2024
Annual Report
Capital Group of Bank Handlowy w Warszawie S.A.

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SELECTED FINANCIAL DATA	PLN'000		EUR'000***	
	2024	2023	2024	2023
Interest and similar income	4,419,962	4,399,600	1,026,895	971,557
Fee and commission income	686,448	668,303	159,483	147,580
Profit before tax	2,315,505	2,860,623	537,964	631,707
Net profit	1,760,457	2,256,348	409,009	498,266
Total comprehensive income	1,559,196	2,945,278	362,250	650,401
Increase/decrease of net cash	4,552,488	570,538	1,057,685	125,991
Total assets	72,478,103	72,573,334	16,961,878	16,691,199
Amounts due to banks	4,435,817	3,375,687	1,038,104	776,377
Amounts due to customers	53,985,032	54,188,815	12,633,988	12,462,929
Shareholders' equity	9,868,531	9,729,491	2,309,509	2,237,693
Share capital	522,638	522,638	122,312	120,202
Number of shares (in pcs)	130,581,136	130,659,600	130,581,136	130,659,600
Book value per share (PLN/EUR)	75.53	74.46	17.68	17.13
Total capital adequacy ratio (in %)	21.2	23.6	21.2	23.6
Earnings per share (PLN/EUR)	13.48	17.27	3.13	3.81
Diluted net earnings per share (PLN/EUR)	13.48	17.27	3.13	3.81
Paid dividends per share (PLN/EUR)	11.15	9.00	2.59	1.99

Explanations to the table:

1) Additional information on capital ratio is included in the supplementary note no. 5 in the section "Capital Adequacy" and "Information on capital adequacy of Bank Handlowy w Warszawie S.A. as at 31 December 2024" subject to publication on the Bank's website and it's subject to assessment of compliance of disclosures with the requirements for disclosure of information by institutions.

2) On the June 19, 2024, the Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. adopted a resolution on distribution of the net profit for 2023. Additional information concerning dividend payout was presented in Note 34.

3) The following foreign exchange rates were applied to convert PLN into EUR: for the statement of financial position - NBP mid exchange rate as at 31 December 2024 - PLN 4.2730 (as at 31 December 2023: PLN 4.3480); for the income statement, statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in 2024 – PLN 4.3042 in 2023: PLN 4.5284).

4) Comparative data as at 31 December 2023 regarding the balance sheet total and amounts due to customers have changed in connection with the presentation change in 2024. For additional information, see Note 2 in the Comparative Data section.

The Annual Financial Statements of Capital Group of Bank Handlowy w Warszawie S.A. for the Financial Year Ended 31 December 2024

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Consolidated income statement

PLN'000	For the period Note	2024	2023
Interest income	5	4,141,650	4,297,083
Similar income	5	278,312	102,517
Interest expense and similar charges	5	(1,202,995)	(1,120,882)
Net interest income	**5**	**3,216,967**	**3,278,718**
Fee and commission income	6	686,448	668,303
Fee and commission expense	6	(115,088)	(106,804)
Net fee and commission income	**6**	571,360	561,499
Dividend income	**7**	**11,508**	**11,410**
Net income on trading financial instruments and revaluation	**8**	**597,877**	**796,754**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	**39**	**50,652**	**(147,758)**
Net gain/(loss) on equity and other instruments measured at fair value through income statement		**31,517**	**35,351**
Net gain/(loss) on hedge accounting	**9**	**8,874**	**(10,067)**
Other operating income	10	24,191	25,945
Other operating expenses	10	(59,441)	(43,297)
Net other operating income and expense	**10**	**(35,250)**	**(17,352)**
General administrative expenses	**11**	**(1,428,042)**	**(1,328,513)**
Depreciation expense	**12**	**(119,338)**	**(111,035)**
Net impairment on non-financial assets		**(432,512)**	**-**
Profit/loss on sale of other assets		**585**	**(123)**
Provision for expected credit losses on financial assets and provisions for contingent liabilities	**13**	**16,557**	**(18,006)**
Operating profit		**2,490,755**	**3,050,878**
Tax on some financial institutions		**(175,250)**	**(190,255)**
Profit before tax		**2,315,505**	**2,860,623**
Income tax expense	**14**	**(555,048)**	**(604,275)**
Net profit		**1,760,457**	**2,256,348**
Including:			
Net profit attributable to the Bank's shareholders		1,760,457	2,256,348
Weighted-average number of ordinary shares (in pcs)	15	130,581,136	130,659,600
Net earnings per share (PLN)	15	13,48	17.27
Diluted net earnings per share (PLN)	15	13,48	17.27

