the most important channels of communication (i.e. Citibank Online, Citiphone, branches). Scores and comments are analyzed by a team which analyses clients' experience and results of such analyses and proposed enhancements are discussed at a monthly meeting with the Bank's management.

In addition to business goals, the Bank also focuses on the regular growth of customer satisfaction and pursues ambitious quality goals. In 2023, increases were achieved in almost all monitored areas. One of the largest score increases was achieved for credit cards, from 30% in 2022 to 43% in 2023. The continued focus on improving the experience of customers that use digital channels also resulted in an increase in the NPS rate for the electronic banking system, from 37% in 2022 to 42% in 2023, and for the CitiMobile banking application, from 49% in 2022 to 57% in 2023.

In the Bank's business, customers' needs are of paramount importance, so throughout the year the Bank worked regularly with its customers to listen to their feedback and to understand their diverse needs. These efforts were aimed at supporting clients in their digital transformation, leveraging Citi's global technology capabilities, but also its local regulatory and market expertise.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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The Bank encouraged its clients to automate their processes and use available tools for real-time decision-making and settlements using self-service platforms.

In the Bank's institutional client business, the cornerstone of the existing customer experience management system is the constant measurement of customers' expectations and opinions at every stage of their interactions with the Bank. **One of the best-rated areas is invariably telephone customer service (CitiService). The NPS rate for this team increased from 76% in 2022 to 80% in 2023.**

The Bank promotes the idea of high level of customer satisfaction not only through NPS tests. In 2023, the Bank continued the systematized approach to searching, recording and changing 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 2024.

### Communication with clients

For 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
- Sending an email to the address: [listybh@citi.com](mailto:listybh@citi.com) or – in case of escalation - to Customer Advocate: [rzecznik.klienta@citi.com](mailto:rzecznik.klienta@citi.com)
- Contact with CitiPhone

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](mailto:citIService.polska@citi.com);
- by phone – in CitiService and directly to the CitiService Consultant's phone number;
- directly 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/strefaklienta](http://www.citihandlowy.pl/strefaklienta), in section: Important addresses or via the Bank's e-Delivery address: AE:PL-51087-16873-WFBWS-31

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 2023, Citi Handlowy continued digitization of its processes in line with client expectations. Bank is continuously developing the communication channel with its clients via social media (Messenger). During the year, customers made almost 4,900 enquiries using this channel. Customers also have a Chat available, which can be found on the official Citi Handlowy website. A specialized group of consultants reply online to queries posted by the Bank's clients.

### 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 2023, the Customer Advocate received 316 issues for consideration, i.e. more by 20% comparing to 2022.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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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 <https://www.citibank.pl/poland/corporate/polish/rzecznik-klientow-korporacyjnych.htm>

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 2023, no such submissions were made directly to the Corporate Client Spokesperson.

### Client education

As part of its educational activities, the Bank – through the Citi Handlowy Leopold Kronenberg Foundation – also carries out educational activities in the areas of personal finance, cyber security and the promotion and development of entrepreneurship. Through comprehensive programs, it educates both the Bank's customers and local communities, including children and young people, in these areas.

The Foundation's efforts to raise awareness of personal finance focus primarily on regular monitoring of Poles' attitudes in this area through opinion polls. The reports compiled on this basis are a source of knowledge not only of the state of financial awareness at a given point in time, but also make it possible to trace changes in it over the years. In 2023, the Foundation, together with its social partners, published four research reports addressing the attitudes of Poles towards saving, the importance of diversity in shaping change and understanding the motivation and path of migrants leading to entrepreneurship.

Through the Citi Handlowy Leopold Kronenberg Foundation the Bank also runs programs designed to raise awareness of cybersecurity, understood as knowledge of the mechanisms taking place on the Internet and the ability to spot potential threats. Hence, in 2023, for the fourth time, the Foundation inaugurated the CyberMocn@ Szkoła (CyberStrong School) program, which aims to raise awareness of this issue among teachers and, indirectly, among children and young people.

The Foundation also attaches great importance to supporting the economic potential of companies operating in Poland. It supports entrepreneurship through participation in mentoring and incubation programs, targeting groups such as women, professionals, and specialists in STEM (Science, Technology, Engineering, Mathematics), as well as migrants. The Foundation also promotes an entrepreneurial mindset among young adults, encouraging them to run their own businesses or strengthen existing ones.

### Sustainable growth

Concern for the environment and sustainable development constitute part of Citi Handlowy's strategy for the years 2022-2024 and are one of the three main priorities for the Bank. The Citi Handlowy Leopold Kronenberg Foundation supports the Bank's projects in the area of sustainable development through various activities.

Professional activation of women, equalizing their opportunities in the labor market, as well as supporting their professional development, are goals that the Citi Handlowy Foundation pursued through cooperation with NGOs. Examples include: the Welcome program - implemented with the Mamo Pracuj ("Work, Mom") Foundation, the Shesnnovation Academy program - implemented with the Perspektywy Foundation, and the Business in Women's Hands program - implemented with the Entrepreneurial Women Network Foundation.

The Citi Handlowy Foundation also actively supports the idea of diversity, both in companies and in society. It carries out such activities by supporting both cultural diversity and neurodiversity and the Polish LGBTQ+ community.

In 2023, the Foundation actively supported the integration of migrants into Polish society through its Ukraine Support Program and cooperation in the Hello Entrepreneurship program run by the ASHOKA Foundation, which helps migrants develop social entrepreneurship.

The CyberStrong@School program covered topics related to creating a friendly environment for neurodiversity, including the open webinar "Neurodiversity and Artificial Intelligence in the Context of Education" organized in the spring of 2023.

In 2023, Citi volunteers also supported the Equality Parades in Warsaw and Olsztyn, and Citi Handlowy was an official partner of these events. Building a diverse environment where everyone can be themselves and feel safe is one of the main goals of the CitiPrideNetworkPoland campaign.

Activities to support a sense of security, tolerance and respect for diversity are also promoted through workshops conducted by Citi volunteers in Olsztyn. As part of the classes in high schools in Olsztyn, Citi Handlowy employees counter hate speech and hate on the Internet.

In 2023, the Citi Handlowy Foundation also supported Citi Handlowy's activities in Poland aimed at protecting the environment through volunteer projects, such as cleaning the banks of the Vistula River in Warsaw, cleaning the Łyna River in Olsztyn, and creating plantings in cooperation with the Greenery Departments of cities. The Foundation has also been involved in building relationships and planning partnership programs with institutions and organizations involved in the energy transition, which will also be continued in 2024.

## 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:

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

For its 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.

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. The Bank's general rule is that employees work 3 days from the office and 2 days remotely from a location agreed with the employer. Employees whose type and organization of work allows this (hybrid employees), and who have entered into appropriate additional agreements to their employment contracts, should observe the established office attendance. Such agreements to employment contracts must be complied with by both the employee and the manager. This means that the employee has the right to two days a week of remote work while the manager cannot reduce this limit. In special cases, the employee may need to work remotely more than two days a week for various reasons. In such a situation, the employee can do remote occasional work for 24 days per calendar year, and after using them, for 6 additional days (a total of 30 days during a year). The hybrid model combines the advantages of working from the office and from home. Working from the office facilitates collaboration, providing the opportunity to learn from and inspire each other, and strengthens the sense of belonging to a team. And while working from home, on the other hand, we have more flexibility and find it easier to maintain a balance.

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. In addition 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 employees 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. Issues related to employee well-being are also an important element of the survey.

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. The Bank's senior management People Board and VOE Ambassadors are actively involved in post VOE activities.

### 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. Confidential reports to the ethics helpline can be made by post, e-mail or directly to designated organizational units. Reports may also be submitted anonymously by telephone or letter.

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.

### 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,
- 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 the Bank 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 2023, no case of corruption in the bank's activity was recorded.

## Employee Volunteering Program

The Citi Employee Volunteering Program, one of the most prominent in Poland, plays a key role in local community initiatives. Citi Handlowy encourages its employees to engage in social work and supports their efforts, including through offering them an extra day off for volunteering activities. Within this area, the Foundation encourages involvement in social causes through three types of volunteering:

**Intervention assistance** - Citi volunteers engage in projects that respond to the current needs of public benefit organizations operating in Poland. Thanks to their involvement, in-kind collections are conducted, cleaning and renovation work is carried out, as well as activities are conducted that support the integration of the charges of these organizations who are at risk of social exclusion.

**Skill-based volunteering** - through programs in which the mentoring process is an essential element, Citi volunteers share their knowledge and competencies with groups such as women looking for work, female entrepreneurs, migrants who want to develop social enterprises, students of Polish universities, female STEAM students, and students of schools in Olsztyn.

**Sports volunteering** - it is primarily aimed at promoting a healthy lifestyle. It is implemented in two ways - both through organizational support for sports events and through the participation of Citi volunteers as athletes. An additional motivation to undertake sporting challenges is that they are used to raise funds for organizations supporting the local community.

## 1.4 Reduced environmental footprint

Progressing climate change are 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 2023, the Bank was also subject to another supervision audit for compliance with the standard ISO 50001:2018 and ISO 14001:2015 management systems. 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. The audit also confirmed the effectiveness and suitability of the environmental and energy management system in place, as well as the high commitment of operational and management staff.

As part of the integrated environmental and energy management system, the Bank introduced environmental and energy policy, in which it 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. In 2023, the policies were updated by adding provisions related to reducing the carbon footprint, protecting biodiversity and tracking trends in the area of pro-ecological management and energy innovation. In connection with the introduction of the CSRD directive and European reporting standards in the field of sustainable development, the Bank plans to adapt its policies to new legal requirements in the near future.

## Direct and indirect impact on the natural environment

The Bank has included measures to protect the environment in the 2022 – 2024 Strategy. It has committed not only to reducing its own greenhouse gas emissions by 2024 (by at least 50% relative to 2019), but also to reducing its electricity consumption (by 40% relative to 2012). The Bank continuously monitors and manages the environmental impact of its operational activities. It analyzes the following emissions from its business on an annual basis:

- Direct emissions – greenhouse gas emissions owned or supervised by the company, mainly those resulting from the combustion of fuels (company vehicles), oxidizing refrigerants (emissions associated with air conditioning operation);
- Indirect energy emissions – emissions comprising the generation of electricity, heat or steam consumed by the business, mainly those caused by the consumption of externally purchased electricity or heat;
- Other emissions not mentioned above – resulting from the company's business, mainly related to business trips by means of transport other than its own, waste disposal, purchase of capital goods and raw materials.

Since 2019, the Bank has been taking steps to estimate and reduce its carbon footprint. In 2023, the Bank contracted to purchase 60% of its electricity from renewable energy sources (and 65% in 2024), thereby systematically moving away from conventional energy supplies. In October 2023, **the Bank declared that it would achieve the climate neutrality of its own operations (Scope 1 and Scope 2) by 2030**. It wants to achieve this goal through a complete transition to renewable energy. Environmental transformation and carbon neutrality are important steps in achieving environmental security and energy independence.

In pursuit of its sustainable development strategy, in which green investments play an important role, the Bank plans to complete photovoltaic projects in the first quarter of 2024. Photovoltaic panels have been installed on the rooftops of two buildings in Warsaw. These investments will increase the amount of renewable energy used by the Bank.

In an effort to further minimize its environmental impact, the Bank has been upgrading its own buildings for several years to increase its energy efficiency and to reduce its carbon footprint in the future. In previous years, renovations were carried out on the property in Olsztyn at ul. Pstrowskiego 16 and in Warsaw at ul. Traugutta 7/9. In the first quarter of 2024, the Bank wants to complete the project that covers the reconstruction of its headquarters at ul. Senatorska 16 in Warsaw. This upgrade will significantly improve the energy efficiency of the building through the implementation of modern designing strategies and



## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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the use of advanced technologies to reduce energy consumption. The project involves, among other things, replacing the lighting throughout the building with LEDs, installing motion sensors in most rooms, introducing advanced air conditioning and ventilation systems, modernizing the BMS automation system, modernizing the thermal node, replacing the air treatment control unit and floor switchboards, and upgrading passenger lifts. The renovated space meets the current environmental requirements. The work space will be arranged using eco-friendly materials. The designed dynamic lighting will replicate the natural patterns of daylight in the rooms to positively influence the employees' well-being and productivity. Modern fixtures have been installed to reduce water consumption. As an integral part of sustainable environmental management, another step to conserve water resources is the Bank's drive to introduce circular water management. As part of this project, work is underway to implement a system that allows the use of grey water.

The Bank encourages its employees to follow a healthy lifestyle and to use alternative means of transportation. Due to the growing popularity of electric cars, the Bank, as an environmentally friendly institution and as part of the ongoing modernization of the facility, will move the vehicle charging stations to outdoor areas and make them available to both employees and customers. As part of the renovation, complete infrastructure for cyclists is planned, with an increase in the number of bicycle racks, showers, and bicycle locker rooms, and an upgrade of the bicycle repair station.

Office work requires maximum focus from employees. Open space, while making it easier for employees to communicate and collaborate, brings with it some new challenges, which is why the Bank, during the project, is bringing offices in line with modern trends by implementing "Future of Work" concepts. This project involves arranging space for group and individual work, providing a variety of choices and increased productivity and flexibility of office space. The plans include new workspace functions and functional flexible spaces for group and individual work, video conferencing, work in separate rooms and work in focus. The conference zone will be diverse: rooms for individual meetings and group work, rooms for hybrid meetings or meeting that require an appropriate level of confidentiality. The capacity of the sanitary rooms and kitchens has been increased. The designed offices are user-friendly and equipped with modern and ergonomic furniture. High-quality finishing materials were used to improve acoustic performance, and pastel colors and natural finishing materials were chosen, including glass, stone and metal. Noise-free booths have been arranged, as well as quiet rooms that allow conversations to take place in an isolated, enclosed space. Greenery has also been restored, with maple trees planted in front of the main entrance to the building. In the coming months, the flowerbeds will be supplemented with more plants (including sedges, yews, roses and laurels).

In 2023, the Bank also completed the reduction and replacement of its car fleet with hybrid vehicles. Currently, the Bank has 330 cars with eco-friendly hybrid engines.

In 2022, the Bank also implemented Breeam In-Use certification – one of the world's most recognizable sustainable building rating systems – for its three buildings, in Olsztyn at ul. Pstrowskiego 16 and in Warsaw at ul. Senatorska 16 and ul. Traugutta 7/9. The year 2023 saw a continuation of the implementation of the Breeam system, which is directly in line with the Bank's strategic goals for the building located at ul. Goleszowska 6 in Warsaw. Currently, as part of the ongoing audit at the facility - the applied pro-environmental solutions and effective facility management are being evaluated. For this facility, the Bank assumes that it will obtain a certificate at the level of good rating in 2024, thus confirming the implementation of good practices in proprietary facilities in the following areas:

- reducing energy consumption – for example by using energy-efficient lighting and electronic equipment;
- reducing water consumption – e.g. by using water-saving fittings, dual flushers;
- conducting rational waste management – waste prevention, e.g. by introducing the possibility for employees to buy back used equipment belonging to the Bank (desktops, laptops and Ipads) at dedicated auctions, promoting selective waste collection (e.g. by eliminating polystyrene packaging and replacing it with packaging made from palm leaves, bamboo), eliminating waste in the form of plastic bottles (by removing them from the shopping catalogue) and providing drinks in glass bottles and water from dispensers;
- conducting sustainable purchasing – by reusing used furniture and some office supplies (e.g. binders);
- ensuring comfort and well-being – including by providing sufficient daylight in the rooms, ensuring the right temperature, designing rest areas;
- landscaping of green areas – by appropriately arranging green areas around the buildings taking into account the viability of the trees planted, as well as setting up nesting boxes for birds and bats and installing insect hotels.

The Bank is constantly striving to reduce the amount of raw materials used (mainly paper) by digitizing and optimizing its processes. Therefore, it practices electronic document circulation with suppliers and implements solutions to automate operational processes (e.g. Digital Office). The Bank has also had a cost-effective office paper printing system in place for many years. Its consumption is continuously monitored as part of the on-going Paperless project, in which all the Bank's organizational units have been involved. The main objective of the project is to keep the following performance indicators stable: print volumes, non-leased printers, external printing houses, internal archives, document shredding, mail and couriers, and marketing materials; Additionally, the Bank has introduced ECO paper sourced from recycled raw materials on its purchasing platform. The product will gradually eliminate the purchase of traditional paper.

### Personnel education

The Bank also runs environmental projects aimed at employees. In 2023, as part of the Earth Day campaign, a pilot action was organized under the slogan "Swap a plastic bag for an eco-bag," in order to reduce the amount of plastic waste by refraining from purchasing plastic bags, which adversely affect the environment. As part of the WWF's Earth Hour campaign, to show solidarity with the idea of stopping the loss of biodiversity, the Bank turned off the lights at its buildings in Poland, for example in Katowice, Łódź, Olsztyn, and Warsaw. In addition, we were the first bank in Poland to join the Priceless Planet Coalition, with a shared goal of planting 100 million trees by 2025. As part of Global Community Day, an action to clean up the waterfront of the Vistula and Łyna rivers was also organized in Warsaw and Olsztyn.

## 1.5 Local community involvement and development

The Citi Handlowy Leopold Kronenberg Foundation pursues its objectives by carrying out its own initiatives, by cooperating with other public organizations, and jointly with the Citi Foundation by providing grants for programs implemented by foundations and associations working in Poland for the development of entrepreneurship.

Taking into account social and market trends and directions, the Foundation has consistently pursued its objectives, implementing the following projects:

- **Support for Ukraine**
- **Global Community Day**
- **Christmas Campaigns**
- **CyberStrong School**
- **The Professor A. Gieysztor Award**
- **Support for entrepreneurship**

Among the Foundation's own initiatives implemented in 2023, the following ones are worth mentioning:

### Support for Ukraine

In 2023, the Support Ukraine program covered activities to integrate the Ukrainian community into Polish society, especially those affected by the migration crisis. The program covers the full range of activities of the Citi Handlowy Foundation: skill-improvement volunteering, sports volunteering, support for entrepreneurs, support for women, education and support for children and teenagers.

The program is implemented in close cooperation with representatives of Citibank Ukraine and NGOs - associations and foundations that support Ukrainian citizens in building ties with Poland.

As a result, the actions taken in 2023 covered:

- Cooperation with the **Polish Center for International Aid**, which included:
  - Ukrainian Mother's Day for women and children under the organization's care;
  - Support for the Summer in the City initiative for children assisted by the organisation to continue their education in line with the Ukrainian curriculum;
  - EFNI talks event "Ukraine-Poland refugee crisis in a new phase?";
- Cooperation with the „**Nasz Wybór**” (“**Our Choice**”) **Foundation** – a center called the Ukrainian Home, run by women. The main goal of the project is to help and support the Ukrainian community in Poland through informational, educational and cultural activities, combined with efforts to integrate migrants while preserving their Ukrainian identity.
- Cooperation with the „Absolwent” (“Graduate”) Educational Initiative Support Foundation – support for a project that helps refugees and their families develop a sense of belonging to local communities of the Warmia and Mazury region.
- Implementation of the 5th edition of the Welcome program and inauguration of the Welcome II program in cooperation with the “Mamo Pracuj” Foundation.
- Implementation of four projects targeting the Ukrainian community as part of Citi Global Community Day.

### Citi Global Community Day

Citi Global Community Day is a global initiative that was implemented for the eighteenth time in 2023. This year, CitiVolunteers and their families and friends became involved in the implementation of projects 3.2 thousand times.

### Statistics of the Employee Volunteering Program:

	2023	2022	2021	2020**
<b>Number of projects</b>	164	160	130	58
<b>Number of beneficiaries</b>	22,360	20,501	19,240	19,600
<b>Volunteer involvement*</b>	3,220	3,047	3,063	2,137
<b>Number of projects in the “Wolontariusz na Bank!” (“Volunteer to Bank on!”) competition</b>	104	110	38	-

\*the number of voluntary activities undertaken by Citi employees together with friends and family

\*\* in 2020 the COVID-19 pandemic prevented volunteers from spending as many hours on projects as before as well as from implementing the same number of projects.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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As part of the GCD 2023, Citi volunteers implemented:

- 3 sports volunteer projects in Warsaw and Olsztyn during the Citi Warmia Run, Ironman, and Paralympic Picnic.
- 104 projects for local communities submitted by Citi Handlowy volunteer leaders. In 2023, volunteers carried out projects for, among other things, the integration of people from Ukraine, children, people with disabilities, senior citizens, animals seeking safety in Poland, and wildlife conservation.
- 10 projects in support of Ukraine: out of 104 grant projects, 6 were implemented for Ukraine, but also a celebration of the Ukrainian Mother's Day was organized in cooperation with the Polish Migration Assistance Center.
- 7 integration trips with volunteers, including to the Centre for the Blind in Laski, the Occupational Therapy Workshops in Otwock, the Special Center for Persons with Hearing Disabilities in Olsztyn, and the Antidote Association in Pomiechówek.
- 6 special projects organized and coordinated by the Citi Handlowy Foundation:
  - Cleaning the banks of the Vistula River in Warsaw
  - Cleaning the Łyna River from canoes in Olsztyn
  - Citi Alumni Project for the Mother and Child Center in Warsaw
  - Blood collections in Warsaw and Olsztyn
  - Children's Day at the Blind Care Association in Laski near Warsaw
  - Let's meet on the patio - a charity fair in Warsaw, attended by 120 Citi volunteers, acting for the Foundation for Freedom and the A.R.T. Foundation, a kindergarten for vision-impaired children in Laski.

### Become Santa's Assistant

As in previous years, in the second half of 2023 the Citi Handlowy Leopold Kronenberg Foundation coordinated a program to support people at risk of poverty and social exclusion during the Christmas holidays.

The year 2023 saw the launch of a new online platform that allowed Citi Handlowy employees to choose their form of engagement from among:

- Responses to a letter to Santa, written by children supported by childcare centers across Poland. Volunteers bought gifts dreamed of by the children. As a result, dreams of 207 children came true.
- Preparation of gifts for distribution by 27 selected organizations supporting people at risk of poverty or social exclusion. Volunteers came forward in groups and gifts were prepared by teams. As a result, nearly 2,100 boxes were delivered to those in need.
- Preparation of Christmas cards with wishes, which were given to people supported by 7 selected organizations.