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Consolidated statement of comprehensive income

For the period *PLN'000*	Note	2024	2023
Net profit		**1,760,457**	**2,256,348**
Other comprehensive income, that is or might be subsequently reclassified to income statement:		**(193,348)**	**701,607**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	16	(152,246)	582,250
(Profit) or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	16	(41,028)	119,684
Currency translation differences		(74)	(327)
Other comprehensive income, that cannot be subsequently reclassified to income statement		**(7,913)**	**(12,677)**
Net actuarial profits/(losses) on defined benefit program valuation	16	(7,913)	(12,677)
Other comprehensive income net of tax		**(201,261)**	**688,930**
Total comprehensive income		**1,559,196**	**2,945,278**
Including:			
Comprehensive income attributable to the Bank's shareholders		1,559,196	2,945,278

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Consolidated statement of financial position

As at *PLN'000*	Note	31.12.2024	31.12.2023 *- restated*	01.01.2023 *- restated*
ASSETS				
Cash and cash equivalents	17	5,794,345	1,241,724	671,189
Amounts due from banks	18	8,787,780	15,371,552	968,748
Financial assets held-for-trading	19	4,436,319	4,061,146	5,702,325
Assets pledged as collateral	41	-	-	60,988
Hedging derivatives		54,140	6,731	623
Debt financial assets measured at fair value through other comprehensive income, including:	20	30,088,771	29,560,292	37,180,808
Assets pledged as collateral	41	200,309	697,771	697,698
Equity and other instruments measured at fair value through income statement	21	172,948	141,495	106,144
Amounts due from customers	22	21,367,246	20,054,454	21,620,507
Tangible fixed assets	23	521,131	508,403	455,418
Intangible assets	24	872,875	1,285,314	1,263,863
Current income tax receivables		-	9	-
Deferred income tax asset	26	82,284	115,413	287,368
Other assets	27	300,264	217,535	217,571
Non-current assets held-for-sale	28	-	9,266	-
Total assets		**72,478,103**	**72,573,334**	**68,474,564**
LIABILITIES				
Amounts due to banks	29	4,435,817	3,375,687	4,794,671
Financial liabilities held-for-trading	19	2,755,905	3,522,203	4,896,099
Hedging derivatives		72,737	92,869	6,917
Amounts due to customers	30	53,985,032	54,188,815	49,186,022
Provisions	31	120,992	111,689	112,507
Current income tax liabilities		99,600	457,871	245,937
Deferred tax provision	26	13	94	165
Other liabilities	32	1,139,476	1,094,615	1,272,001
Total liabilities		**62,609,572**	**62,843,843**	**60,514,319**
EQUITY				
Share capital	34	522,638	522,638	522,638
Supplementary capital	34	3,001,260	3,001,260	3,001,259
Own shares	34	(20,577)	-	-
Revaluation reserve	34	(64,868)	128,406	(573,528)
Other reserves	34	4,039,027	3,190,659	2,833,345
Retained earnings		2,391,051	2,886,528	2,176,531
Total equity		**9,868,531**	**9,729,491**	**7,960,245**
Total liabilities and equity		**72,478,103**	**72,573,334**	**68,474,564**

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Own shares	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2024	**522,638**	**3,001,260**	**-**	**128,406**	**3,190,659**	**2,886,528**	**9,729,491**
Total comprehensive income, including:	**-**	**-**	**-**	**(193,274)**	**(7,987)**	**1,760,457**	**1,559,196**
Net profit	-	-	-	-	-	1,760,457	1,760,457
Other comprehensive income:	-	-	-	(193,274)	(7,987)	-	(201,261)
Currency translation differences from the foreign operations' conversion	-	-	-	-	(74)	-	(74)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	-	(193,274)	-	-	(193,274)
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	-	(7,913)	-	(7,913)
Equity awards program			**(20 577)**		**55 351**		**34 774**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(1,454,930)**	**(1,454,930)**
Transfer to capital	**-**	**-**	**-**	**-**	**801,004**	**(801,004)**	**-**
Balance as at 31 December 2024	**522,638**	**3,001,260**	**(20,577)**	**(64,868)**	**4,039,027**	**2,391,051**	**9,868,531**