In addition, as part of the activities carried out in the Become Santa's Helper program, the Citi Handlowy Foundation, with the support of #CitiVolunteers, organized charity fairs in Warsaw and Olsztyn, during which volunteers held charity sales of Christmas dishes they had prepared. The funds raised were donated to the Education and Revalidation School Complex in Ostróda and the Hospice for Children in Olsztyn.

### CyberMocn@ Szkoła (CyberStrong School)

In 2023, the CyberStrong@School Program was implemented for the third time, while the fourth edition began in the autumn of 2023. The program's target audience is caregivers of preschool and school-age children, as well as teachers in kindergartens and elementary schools. The program was created in response to the challenges of remote and hybrid learning brought about by the COVID-19 pandemic, but is now being continued to address the challenges of digital education for children and young people. More than 100 teachers participated in the 3rd edition of the program, which was completed in April 2023. The partners of the 3rd edition of the CyberStrong@School program were the "Dajemy Dzieciom Się" Foundation and the Teach for Poland Foundation.

The 3rd edition of the CyberStrong@School program consisted of two components:

- 4 online open meetings held every 2 months. These meetings are also available online on the program's website. Topics covered in this edition included computer games and their safe use, neurodiversity in education, and building a sense of community among children with different cultural backgrounds.
- workshops for three groups of teachers – participants in the 3rd edition of the project (with a total of 100 educators, pedagogues and early school education teachers taking part in the workshops).

### The Professor A. Gieysztor Award

In 2023, for the 24th time, the Citi Handlowy Leopold Kronenberg Foundation, with the support of the jury, awarded the Professor Aleksander Gieysztor Award for outstanding achievements in protecting the Polish cultural heritage and, in particular, for museology and art conservation efforts and achievements in collecting mementos of the Polish culture.

The winner of the 24th Professor A. Gieysztor Award was the Boris Woznicki Lviv Art Gallery, which is one of the most important Ukrainian cultural institutions that have been cooperating with Polish museums for many years. This cooperation primarily involves art research and art conservation. A key topic of research is the history of Polish painting of the 19th and 20th centuries. Part of the collection of the Lviv Art Gallery is a collection of Polish painting from the 16th century to 1939. The collection of several hundred works of art includes masterpieces by the most outstanding Polish painters, such as: Jan Matejko, Jacek Malczewski, Juliusz Kossak, Artur Grottger, Henryk Rodakowski, Józef Brandt, Aleksander Gierzyński, Olga Boznańska, Stanisław Wyspiański and many others. A significant part of the collection has been presented at exhibitions and shows in Poland, thanks to the Lviv Art Gallery's cooperation with Polish museums and galleries. The award gala took place on 29 March 2023 at the Royal Castle in Warsaw.

### Cooperation with public benefit organizations

An important element of the activities carried out by the Citi Handlowy Foundation is also its cooperation with other organizations and associations that specialize in areas that are key to the Foundation's strategy. Cooperation and partnerships with other public benefit organizations, such as associations and foundations, make it possible to significantly increase the scale of the Foundation's activities. Importantly, the Foundation builds lasting relationships that allow not only financial but also substantive cooperation, e.g. through skill-based volunteering or the joint design of studies and reports.

Together with the Polin Museum and the Jewish Historical Institute, the Foundation created a joint project to prepare an exhibition to commemorate the 80th anniversary of the Warsaw Ghetto Uprising, titled "A Sea of Fire Around Us. The fate of Jewish civilians during the Warsaw Ghetto Uprising." This is the first exhibition about the Warsaw Ghetto Uprising presented from the perspective of civilians. The exhibition was open from 18 April 2023 to 8 January 2024.

Among the projects carried out in partnership with other organizations, it is also worth mentioning initiatives supporting entrepreneurship, which are funded by the Citi Foundation and carried out as part of substantive cooperation with the Citi Handlowy Leopold Kronenberg Foundation:

#### Ashoka Foundation

In 2023, the Hello Entrepreneurship program was conducted by the ASHOKA Poland Foundation for the fourth time. The program is financed by the Citi Foundation, while the Citi Handlowy Leopold Kronenberg Foundation is a partner of this initiative, which supports entrepreneurship among migrants.

The 4th edition of the program also included a research project to better understand the motivations and paths of migrants leading to entrepreneurship. The report on this research uses a reportage style to follow the stories and draw the profiles of 10 young people who came to Poland. Each of them is different and has chosen a different path to pursue their goals - from academic to business to social activities - and each has had different experiences.

The 5th edition of the program began in the fall of 2023. A record number of initiatives enrolled. The jury selected the finalists from 125 submissions. The 10 male and female finalists will spend four months, with one-on-one support from experienced mentors, developing a business plan, building a brand and communications strategy, sorting out formal issues and establishing new business contacts.

The growing interest in the Hello Entrepreneurship program shows that people coming to Poland are willing and able to solve important social problems. Participants in the program bring their ideas, experiences, and a new point of view to the world.

#### Mamo Pracuj Foundation

The Welcome program was created by the Mamo Pracuj ("Work, Mom") Foundation, and is funded by the Citi Foundation and the Citi Handlowy Foundation, which is also involved in its implementation. The goal of the program is to support Polish and Ukrainian women in their professional development and to create a community of support for career building. As part of the program, 30 Citi volunteers supported the participants as mentors. A total of 120 hours of mentoring took place. The participants also took part in 16 webinars and 10 live meetings. Five editions of the program were held in the first half of 2023: two in Warsaw, one in Olsztyn, one in Kraków and one in Wrocław, gathering a total of 361 participants.

The program supports Ukrainian communities in their efforts to integrate into Polish society, as well as promotes entrepreneurship among various groups, including women.

The first edition of the program was a great success, which is confirmed by the fact that it was joined by 361 female participants (as compared to 300 planned for the project). Almost all participating women (97%) indicated that they felt an improvement in their competence in recruitment processes and an improvement in self-esteem and self-efficacy (99%).

#### Perspektywy Foundation

Shesnnovation Academy is a project implemented by the Perspektywy Foundation thanks to the financial support provided by the Citi Foundation. The Citi Handlowy Leopold Kronenberg Foundation is a partner of the program. The goal of Shesnnovation Academy is to support the development of entrepreneurship among women in STEAM industries, i.e. technology, engineering, science and mathematics. The 5th edition of the program, which is an accelerator for STEAM-oriented start-ups led by women, took place in 2023.

During the six-month program, participants were learning how to build a business plan and present their businesses to investors, supported by mentors, including Citi volunteers.

The Shesnnovation Academy project also published the report "Diversity Matters. Young STEM Leaders Create Change," which was prepared as part of collaboration between the Perspektywy Foundation and the Citi Handlowy Leopold Kronenberg Foundation. A survey was conducted among participants in this year's edition of the program.

Another project carried out in cooperation with the Perspektywy Foundation, supporting entrepreneurship among women, is the Women in Tech Camp trip in December, to which the most talented female IT students from Polish universities are invited. For the seventh time, in addition to improving their programming skills the female students could meet mentors who can help them plan their career paths. The group of mentors included many Citi volunteers.

### **Entrepreneurial Women Network Foundation**

The Business in Women's Hands program was one of the first accelerator projects dedicated to women. For over 10 years, the program has been implemented with the financial support of the Citi Foundation and the professional support of the Citi Handlowy Leopold Kronenberg Foundation. The program has already resulted in 370 companies founded by its female participants.

In 2023, the 9th edition of the program was held, in which 60 women participated, selected from several hundred candidates. The finale of the program took place during the 20th Conference of the Entrepreneurial Women Network, titled "Make the change. How to change the world for the better while running a business?"

Participants in the program were also supported in their development during this edition by mentors with extensive business experience, including mentors from Citi.

### **THINK! Knowledge Society Foundation**

The Citi Handlowy Leopold Kronenberg Foundation is a professional partner of the Entrepreneurship Development Program run by the THINK! Knowledge Society Foundation and funded by the Citi Foundation. The goal of the program is to prepare young people to start their own businesses and to provide them with support. An important component is also a research project that addresses issues related to the young generation's perception of entrepreneurship.

The sixth edition of the program, which involved Citi volunteers as mentors, began in the fall of 2022. In 2023, as part of the program, participants could take part in webinars and Business Mixer meetings, which enable direct contact with business practitioners. The finale of the program took place in March 2023 during the Business Market conference, with the main theme "Develop yourself, develop your idea, develop your business."

In September 2023, the 7th edition of the program was inaugurated, which continues to receive professional support from the Citi Handlowy Foundation and CitiVolunteers as mentors.

As part of the promotion of this initiative, Anna Bichta, President of the Management Board of the THINK! Foundation, was a guest of the Citi Handlowy Foundation during the EFNI Talks event in October 2023. During the meeting, she talked about the attitudes of young Poles towards entrepreneurship, based on the report "Aspirations of young people regarding their future careers" published in 2022.

The second project carried out by the Citi Handlowy Leopold Kronenberg Foundation, as a partner of the THINK! Foundation is a series of research reports "Poles' attitudes towards saving". The 2023 report was the 24th report in that series - cyclical researches of this kind are still rare in Poland. It is also worth noting that the 2022 publication was referenced by the OECD in its financial education strategy for Poland.

## **1.6 Cultural patronage and sponsorship**

2023 was another year of [Citi Handlowy's partnership with the Polish Paralympic Committee](#).

Citi in Poland was a partner of the 5th Athlete of the Year Competition of the Polish Paralympic Committee. The Competition - widely known as "Guttmanns" - is an event during which the best and most popular Paralympians are awarded. The organization of the Competition is also aimed at promoting sports of people with disabilities and presenting attitudes that break down barriers and stereotypes. Ms. Elżbieta Czetwertyńska, Citi Country Officer and President of Citi Handlowy, presented the award in the "Team of the Year 2023" category to the Polish Goalball u19 Team, funded by the [Citi Handlowy Foundation](#). This year, the second place in the "Best Athlete of the Year 2023" category was won by table tennis player Natalia Partyka, who belongs to Team Citi, a group of world-class athletes who represent values shared by Citi. They have been invited to join the Citi team due to their impressive achievements in sports as well as in their personal lives. This long collaboration with the Polish Paralympic Committee 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.

[Citi Handlowy for Olsztyn](#) - support for the city and the region

Together with the Citi business services center and as one of the region's largest employers, Citi Handlowy has been supporting the Olsztyn community and issues important to the residents of the Warmia-Mazury region for more than 20 years. In 2023, the Bank was once again a strategic partner of the [Most Popular Athlete of Warmia and Mazury Award](#), and the Bank's representatives presented awards in the Athlete of the Year and Athlete without Barriers categories.

Citi Handlowy and Citi Solutions Center were also the title and commitment partner of the [Citi Warmia Run Challenge 2023 Olsztyn](#). This was the second edition of the Olsztyn competition promoting an active lifestyle for entire families at the Barracks Park in Olsztyn. At three distances: 5, 10 and 21.1 kilometers, under the aegis of the Live Well at Citi program, 85 Citi employees from throughout Poland took part in the competition. The event promoted an active lifestyle combined with a social goal: supporting the Nidzica Local Fund.