PLN'000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Restated balance as at 1 January 2023	**522,638**	**3,001,259**	**(573,528)**	**2,833,345**	**2,176,531**	**7,960,245**
Total comprehensive income, including:	**-**	**-**	**701,934**	**(13,004)**	**2,256,348**	**2,945,278**
Net profit	-	-	-	-	2,256,348	2,256,348
Other comprehensive income	-	-	701,934	(13,004)	-	688,930
Currency translation differences from conversion of foreign operations	-	-	-	(327)	-	(327)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	701,934	-	-	701,934
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	(12,677)	-	(12,677)
Dividends paid	**-**	**-**	**-**	**-**	**(1,175,937)**	**(1,175,937)**
Transfer to capital	**-**	**1**	**-**	**370,318**	**(370,414)**	**(95)**
As at 31 December 2023	**522,638**	**3,001,260**	**128,406**	**3,190,659**	**2,886,528**	**9,729,491**

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Consolidated cash flow statement

PLN'000	For the period	2024	2023 - restated
A. Operating activities			
I. Net profit		**1,760,457**	**2,256,348**
II. Adjustments:		**2,079,760**	**(3,113,373)**
Current and deferred income tax recognized in income statement	14	555,048	604,275
Depreciation expense	12	119,338	111,035
Net result for expected credit losses on receivables	13	(14,869)	27,378
Net impairment due to nonfinancial assets value loss		432,512	-
Net provisions (recoveries), including provisions for contingent liabilities		19,815	9,130
Net interest income	5	(3,216,967)	(3,278,718)
Dividend income	7	(11,508)	(11,410)
Profit/loss on sale of fixed assets		(585)	123
Net unrealized exchange differences		(593)	(534,225)
Equity and other investment measured at fair value though the income statement		(31,517)	(35,351)
Other adjustments		68,459	35,520
Change in amounts due from banks	18	6,550,869	(14,344,246)
Change in amounts due from customers	22	(1,274,090)	1,531,878
Change in debt securities measured at fair value through other comprehensive income	20	300,177	9,082,491
Change in financial assets held-for-trading	19	(346,334)	1,619,601
Change in assets due to hedging derivatives	37	(47,409)	(6,108)
Change in other assets	27	(82,756)	10,076
Change in non-current held-for-sale		-	(9,266)
Change in amounts due to banks	29	(12,493)	(1,395,011)
Change in amounts due to customers	30	(196,180)	4,967,123
Change in liabilities held-for-trading	19	(766,298)	(1,373,896)
Change in liabilities due to hedging derivatives	37	(20,132)	85,952
Change in other liabilities	32	55,273	(209,724)
Interest received		**3,333,263**	**3,772,560**
Interest paid		**(1,210,407)**	**(1,109,193)**
Income tax paid		**(834,803)**	**(381,346)**
III. Net cash flows from operating activities		**5,128,270**	**1,424,996**
B. Investing activities			
Inflows		**28,798**	**11,942**
Disposal of tangible fixed assets	23	5,859	526
Disposal of fixed assets held-for-sale		11,368	-
Received dividends		11,571	11,404
Other inflows from investing activities		-	12
Outflows		**(171,621)**	**(209,575)**
Purchase of tangible fixed assets	23	(76,258)	(121,129)
Purchase of intangible assets	24	(95,363)	(88,446)
Net cash flows from investing activities		**(142,823)**	**(197,633)**
C. Financing activities			
Inflows		**1,066,750**	**-**
Drawing of long-term loans from financial sector		1,066,750	-
Outflows		**(1,501,116)**	**(1,187,801)**
Paid dividends		(1,454,930)	(1,175,937)
Outflows for own shares purchase		(33,333)	-
Outflows from lease payments		(12,853)	(11,864)
Net cash flows from financing activities		**(434,366)**	**(1,187,801)**
D. Exchange rate differences resulting from cash and cash equivalent calculation		**1,407**	**530,976**
E. Net increase/(decrease) in cash and cash equivalent		**4,552,488**	**570,538**
F. Cash and cash equivalent at the beginning of reporting period		**1,241,873**	**671,335**
G. Cash and cash equivalent at the end of reporting period		**5,794,361**	**1,241,873**

Explanatory notes on following pages are an integral part of the annual consolidated financial statements.