[Citi Handlowy as sponsor and partner of IRONMAN competition](#)

For another year, Citi Handlowy was a committed sponsor, partner and active participant in the prestigious IRONMAN triathlon competition held in 3 cities: in Warsaw (where the Bank was the title sponsor of Citi Handlowy IRONMAN 70.3 Warsaw), and in Gdynia and Poznań as a partner. This sports competition means many months of hard training and multiple sacrifices, which would be much more difficult and devoid of joy without the fans. That's why the leitmotif of last year's IRONMAN Poland competition was "The Year of Supporting," which drew attention to those who, in such a demanding discipline as triathlon, give energy and faith, and warm up for the fight, and celebrate together with the athletes at the finish line. Among them are those most important and loyal: family and friends. Appreciating their role, Citi Handlowy invited the public to a dedicated joint cheering zone, and in Gdynia loyal supporters could take part in an exciting city game.

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

## Expenses for social purposes and other

	2023 PLN '000	2022 PLN '000
Cultural patronage, sponsorship and media	612	987
Social involvement (charitable and social institutions)	3,567	3 622

## VII. Investor information

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

#### 1.1 Shareholders

The Bank's share capital amounts to PLN 522,638,400 and is divided into 130,659,600 bearer shares with a nominal value of PLN 4 each.

The majority and strategic shareholder of Citi Handlowy is Citibank Europe Plc based in Dublin, Ireland – a company in the Citi group that brings together foreign investments. In addition, the total share of funds managed by Nationale Nederlanden PTE S.A. is above the threshold of 5% of shares in the capital and votes at the Bank's General Meeting.

#### Shareholding structure of Bank Handlowy w Warszawie S.A.

Shareholder	No. of shares	% equity
Citibank Europe Plc	97,994,700	75.00%
Pension funds managed by Nationale-Nederlanden PTE S.A.*, including:	6,876,766	5.26%
Nationale Nederlanden OFE	6,539,514	5.01%
Other shareholders with the share below 5%	25,788,134	19.74%
<b>Total:</b>	<b>130,659,600</b>	<b>100%</b>

\*) based on current report No. 16/2023 of August 16, 2023 r.

Citibank Europe Plc is a part of the Citi Group - the largest global financial institution in the world, which has a physical presence in 95 countries and territories and supports its clients in nearly 160 countries and jurisdictions. Citi group of companies provides services to individual, corporate, public sector and institutional clients while providing them with a broad range of financial products and services in the retail, corporate and investment banking segments, brokerage services, Treasury and Trade Solutions and wealth management.

The parent company in the Citi Group is the American financial institution Citigroup Inc. More information about the Citi Group can be found on its website [www.citigroup.com](http://www.citigroup.com)

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 2023, 17.54% of the Bank's shares, i.e. 0.64 p.p. more than as at 31 December 2022.

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

Shareholder	31.12.2023		31.12.2022	
	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	6,580,376	5.04%	5,885,000	4.50%
Aviva Santander OFE	6,173,576	4.72%	4,478,630	3.43%
PZU OFE	2,918,803	2.23%	2,780,271	2.13%
UNIQA OFE	2,278,346	1.74%	1,967,476	1.51%
Allianz Polska OFE	1,967,476	1.51%	1,694,946	1.30%
NN Life OFE	1,550,166	1.19%	1,676,442	1.28%
Aegon OFE	886,374	0.68%	1,550,166	1.19%
PKO BP Bankowy OFE	560,766	0.43%	921,539	0.71%
Generali OFE	-	-	601,904	0.46%
Pocztylion Arka OFE	-	-	520,452	0.40%
<b>Razem</b>	<b>22,915,883</b>	<b>17.54%</b>	<b>22,076,826</b>	<b>16.90%</b>

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

## 1.2 Changes in the shareholding structure in 2023

In 2023, the shareholding structure changed. On 15 November 2023, Citibank Overseas Investment Corporation transferred to Citibank Europe Plc 97,994,700 shares of the Bank, representing 75% of the Bank's share capital and entitling to 97,994,700 votes at the General Meeting of Shareholders of the Bank, accounting for 75% of the total number of votes at the General Meeting of Shareholders of the Bank.

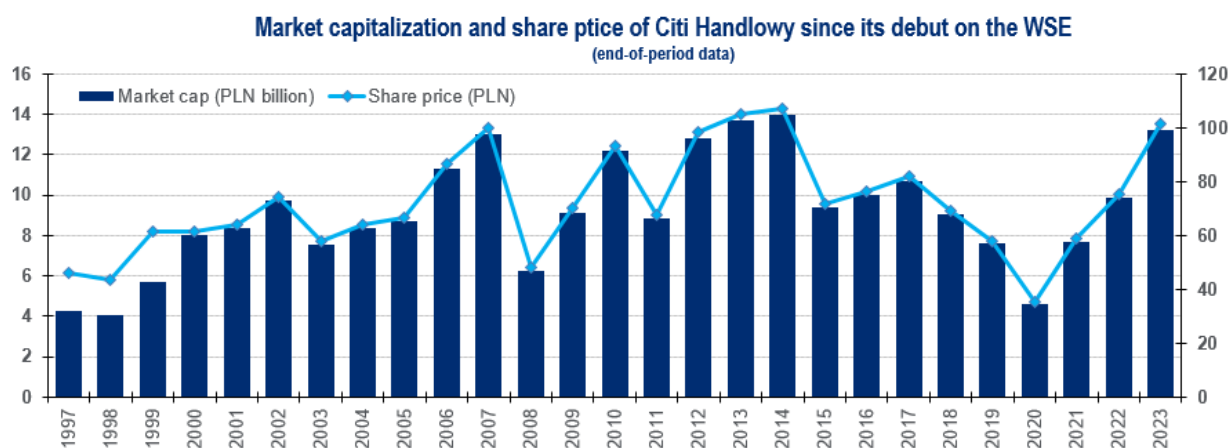
Within Citi group of companies, the company being the majority shareholder of the Bank changed from Citibank Overseas Investment Corporation with registered office in the USA to Citibank Europe Plc with registered office in Ireland in order to fulfil the statutory obligation under which domestic banks belonging to a group from a third country, i.e. from outside the European Union and in the case of the Bank - the United States, have an EU intermediate parent undertaking (IPU) with its registered office in the European Union.

In addition, on 16 August 2023, it received a notification from Nationale – Nederlanden Powszechno Towarzystwo Emerytalne S.A. ("NN PTE") on the increase of shares in the Bank's share capital and in the total number of votes above 5% in the share capital and in the total number of votes. In accordance with the notification, NN OFE holds 6,539,514 shares of the Bank, representing 5.01% of the Bank's share capital, which gives the right to exercise 6,539,514 votes attached to the shares, accounting for 5.01% of the total number of votes.

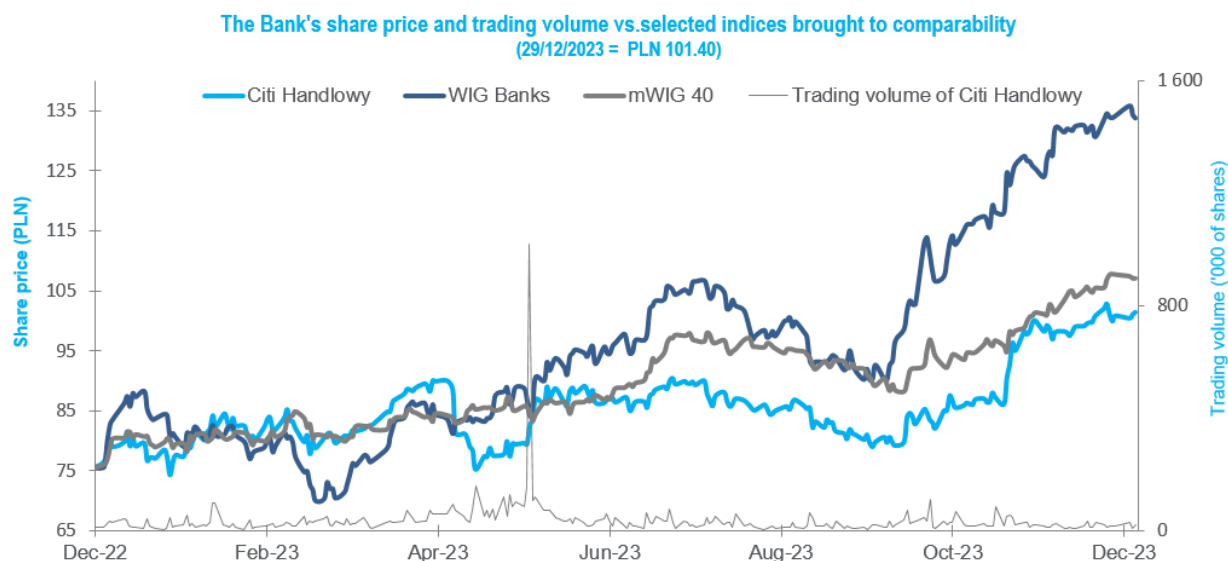
At the same time, NN PTE informed that as a result of the above-mentioned transaction, on the accounts of the following Funds managed by Nationale-Nederlanden Powszechno Towarzystwo Emerytalne S.A.: Nationale-Nederlanden Otwarty Fundusz Emerytalny (Nationale-Nederlanden Open Pension Fund), Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (Nationale-Nederlanden Voluntary Pension Fund), Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2025 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2025), Dobrowolny Fundusz Emerytalny Nasze Jutro 2030 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2030), Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2035 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2035), Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2040 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2040), Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2045 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2045), Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2050 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2050), Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2055 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2055), Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2060 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2060) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2065 (Nationale-Nederlanden Voluntary Pension Fund Nasze Jutro 2065) there were in total 6,876,766 shares of the Bank, representing a 5.26% stake in the Bank's share capital giving the right to exercise 6,876,766 votes attached to the shares, accounting for 5.26% of the total number of votes.

## 1.3 Performance of the Bank's shares on the WSE

In 2023, the Bank's shares were part of the following indices: WIG, mWIG40, WIG Banks and WIG-ESG. At the last session in 2023 (i.e. on 29 December 2023), the price of the Bank's shares was PLN 101.4, i.e. 34% above the level of 30 December 2022 (PLN 75.60). In the same period, the WIG Index increased by 37% and WIG-Banks Index increased by 77%.



As at the end of 2023, the capitalization of the Bank was PLN 13.2 billion (as compared to PLN 9.9 billion at the end of 2022). The stock market ratios were: price/earnings (P/E): 5.9 (versus 6.4 in 2022); price/book value (P/BV): 1.4 (versus 1.2 in 2022).



For the first three quarters of 2023, the Bank's share price remained fairly stable (average price at that time was PLN 83.50). The lowest price in 2023 was recorded on January 25 and amounted to PLN 74.30 per share in connection with the announcement of a potential extension of credit holidays until 2024) In the fourth quarter of 2023, the Bank's share price began to grow intensively, reaching the highest level in 2023 on December 19, 2023 (i.e. PLN 102.90). The final price was at PLN 101.40 on 29 December 2023. The average price of the Bank's shares in 2023 was PLN 85.54, with the average daily turnover above 36,800 shares.

## 2. Dividend payment history

On 17 March 2023, the Bank's Management Board adopted a resolution on the proposed distribution of profit for 2022 and it has proposed to allocate the amount of PLN 1,175.9 million for the dividend payment, which accounts for 75% of the stand alone net profit of the Bank. The proposed dividend is PLN 9.00 per share. The remaining amount of PLN 393.4 million the Management Board has proposed to allocate for reserve capital. This proposal of the Bank's Management Board was submitted to the Supervisory Board for an opinion.

On April 26, 2023, the Annual General Meeting of the Bank adopted a resolution on distribution of net profit for 2022. Pursuant to the resolution the net profit for 2022 in the amount of PLN 1,569,309,967.45 was distributed as follows:

- Dividend: PLN 1,175,936,400.00, i.e. PLN 9.00/per share,
- Reserve capital: PLN 393,373,567.45

Dividend day was set for May 8, 2023, and the dividend payment date for May 15, 2023. The number of shares covered by dividend was 130,659,600.

The dividend accounted for 75% of the net profit for 2022, and the payment of funds in this amount was in line with the individual recommendation of the Polish Financial Supervision Authority regarding fulfilling by the Bank of requirements for dividend payment from net profit generated in 2022.

With regard to the individual dividend recommendation of the Polish Financial Supervision Authority received by the Bank on February 23, 2024, the Bank's Management Board adopted a resolution on the acceptance the Polish Financial Supervision Authority recommendations, i.e.:

1. not paying by Bank a dividend from its net profit earned in the period from January 1, 2023 to December 31, 2023 in an amount greater than 75%, however, the maximum amount of the payment cannot exceed the amount of the annual net profit less the profit earned in 2023 already included in own funds;
2. not taking, without prior consultation with the Supervisory Authority, other actions, in particular those outside the scope of the Bank's current business and operational activities, which could result in a reduction of the Bank's own funds, including possible dividend payments from undistributed profit from previous years as well as repurchases or buybacks of own shares.



## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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	377.6%*
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%
2021	714,708,012	5.48	5.47	99.8%
2022	1,175,936,400	12.01	9.00	74.9%

\* 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 following the recommendation of the Polish Financial Supervision Authority (KNF) for the whole banking sector.

\*\*\* On June 4, 2020, the Ordinary General Meeting of the Bank decided to pay no dividend for 2019 following the recommendation of the Polish Financial Supervision Authority (KNF) for the whole banking sector.

### 3. Rating

As at the end of 2023, the Bank had a full rating from the international rating agency: Fitch Ratings ("Fitch").

On 5 September 2023, after the annual rating review, Fitch affirmed Bank's Long-Term Issuer Default Rating (IDR) at 'A-' with a Stable Outlook and Viability Rating (VR) at 'bbb+' and maintained VR on Rating Watch Negative (RWN). Simultaneously, Fitch affirmed the other ratings of the Bank as follows:

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

\* Viability rating is the view of the intrinsic creditworthiness of an institution, independent 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 rationale, the rating agency explained that Handlowy's VR is the highest among Polish banks'. It balances a low-risk business model, solid capital and liquidity buffers by regional standards and consistent risk appetite reflected in small credit losses.

The decision to keep the VR on the rating watch negative is connected with Citigroup's strategy to exit retail banking activities, and, precisely, the lack of information on the details of that process (scope, timeframe), and it reflects the uncertainty how this divestment will affect the risk and financial situation of the Bank. The Bank's VR can be removed from the rating watch negative if, after the divestment is complete, Fitch concludes that the risk profile and financial profile of the Bank still justifies a BBB+

score or if the transaction is cancelled.

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-05-09-2023>

#### 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 2023, after each quarter the Bank organized meetings regarding the publication of financial results with capital market analysts and representatives of investors.

### VIII. Statements of Bank Handlowy w Warszawie S.A. concerning application of corporate governance standards in 2023

#### 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", "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](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 24 January 2023, the Management Board of Bank Handlowy w Warszawie S.A. approved the "2022 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 Regulations and Cooperations with Regulatory Institutions' Compliance Department including an independent assessment of application at the Bank of the "Principles of Corporate Governance for Supervised Institutions" for 2022 made by Compliance Department. 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

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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make their own assessments of application of the “Principles of Corporate Governance for Supervised Institutions” for 2022.

On 23 March 2023 the Audit Committee, pursuant to the provision of Article 3.1 (b) of the Regulations of the Audit Committee, after becoming familiar with the “2022 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 2022 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.

The Supervisory Board of the Bank performs a periodic, annual, independent assessment of the application of the Principles at the Bank.

The Supervisory Board of Bank Handlowy w Warszawie S.A. became familiar with the “2023 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 Regulations and Cooperations with Regulatory Institutions’ Compliance Department and containing an independent assessment of the application of the Principles of Corporate Governance for Supervised Institutions. The Supervisory Board assessed independently that in 2023 the Bank applied the rules resulting from the Principles of Corporate Governance for Supervised Institutions, except for the excluded principles § 11.2, § 16.1.

With respect to the principle specified in § 8.4 (electronic General Meeting) of the ZŁK, in 2023 the principle was applied, with the Bank’s Management Board each time deciding on the method of shareholder participation in the Bank’s General Meeting before each General Meeting. The resolution was adopted unanimously.

The Annual General Meeting of Bank Handlowy w Warszawie S.A. by Resolution No. 15/2023 of 26 April 2023, considered and 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 2022 to the date of the Annual General Meeting of the Bank in 2023, containing: the report and an assessment specified in the Principles of Corporate Governance for Supervised Institutions, adopted by the Bank for application.

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 2023:

- 1) 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.
- 2) 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 and in the scope of transactions carried out on the basis of a brokerage agreement for the execution of orders with the Client: CGML and CGME, because these transactions are carried out on market principles.
- 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.

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

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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in the process of preparation of financial reporting are covered by the continuity of business plan of the Bank in case they are lost.

A horizontal monitoring has been implemented in the Bank. It is a 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.

The Bank also implemented vertical monitoring, which is enforced by dedicated units from the second level of the internal control system.

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 Bank's Management Board takes measures to ensure the continuity and effectiveness of the internal control mechanisms, which will contribute to ensuring that the objectives of the internal control system are met, in particular by guaranteeing the prudent and stable conduct of the Bank's business through the appropriate identification and mitigation of risks occurring in banking operations, the reliability of the financial and non-financial information provided – both internally and externally to the Bank, ensuring that the organizational structure is adapted to the size and profile of the risks incurred and allows for the effective performance of tasks, making necessary adjustments and improvements to the management system in the event of changes in the size of the risk profile in the Bank's business, factors of the economic environment, detection of irregularities in the functioning of the internal control system, and ensuring compliance of the Bank's operations with the provisions of law, internal regulations and requirements resulting from supervisory regulations.

The Bank's Management Board is responsible for designing, implementing, and ensuring the operation of a coherent and comprehensive system of internal control at the Bank.

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 had held a significant lot of the Bank's shares till November 14, 2023 was Citibank Overseas Investment Corporation (COIC) (subsidiary of Citibank N.A.), which owned 97,994,700, shares, i.e. 75% of the Bank's share capital. The number of votes held by COIC from those shares was 97,994,700, i.e. 75% of total votes at the General Meeting of Shareholders of the Bank.

On 15 November 2023 a change was made in the shareholding structure of the Bank as a result of the transfer by Citibank Overseas Investment Corporation of 97,994,700 shares of the Bank, representing 75% of the share capital of the Bank and authorizing to 97,994,700 votes at the General Meeting of Shareholders of the Bank, which represent 75% of the total number of votes at the General Meeting of Shareholders of the Bank, to Citibank Europe PLC with its registered office in Ireland.

Within Citi group of companies, the company being the majority shareholder of the Bank changed from Citibank Overseas Investment Corporation with registered office in the USA to Citibank Europe PLC with registered office in Ireland in order to fulfil the statutory obligation under which domestic banks belonging to a group from a third country, i.e. from outside the European Union and in the case of the Bank - the United States, have an EU intermediate parent undertaking (IPU) with its registered office in the European Union.

#### **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.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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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 convene 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

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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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.

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 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.

A member of the Management Board may refuse to provide information if providing the information 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.

To the extent provided for by generally applicable provisions of law, shareholders also have the right to bring a lawsuit against the Company to have an unlawful resolution of the General Meeting declared invalid.



# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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 and the prior consent of the Polish Financial Supervision Authority. 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;
- all relevant materials for the General Meeting, including draft resolutions with justifications and opinions of the Supervisory Board, are made available to shareholders inter alia on Bank's 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 2023, 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 2023, the Management Board consisted of:

Member of the Management Board	Scope of responsibility
	The President of the Management Board:
	<ul style="list-style-type: none"><li>• 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;</li><li>• calls and chairs meetings of the Management Board;</li><li>• presents the position of the Management Board to other bodies of the Bank, central and local government and the general public;</li><li>• 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;</li><li>• 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;</li><li>• decides how internal audit results are to be used and notifies such decision to the audited entity;</li><li>• exercises other authorizations resulting from appropriate rules adopted by the Supervisory Board;</li><li>• supervises the formulation and implementation of the strategy of the Bank;</li><li>• is the officer to which the internal audit department is subordinated;</li><li>• supervises the risk of non-compliance of the Bank with respect to the law, internal regulations and market standards;</li><li>• supervises human resources policy;</li><li>• is responsible for activities to control how the Bank is perceived;</li><li>• ensures a consistent organizational structure of the Bank;</li><li>• supervises activities to ensure appropriate corporate governance;</li><li>• supervises legal services;</li><li>• supervises the area of security at the Bank with respect to protection of persons and property;</li></ul>
<b>Elżbieta Światopełk-Czetwertyńska</b> President of the Management Board	

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

Member of the Management Board	Scope of responsibility
	<ul style="list-style-type: none"> <li>• 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;</li> <li>• as part of the external matrix structure, it covers the external functional bond of designated persons from subsidiary entities of the Bank responsible for the area corresponding to the scope of the competence of the President of the Management Board.</li> </ul>
	<b>Experience</b>
	<p>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.</p> <p>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.</p> <p>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.</p> <p>Ms. Elżbieta Światopełk-Czetwertyńska graduated from University of Reading, England, U.K. as Bachelor of Science in Food Science, Food Economics &amp; Marketing. She was Awarded First Class Honors Degree.</p>
Member of the Management Board	Scope of responsibility
	<p>Vice President responsible for Finance:</p> <ul style="list-style-type: none"> <li>• supervises the areas of accounting and financial reporting, including financial control;</li> <li>• management accounting;</li> <li>• bookkeeping;</li> <li>• preparation of accounting policies;</li> <li>• 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;</li> <li>• ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities;</li> <li>• as part of the external matrix structure, it covers the external functional bond of designated persons from Bank's subsidiaries responsible for the area corresponding to the scope of competence of the Vice President of the Management Board responsible for Finance.</li> </ul>
	<b>Experience</b>
	<p>Ms. Natalia Bożek has been the Vice President of the Management Board of Bank Handlowy w Warszawie S.A. since March 21, 2018.</p> <p>Ms. Natalia Bożek has extensive experience in the area of banking and finance.</p> <p>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.</p> <p>In the years 2014-2017 Ms. Natalia Bożek pursued her career within Citi</p>

**Natalia Bożek**  
*Vice President of the Management Board*

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

Member of the Management Board	Scope of responsibility
	<p>Group in the Polish branch of Citibank Europe PLC as Financial Planning and Analysis Head for Europe.</p> <p>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.</p> <p>Ms. Natalia Bożek holds a Master's degree from the Business and Administration University in Warsaw.</p>

Member of the Management Board	Scope of responsibility
<p><b>Maciej Kropidłowski</b> <i>Vice President of the Management Board</i></p>	<p>Vice President responsible for Financial Markets and Corporate Banking:</p> <ul style="list-style-type: none"> <li>• responsible for financial market operations, including money market transactions as well as FX market, securities and derivative transactions;</li> <li>• responsible for activities related to securitization;</li> <li>• responsible for activities related to organizing financing for investment plans, mergers and acquisitions in the scope of: <ul style="list-style-type: none"> <li>– syndicated loans;</li> <li>– bridge financing;</li> <li>– debt securities;</li> <li>– project finance;</li> <li>– off-balance sheet financing;</li> </ul> </li> <li>• responsible for custody activities;</li> <li>• ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities</li> <li>• responsible for ongoing cooperation with and supervision over corporate bank and commercial bank, including supervision over services provided to clients from the financial institution sector;</li> <li>• supervises the brokerage activities, also is responsible for the current functioning of the procedures of anonymous reporting of violations at the Brokerage Department of Bank Handlowy and accepting anonymous reports of violation of law or violation of procedures and ethical standards in the Brokerage Department.</li> </ul>

**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. 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
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Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

Member of the Management Board	Scope of responsibility
<b>Andrzej Wilk</b> <i>Vice President of the Management Board</i>	<p>Vice President responsible for Consumer Banking:</p> <ul style="list-style-type: none"><li>• responsible for consumer banking, including the quality standard of banking services in supervised organizational units,</li><li>• ensures that principles of their business-related operational risk management are implemented in such supervised organizational units,</li><li>• as part of the matrix structure, it supervises brokerage activities implemented in relation to individual clients to the extent specified in the organizational regulations of the bank's relevant organizational units to perform such activities.</li></ul>
	<p style="text-align: center;"><b>Experience</b></p>
	<p>Mr. Andrzej Wilk has been the Vice President of the Management Board of Bank Handlowy w Warszawie S.A. since July 1, 2022.</p> <p>Mr. Andrzej Wilk has an extensive professional experience in banking. Mr. Andrzej Wilk joined Bank Handlowy w Warszawie S.A. in 1997 as Planning and Business Analysis Specialist. Then, he held a number of managerial roles, including the CFO of Citifinancial Central Europe, supervising the development of over 200 branches and points of sale. He was also the Head of Retail Bank in Hungary, the Czech Republic and Romania. Between 2014 and 2018 he worked outside of Citi, at Moneygram Polska as the Company CEO. Then, Mr. Andrzej Wilk returned to Citi and from 2019 he served as the Head of Retail Products, Brokerage Services, Segments and Branch Network Management Division.</p> <p>Mr. Andrzej holds a Master's degree in Management and Marketing from the Wrocław University of Science and Technology.</p>
Member of the Management Board	Scope of responsibility
<b>Barbara Sobala</b> <i>Vice President of the Management Board</i>	<p>Vice President responsible for of significant risks management:</p> <ul style="list-style-type: none"><li>• supervises management of risks significant to activities of the bank credit policy of the Bank;</li><li>• responsible for risk management system including:<ul style="list-style-type: none"><li>– credit policy;</li><li>– quality of the Bank's credit portfolio;</li><li>– credit risk;</li><li>– market risk;</li><li>– operational risk;</li></ul></li><li>• responsible for coordination of activities connected with implementation at the Bank of requirements resulting from risk management regulations, including recommendations issued by supervisory authorities.</li><li>• responsible for supervision of risk management at second level, by employees in specially appointed positions or organizational units;</li><li>• provides the Bank's Management Board and Supervisory Board with comprehensive information on risk.</li><li>• responsible for adjustments of the organizational structure of the Bank to the amount and profile of risks to which the Bank is exposed;</li><li>• accepts anonymous reports of infringements of law or procedures and ethical standards applicable at the Bank;</li><li>• 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.</li></ul>
	<p style="text-align: center;"><b>Experience</b></p>
	<p>Ms. Barbara Sobala assumed the position of Vice President of the Management Board of Bank Handlowy w Warszawie S.A. on October 15, 2013.</p> <p>Ms. Barbara Sobala has a university degree. She graduated from the Cracow University of Economics. She has extensive (over twenty years) experience in</p>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

Member of the Management Board	Scope of responsibility
	<p>banking, especially in risk management and corporate restructuring.</p> <p>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.</p> <p>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.</p>
Member of the Management Board	Scope of responsibility
	<p>Vice President responsible for transaction service, .</p> <ul style="list-style-type: none"> <li>• responsible for: <ul style="list-style-type: none"> <li>– finance management products;</li> <li>– trade finance products;</li> <li>– cash products;</li> <li>– liquidity management products;</li> </ul> </li> <li>• responsible for supervision of EU programmes</li> <li>• responsible for supervision within the internal functional relationship over services for the public sector;</li> <li>• ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities;</li> <li>• as part of the external matrix structure, it covers the external functional bond of designated persons from Bank's subsidiaries responsible for the area corresponding to the scope of competence of a member of the management board responsible for transactional banking.</li> </ul>
<p><b>Ivan Vrhel</b> <i>Member of The Management Board</i></p>	
	Experience
	<p>Mr. Ivan Vrhel has been the Member of the Management Board of Bank Handlowy w Warszawie S.A. since September 29, 2022.</p> <p>Mr. Ivan Vrhel has 17 years of experience in banking and management gained in many markets where entities from the Citi group operate. Mr. Ivan Vrhel started his career in 2004 at Citibank Prague in the corporate banking division, where he worked as a customer relationship manager (RM) and held a number of managerial positions, including being the Head of Emerging Corporate, a unit dealing with acquiring and developing relationships with the largest entities from the Small and Medium Enterprises segment in the Czech Republic. In 2014, Mr. Ivan Vrhel moved to Romania, where he took the position of the Head of Corporate Banking. He held this position in 2014-2021. In 2017, Mr. Ivan Vrhel was promoted to the position of the Citi Country Officer in Romania, which he held until 2021. At the same time, he was also the Director of Citibank Europe plc Branch in Romania. In this role, he was responsible for the implementation of the country's business strategy. From January 1, 2022 to July 31, 2022, Mr. Ivan Vrhel was the Head of Transaction Banking in Russia.</p> <p>Mr. Ivan Vrhel holds a bachelor's and master's degree from the Charles University in Prague from the Faculty of Social Sciences (specialization: banking and capital market).</p>
Member of the Management Board	Scope of responsibility
	<p>Vice President responsible for Operation and Technology.</p> <ul style="list-style-type: none"> <li>• responsible for operations and technology,</li> <li>• responsible for real estate management,</li> <li>• responsible for administration,</li> <li>• supervises the field of occupational health and safety,</li> <li>• ensures the implementation of risk management principles in supervised organizational units with respect to operational risk connected with their activities.</li> </ul>
<p><b>Katarzyna Majewska</b> <i>Vice President of the Management Board</i></p>	

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

Member of the Management Board	Scope of responsibility
	<b>Experience</b>
	<p>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.</p> <p>In the years 2017 and 2021 she was the Vice Chair of the Cybersecurity Forum at the Polish Bank Association.</p> <p>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.</p>

## Changes in the composition of the Management Board in 2023

In 2023, there were no changes in the composition of the Bank's Management Board.

On November 16, 2023, the Bank received information about the resignation, as of January 31, 2024, of Mrs. Natalia Bożek from the position of Vice-President of the Management Board of the Bank due to taking a role of Chief Financial Officer (CFO) for the Citi Europe cluster. Due to the above vacancies, on 25 January 2024, the Supervisory Board of the Bank appointed Mr. Patrycjusz Wójcik to the Management Board as of February 1, 2024.

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 2023, 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 2023, 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).

# Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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 must be signed by at least the Member of the Management Board chairing the meeting or ordering the voting.

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

- 1) quarterly financial information with its comparison to the budget adopted in the annual plan and to the previous year data,
- 2) immediately upon compilation but no later than 120 (one hundred and twenty) days after the end of each accounting year, standalone and consolidated annual financial statements prepared in accordance with International Accounting Standards and International Financial Reporting Standards, audited by the Bank's auditor;
- 3) 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, and
- 4) immediately, other available financial data related to the Bank's operations and its financial condition, as well as the operations and financial condition of the Bank's 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 December 31, 2023, the Company's Supervisory Board consisted of:

Member of Supervisory Board	Professional experience
<b>Stawomir Sikora</b> <i>Chairman of the Supervisory Board</i>	<p>Mr. Stawomir 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.</p> <p>In 2005-2008 he was a Member of Citigroup Management Committee in New York.</p> <p>In the years 2001-2003 he was President of the Management Board of America Bank in Poland S.A.</p> <p>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.</p> <p>Between 1989-1994 he held senior positions at the Ministry of Finance in Poland (incl. Head of the Banking and Financial Institutions).</p> <p>Mr. Stawomir Sikora is a graduate of the Warsaw School of Economics (SGH)</p>
<b>Silvia Carpitella</b> <i>Member of Supervisory Board</i>	<p>Ms. Silvia Carpitella serves as CFO and is a Board Member of Citibank Europe plc, Dublin Ireland at the same time she serves also as Europe CFO. From 2015 to 2019 Ms. Carpitella was CFO in Citi Germany and Cluster CFO for Continental Europe, she was also a Board Member of Citigroup Global Markets Europe (CGME). Earlier from 2010 to 2015 she served as CFO for South Europe Cluster in Milan at the same time double hatting CFO Italy and Spain, at this time she was also Board Member of Citibank Espana SA. From 1999 to 2003 Ms. Carpitella performed several managerial functions in Citi, she was among others Italy ICG CFO, Southern Europe Audit Cluster head. Ms. Silvia Carpitella started her professional career in 1987 in ING. Olivetti &amp; C. S.P.A., Turin in the internal audit.</p> <p>Ms. Silvia Carpitella graduated from University of Florence in Italy, with a degree in Business Administration.</p>
<b>Marek Kapuściński</b> <i>Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)</i>	<p>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 &amp; 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&amp;G, and since January 2007 for Poland and the Baltic States. He is the first Pole and a</p>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

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**Member of Supervisory Board**

**Professional experience**

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 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.

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**Helen Hale**

*Member of Supervisory Board*

Ms. Helen Hale serves as EMEA Senior Human Resources Officer. Ms. Helen Hale has 20 years' experience in human resources at Citi having completed assignments within graduate recruitment for the Investment Bank, HR for HR, Citi Private Bank, Global Functions and Operations and Technology. Between 2016 and 2018, Ms. Hale was also Cluster CHRO for Russia, Ukraine, Kazakhstan (RUK), Turkey, Israel including Poland based Bank Handlowy. Prior to her recent appointment Helen was the Senior HR Advisor for Markets and Securities Services in EMEA. Helen joined Citi in August 2000 after completing two years on a graduate programme at GlaxoSmithKline following her undergraduate studies.

Ms. Helen Hale has a BSc (Hons) degree in Pharmacology from King's College, London (University of London) and a Postgraduate Diploma in International Human Resource Management from Cranfield University.

Since 24 June 2022, she has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.

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**Andras Reiniger**

*Member of Supervisory Board*

Mr. Andras Reiniger is the new Chief Operating Officer (COO) for Legacy Franchises. Mr. Reiniger will partner closely with the Legacy Franchises Management Team to lead day-to-day business operations for the organization. He will be responsible for Business Management including Business Planning, Strategic Planning, Financial Management and Risk Management, playing an integral role in the execution of Citi Legacy Franchises divestiture strategy and strategic priorities.

Most recently, Andras served as Head of Corporate Mergers & Acquisitions (M&A) for Citi, overseeing the team responsible for executing strategic acquisitions and divestitures for the firm globally. Since joining the team in 2008, Andras has led M&A activities for Citigroup's exits from international consumer businesses, as well as selected acquisitions.

Over the past year, he led the divestiture efforts across Legacy Franchises working closely with our local, regional and global management teams.

In the years 2008-2012 as Senior Transactor in Corporate M&A he managed the Citi Holdings divestiture programme across the regions, including the Nordics, Portugal, Italy, Spain, Benelux, UK. In 2009 he was promoted to EMEA M&A Head, and then to Managing Director in 2010. On the buy-side, he involved in smaller acquisitions in Russia, CEE, as well as selected partner card portfolios in the US.

Prior to joining Citi he worked for Schroders in UK M&A and then moved to European Financial Institutions Group in 1999 where he was involved in a broad range of transactions in the UK & EMEA across banking, asset management and insurance.

He started his professional career as analyst at NatWest Markets, working within the M&A team, focused primarily on transactions in the UK.

Mr. Andras Reiniger has a BA (Hons) (Cantab) in Economics from Trinity College,

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Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

Member of Supervisory Board	Professional experience
<p><b>Anna Rulkiewicz</b> <i>Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)</i></p>	<p>Cambridge.</p> <p>Since 24 June 2022, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.</p> <p>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).</p> <p>Ms. Anna Rulkiewicz gained professional experience by, among others, managing the Sales and Marketing Department at Credit Suisse Life &amp; Pensions Towarzystwo Ubezpieczeń na Życie S.A. and at Powszechnie 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 Powszechnie 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.</p> <p>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.</p> <p>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.</p>
<p><b>Barbara Smalska</b> <i>Member of Supervisory Board (an independent member within the meaning of § 14 section 4 of the Bank's Articles of Association)</i></p>	<p>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.</p> <p>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).</p> <p>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,</p>

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

Member of Supervisory Board	Professional experience
	<p>sales network organization and activation, costs reorganization and optimization. In the years 2006-2008, as the Project Leader and next as the Principal, she 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.</p> <p>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.</p> <p>Since 05 June 2019, he has served as a member of the Supervisory Board of Bank Handlowy w Warszawie S.A.</p>

### Changes in the composition of the Supervisory Board in 2023

On November 16, 2023, the Bank received information that Ms. Kristine Braden resigned from her position as a member of the Bank's Supervisory Board with effect from November 16, 2023.

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. Before granting its consent, the Supervisory Board must assess the impact of such a transaction on the Bank's interests, as well as whether there is a need to first seek the opinion of an external entity, which will prepare a valuation of the transaction and an analysis of its economic effects,
- 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,

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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- 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. The notice convening a meeting of the Supervisory Board (or its Committee), containing the date, time and place of the meeting, the agenda and materials to be discussed, as well as the method of using means of direct remote communication during the meeting, is sent by the Secretary to the Supervisory Board to its members (or members of the Board's Committees) by encrypted email or by courier or by registered mail, return receipt requested, 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

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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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 at least a Member of the Supervisory Board conducting the meeting or voting manager. 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 out of seven members of the Supervisory Board meet the above-mentioned certain criteria of independence. Independence is confirmed on the basis of submitted statements.

In 2023, 7 meetings of the Supervisory Board were held. The following attendance was recorded at the meetings:

- 1) January 11, 2023 - 100%,
- 2) February 16, 2023 – 87.5% (Mrs. Silvia Carpitella was absent),
- 3) March 20-24, 2023 - 100%,
- 4) May 25, 2023 - 100%,
- 5) September 28, 2023 - 100%,
- 6) November 13, 2023 - 87.5% (Mrs. Anna Rulkiewicz was absent),
- 7) December 6, 2023 - 100%.

### 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 2023 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: Sławomir S. Sikora acting as Chair, Marek Kapuściński acting as Vice-Chair, Silvia Carpitella, Helen Hale, Andras Reiniger, Anna Rulkiewicz and Barbara Smalska acting as Committee members. In accordance with the adopted Regulations 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.

In 2023, 2 meetings of the Committee were held. The following attendance was recorded at the meetings:

- 1) September 27, 2023 – 100%,
- 2) December 5, 2023 – 100%.

### Audit Committee

The Audit Committee is composed of the following members:

- 1) Barbara Smalska - Chairman of the Committee;
- 2) Silvia Carpitella – Vice Chairman of the Committee;
- 3) Anna Rulkiewicz – Member of the Committee;

The Audit Committee is a permanent committee of the Supervisory Board. In 2023, 4 meetings of the Committee were held. The following attendance was recorded at the meetings:

- 1) March 23, 2023 – 100%,
- 2) May 24, 2023 – 100%,
- 3) September 28, 2023 – 100%
- 4) December 6, 2023 – 100%.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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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 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) Silvia Carpitella - has many years of practical professional experience gained in various managerial positions in Citi group, e.g. she is the Chief Financial Officer (CFO) as a Board Member of Citibank Europe plc in Dublin. Ms Carpitella holds a degree in management from the University of Florence, Italy.
- 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) Silvia Carpitella - due to her education and many years of practical professional experience gathered in 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

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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(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) Anna Rulkiewicz – Chairman of the Committee;
- 2) Helen Hale – Vice Chairperson of the Committee;
- 3) Marek Kapuściński - Member of the Committee;
- 4) Sławomir S. Sikora – Member of the Committee;
- 5) Barbara Smalska – Member of the Committee.

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

In 2023, 6 meetings of the Committee were held. The following attendance was recorded at the meetings:

- 1) January 11, 2023 – 100%
- 2) February 16, 2023 - 100%
- 3) March 24, 2023 - 100%
- 4) May 24, 2023 - 100%
- 5) September 28, 2023 – 100%
- 6) December 6, 2023 – 100%

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

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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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) make a preliminary assessment of the qualifications of candidates for members of the Supervisory Board selected from among a sufficiently wide group of potential candidates, taking into account diversity in the composition of the Supervisory Board, the necessary knowledge, competences and experience of individual candidates and the Supervisory Board as a whole, and prepare recommendations for their selection,
- 15) perform a preliminary assessment of the qualifications of members of the Supervisory Board taking into account diversity in the composition of the Supervisory Board, the necessary knowledge, competences and experience of individual Supervisory Board members and the Supervisory Board as a whole, and make recommendations when a reassessment 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 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. Most members of the Committee, including its Chairman, meet the independence criterion set out in § 14(4) of the Articles of Association of Bank Handlowy w Warszawie S.A.

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.



## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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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.

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 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) Andras Reiniger – Vice Chairman of the Committee;
- 3) Barbara Smalska - Member of the Committee;

The Risk and Capital Committee is a permanent committee of the Supervisory Board.

In 2023, 4 meetings of the Committee were held. The following attendance was recorded at the meetings:

- 1) March 24, 2023 - 100%
- 2) May 24, 2023 - 100%
- 3) September 27, 2023 – 100%
- 4) December 5, 2023 – 100%

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. Most members of the Committee, including its Chairman, meet the independence criterion set out in § 14(4) of the Articles of Association of Bank Handlowy w Warszawie S.A. 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. 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 employed a total of 59% women compared to 41% men in 2023. The recruitment processes for higher level specialist and managerial positions are monitored 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 consistently implements these recruitment principles in all its recruitment processes.

Since 2020, the Bank has employed almost the same number of women and men in managerial positions. The share of women among all employed employees remains at a consistently higher level compared to the level of employed men and in 2023 amounted to 62% of women vs 38% of men. The average length of service at the Bank is close to 11 years. Since 2021, the upward trend in women's seniority has been maintained and in 2023 it amounted to 11.6 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 2023, 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.

Women and men in equivalent positions are remunerated in accordance with their competences, at a comparable level - the remuneration of women employed at Citi Handlowy is comparable to the total remuneration\* of men and as at the end of 2023 amounted to 94% of men's remuneration (taking into account employees actively performing work, sectors in which they work, location and grade levels in relation to full-time employment - excluding parental and unpaid leave and long-term sick leave). The amount of this indicator calculated on the basis of basic salary is 96%.

\*total remuneration for 2023 understood as the annualized average income of employees employed as at December 31, 2023 for 2023 converted to full-time equivalents, excluding employees on parental leave, unpaid leave and long-term sick leave as at December 31, 2023).

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.

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. In 2023, staff meetings are being held in a hybrid format, allowing remote participation for those employees who are working from outside the office that day.

2023 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 2023 was the work of the People Board – a group of 9 employee representatives chosen in internal elections by employees themselves. The people Board activity 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. Throughout the year, members of the People Board remained in close contact with the Bank's employees in all locations in Poland, meeting with them both electronically and directly – celebrating joint successes during "Let's celebrate together". These meetings over coffee and cake, with the participation of top management staff, were very popular among employees. 2023 was also a benefits-focused year for the People Board. Several workshops were organized for employees, during which the issues of medical care, cafeteria and Employee Pension Fund were discussed.

## **IX. 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 and "Transaction Award Policy" (adopted on 16 June 2021, 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), 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 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 is 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. 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. 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. The Bank has made changes to the structure of deferred variable remuneration. From the 2022 annual award onwards, all deferred variable remuneration is conditionally awarded in a financial instrument.

In 2022, the Remuneration Policy and the Eligible Persons Remuneration Policy were amended to include the possibility to pay the remuneration granted in a financial instrument in the form of existing shares in the Bank's share capital to the persons indicated in the aforementioned documents. The assumption for the amended Remuneration Policies is that the Bank transfers to the Eligible Persons its own shares previously purchased by the Bank.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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On 7 November 2022, the Bank's Management Board amended the remuneration policies by way of a resolution and, subsequently, on 14 November 2022, those amendments were approved by the Bank's Supervisory Board. On 16 December 2022, the Extraordinary General Meeting of Shareholders decided to implement incentive programs based on the Bank's shares and authorized the Management Board of the Bank to purchase the Bank's own shares over a period of 3 years (from December 16, 2022), a total of no more than 850,000 shares of the Bank, representing a total of no more than 0.65% of the total number of votes at the General Meeting of the Bank. The Extraordinary General Meeting also established a reserve capital to finance the purchase of own shares in the amount of PLN 50 million.

On December 29, 2023, the Polish Financial Supervision Authority granted the Bank the authorization referred to in Art. 77 and art. 78 section 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, covering the acquisition of own shares by the Bank. The Bank's share buyback began in January 2024.

In the event that the Bank is unable to transfer a sufficient number of own shares in relation to the number necessary to be issued to Eligible Persons, the adopted amendments to the Policies allow for the continued remuneration of certain Eligible Persons based on phantom shares or, depending on the situation and the Bank's decision, based on phantom shares and shares in the Bank's share capital.

The right to each tranche of a deferred award will vest depending on the Bank's results in the calendar year immediately preceding the vesting date for that tranche and other conditions specified in the Eligible 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 2023.

In 2023 The Supervisory Board of the Bank positively assessed functioning of the Remuneration Policy applied in Bank Handlowy w Warszawie S.A.

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

## 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 2023.

		Base salary	Other benefits
Elżbieta Światopelk-Czetwertyńska		2,442	263
Maciej Kropidłowski		2,413	462
Barbara Sobala		1,035	154
Natalia Bożek		1,035	132
Katarzyna Majewska		1,035	146
Ivan Vrher		1,110	603
Andrzej Wilk		1,200	138
<i>Former members of the Management Board</i>			
Dennis Hussey	- to 30 June 2022	0	632
James Foley	- to 28 February.2022	0	300
Sławomir S. Sikora	- to 17 June 2021	0	116
		<b>10,270</b>	<b>2,944</b>

The table below presents the amount of fixed remuneration components (in PLN thousand) paid to the members of the Bank's Management Board in 2022.

		Base salary	Other benefits
Elżbieta Światopelk-Czetwertyńska		2,100	184
Maciej Kropidłowski		2,076	335
Barbara Sobala		900	115
Natalia Bożek		900	99
Katarzyna Majewska		857	106
Ivan Vrher	- since 29 September.2022	286	130
Andrzej Wilk	- since 1 July 2022	600	59
<i>Former members of the Management Board</i>			
Dennis Hussey	- to 30 June 2022	722	690
James Foley	- to 28 February.2022	200	668
Sławomir S. Sikora	- to 17 June 2022	0	144
Czesław Piasek	- to 31 March 2018	0	2
		<b>8,641</b>	<b>2,532</b>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

The table below presents the amount of variable remuneration components in the form of cash awards (in PLN thousand) paid in 2023 to the members of the Bank's Management Board.

	Cash awards for years:					
	2022	2021	2020	2019	2018	2017
Elżbieta Światopelk-Czetwertyńska	568	34	0	0	0	0
Maciej Kropidłowski	958	224	273	252	0	0
Barbara Sobala	225	28	39	42	0	0
Natalia Bożek	165	20	26	20	0	0
Katarzyna Majewska	202	25	33	33	0	0
Andrzej Wilk	300	13	15	17	0	0
Ivan Vrhel	226	0	0	0	0	0
<i>Former members of the Management Board</i>						
Dennis Hussey - to 30.06.2022	0	83	97	0	0	0
James Foley - to 28.02.2022	0	47	80	78	0	0
Sławomir S. Sikora - to 17.06.2021	0	0	156	152	156	223
David Mouille - to 31.01.2020	0	0	0	126	0	0
	<b>2,645</b>	<b>473</b>	<b>720</b>	<b>721</b>	<b>156</b>	<b>223</b>

The table below presents the amount of variable remuneration components in the form of cash awards (in PLN thousand) paid in 2022 to the members of the Bank's Management Board.

	Cash awards for years:				
	2021	2020	2019	2018	2017
Elżbieta Światopelk-Czetwertyńska	252	0	0	0	0
Maciej Kropidłowski	732	269	247	316	0
Barbara Sobala	204	39	41	42	0
Natalia Bożek	144	25	19	20	0
Katarzyna Majewska	180	32	32	42	0
Andrzej Wilk	0	15	17	0	0
<i>Former members of the Management Board</i>					
Dennis Hussey - to 30 June 2022	609	96	0	0	0
James Foley - to 28 February 2022	347	79	77	0	0
Sławomir S. Sikora - to 17 June 2021	0	154	149	151	189
David Mouille - to 31 January 2020	0	0	124	147	0
Czesław Piasek - to 31 March 2018	0	0	0	14	0
	<b>2,467</b>	<b>710</b>	<b>705</b>	<b>732</b>	<b>189</b>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

The table below presents the amount of the variable remuneration components in the form of capital awards (in PLN thousand) paid in 2023 to the members of the Bank's Management Board.

	Capital rewards for the years:					
	2022	2021	2020	2019	2018	2017
Elżbieta Światopelk-Czetwertyńska	0	343	0	0	0	0
Maciej Kropidłowski	0	994	783	464	0	0
Barbara Sobala	0	277	113	76	0	0
Natalia Bożek	0	196	74	36	0	0
Katarzyna Majewska	0	244	93	61	0	0
Andrzej Wilk	0	21	44	32	0	0
Ivan Vrhel	0	0	0	0	0	0
<i>Former members of the Management Board</i>						
Dennis Hussey - to 30.06.2022	0	826	279	0	0	0
James Foley - to 28.02.2022	0	470	228	144	0	0
Sławomir S. Sikora - to 17.06.2021	0	0	363	226	170	210
David Mouille - to 31.01.2020	0	0	0	232	0	0
	<b>0</b>	<b>3,371</b>	<b>1,979</b>	<b>1,271</b>	<b>170</b>	<b>210</b>

The table below presents the amount of the variable remuneration components in the form of capital awards (in PLN thousand) paid in 2022 to the members of the Bank's Management Board.

	Capital rewards for the years:				
	2021	2020	2019	2018	2017
Elżbieta Światopelk-Czetwertyńska	0	0	0	0	0
Maciej Kropidłowski	0	476	281	272	0
Barbara Sobala	0	69	46	36	0
Natalia Bożek	0	45	22	17	0
Katarzyna Majewska	0	57	37	36	0
Andrzej Wilk	0	27	19	0	0
<i>Former members of the Management Board</i>					
Dennis Hussey - to 30 June 2022	0	169	0	0	0
James Foley - to 28 February 2022	0	139	87	0	0
Sławomir S. Sikora - to 17 June 2021	0	923	172	131	165
David Mouille - to 31 January 2020	0	0	141	126	0
Czesław Piasek - to 31 March 2018	0	0	0	12	0
	<b>0</b>	<b>1,904</b>	<b>806</b>	<b>630</b>	<b>165</b>

Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

The table below presents the amount of total remuneration (in PLN thousand) paid to members of the Bank's Supervisory Board in 2023.

	<b>Remuneration for the function performed</b>	<b>Reimbursement of social security contributions</b>	<b>Reimbursement of social security contributions</b>
Marek Kapuściński	96	210	(19)
Anna Rulkiewicz	96	210	8
Stawomir S. Sikora	192	120	0
Barbara Smalska	96	270	0
Silvia Carpitella	0	0	0
Helen Hale	0	0	0
Andras Reiniger	0	0	0
<i>Former Supervisory Board Members</i>			
Kristine Braden - to 16.11.2023	0	0	0
	<b>480</b>	<b>810</b>	<b>(11)</b>

The table below presents the amount of total remuneration (in PLN thousand) paid to members of the Bank's Supervisory Board in 2022.

	<b>Remuneration for the function performed</b>	<b>Reimbursement of social security contributions</b>	<b>Reimbursement of social security contributions</b>
Marek Kapuściński	96	183	5
Anna Rulkiewicz	96	197	8
Stawomir S. Sikora	192	133	0
Barbara Smalska	96	243	0
Kristine Braden	0	0	0
Silvia Carpitella	0	0	0
Helen Hale	0	0	0
Andras Reiniger	0	0	0
<i>Former Supervisory Board Members</i>			
Frank Mannion - to 31.03.2022	0	0	0
Jenny Grey - to 23.06.2022	0	0	0
Gonzalo Luchetti - to 23.06.2022	0	0	0
	<b>480</b>	<b>756</b>	<b>13</b>



Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A.  
and Bank Handlowy w Warszawie S.A. in 2023

### 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 2023 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)
<b>Management Board</b>				
Elżbieta Światopełk-Czetwertyńska	-	-	4,326	170
Ivan Vrhel	-	-	632	25
Katarzyna Majewska	-	-	29	1
<b>Supervisory Board</b>				
Sławomir Sikora			13,204	520
Silvia Carpitella	-	-	1,966	77
Helen Hale	-	-	1,198	47
Andras Reiniger	-	-	8,223	324

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 2022 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)
<b>Management Board</b>				
Elżbieta Światopełk-Czetwertyńska	-	-	3,497	154
Ivan Vrhel	-	-	767	34
Katarzyna Majewska	-	-	29	1
<b>Supervisory Board</b>				
Sławomir Sikora			13,204	581
Silvia Carpitella	-	-	1,966	87
Kristine Braden	-	-	6,395	281
Helen Hale	-	-	1,198	53
Andras Reiniger	-	-	3,078	135

As at 31 December 2023 and 31 December 2022, 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 2023. The policy is described in the Note to the Annual Consolidated Financial Statements of the Capital Group of the Bank.

## X. Information on pending court proceedings

In 2023 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, 2023.

## XI. Agreements concluded with the registered audit company

On 23 March 2022 the Supervisory Board of the Bank appointed the auditor: KPMG Audyty Spółka z ograniczoną odpowiedzialnością spółka komandytowa [KPMG Audit 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 2022 - 2024. KPMG Audyty 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 2019-2021 and for previous years.

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, 2023 and the Stand-alone Annual Financial Statements of Bank Handlowy w Warszawie S.A. for the financial year ended December 31, 2023, 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 2023 and 2022 are presented in the table below:

	For the year	2023	2022
<i>PLN'000</i>			
Bank (the parent company) audit fees (1)		788	623
Bank (the parent company) review fees (2)		274	241
Subsidiary companies audit fees (3)		132	362
Other assurance fees (4)		990	320
		<b>2,185</b>	<b>1,546</b>

(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.*

## XII. Subsequent events

The Government is working on regulations amending the principles of operation of the Act of July 7, 2022 on crowdfunding for business ventures and aid to borrowers (Journal of Laws of 2022, item 1488), which are intended to create the possibility of suspending mortgage loan repayments (so-called "credit holidays") in 2024. The presented government proposals are monitored by the Group, and the impact of the current variants on the Group's financial results in 2024 was not significant.

Implementing the Bank's Own Shares buy-back program in the period from January 12, 2024 to February 20, 2024, the Brokerage Department of Bank Handlowy acquired a total of 20,316 shares of the Bank for the Bank's account. The total value of the transaction was PLN 2,135,480.80. The average unit price was PLN 105.11325064. The acquired shares with a nominal value of PLN 4.00 each represent 0.015549% of the Bank's share capital and entitle to 0.015549% of the total number of votes at the Bank's General Meeting.

## Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. and Bank Handlowy w Warszawie S.A. in 2023

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The own shares were purchased on the basis of Resolution No. 5/2022 of the Bank's Extraordinary General Meeting dated December 16, 2022, authorizing the Management Board to purchase the Bank's own shares and create a capital reserve for the Bank's own shares buy-back program in connection with the implementation of: (i) a share-based incentive plan for persons whose professional activities have a material impact on the Bank's risk profile, and (ii) a share-based incentive plan for selected Bank employees other than persons whose professional activities have a material impact on the Bank's risk profile.

After 31 December 2023 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.

### **XIII. 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. Patrycja Wójcik, Vice-President of the Management Board; Mr. Maciej Kropidłowski, Vice-President of the Management Board; Mr. Andrzej Wilk, Vice-President of the Management Board; Ms. Barbara Sobala, Vice-President of the Management Board; Ms. Katarzyna Majewska, Vice-President of the Management Board and Ms. Ivan Vrhel, 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 2023 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 2023 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 2023.

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

19.03.2024	Elżbieta Światopełk-Czetwertyńska	President of the Management Board
..... Date	..... Name	..... Position/function
19.03.2024	Patrycjusz Wójcik	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
19.03.2024	Andrzej Wilk	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
19.03.2024	Maciej Kropidłowski	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
19.03.2024	Barbara Sobala	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
19.03.2024	Katarzyna Majewska	Vice-President of the Management Board
..... Date	..... Name	..... Position/function
19.03.2024	Ivan Vrhel	Member of the Management Board
..... Date	..... Name	..... Position/function