Additional information including the description of adopted accounting principles and other explanatory information

1. General information about the Bank and the Capital Group ("the Group")

Bank Handlowy w Warszawie S.A. ("Bank" or "parent entity") has its registered office in Poland at Senatorska 16, 00-923 Warszawa. The Bank was founded on the basis of Deed of foundation of 13 April 1870 and is registered in the Register of Entrepreneurs in the National Court Register kept by the District Court for the Capital City of Warsaw, XII Commercial Department in Warsaw, under KRS number 0000001538. The Bank operates as a joint stock company. The name of entity did not change during the reporting period.

Parent undertaking was granted a statistical REGON No. 000013037 and tax identification No. (NIP) 526-030-02-91.

The Bank and its subsidiaries are expected to continue the business activity for an unspecified period of time.

The majority and strategic shareholder of the Bank is Citibank Europe Plc based in Dublin, Ireland – a company in the Citi Group (parent company of the Bank). The ultimate parent is Citigroup Inc.

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 Bank is a universal commercial bank that offers a range of banking services for individuals and corporate clients on domestic and foreign markets.

These annual consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. show the data for the Bank as the parent and its subsidiaries (jointly "Group").

The Group consists of the Bank and the following subsidiaries:

Subsidiaries	Registered office	% of share capital/votes at the General Meeting	
		31.12.2024	31.12.2023
Entities fully consolidated			
Handlowy Financial Services Sp. z o. o.	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o. *(apart from indirect shareholding via Handlowy-Inwestycje Sp. z o.o. where the share in equity equals 2.53%).*	Warsaw	97.47	97.47
Handlowy Investments S.A.	Luxembourg	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	100.00

Compared to the end of 2023, the structure of the Bank's Capital Group has not changed.

Financial information on subsidiaries, 31.12.2024

Subsidiaries fully consolidated

Name of subordinate	Location	Activity	Capital relationship	Share in equity (%)*	Assets	Liabilities	Equity	Revenues	Profit/ Loss
HANDLOWY – LEASING Sp. z o.o.	Warszaw	Leasing	Subsidiary	97,47	17,108	704	16,404	690	273
Handlowy Financial Services Sp. z o.o.(*formerly Dom Maklerski Banku Handlowego S.A.)**.	Warszaw	Brokerage	Subsidiary	100	73,988	653	73,335	3,978	2,385
HANDLOWY INVESTMENTS S.A.	Luxembu	Investment activity	Subsidiary	100	4,380	29	4,351	500	48
HANDLOWY – INWESTYCJE Sp. z o.o.	Warszaw	Investment activity	Subsidiary	100	10,801	63	10,738	481	278

Date in thousands of PLN
**direct share*
Explanation of indirect relationships
1/ Indirect relationship via Handlowy-Inwestycje Sp. z o.o.

Name of subordinate	Location	Activity	Capital relationship	Share in equity [%]	Book value of shares	Assets	Liabilities	Equity	Revenues	Profit/ Loss
HANDLOWY - LEASING Sp. z o.o.	Warsaw	Leasing	Subsidiary	2.53	15 720	17,108	704	16,404	690	273

Date in thousands of PLN

The above presented financial data of the entities available at the time of preparation of the financial statements originate from the non-audited financial statements of the entities. Financial data of Handlowy Investments S.A. originate from the financial statements prepared as at 28 February 2025, which is the entity's balance sheet date.

Financial information on subsidiaries, 31.12.2023

Subsidiaries fully consolidated

Name of subordinate	Location	Activity	Capital relationship	Share in equity (%)*	Assets	Liabilities	Equity	Revenues	Profit/ Loss
HANDLOWY – LEASING Sp. z o.o.	Warszaw	Leasing	Subsidiary	97,47	21,662	697	20,965	997	568
Handlowy Financial Services Sp. z o.o.(*formerly Dom Maklerski Banku Handlowego S.A.)**.	Warszaw	Brokerage	Subsidiary	100	118,440	913,	117,527	5,880	3,573
HANDLOWY INVESTMENTS S.A.	Luxembu	Investment activity	Subsidiary	100	4,331	28	4,303	821	272
HANDLOWY – INWESTYCJE Sp. z o.o.	Warszaw	Investment activity	Subsidiary	100	10,821	68	10,753	485	305

Date in thousands of PLN
**direct share*

Explanation of indirect relationships:

1/ Indirect relationship via Handlowy-Inwestycje Sp. z o.o

Name of subordinate	Location	Activity	Capital relationship	Share in equity [%]	Book value of shares	Assets	Liabilities	Equity	Revenues	Profit/ Loss
HANDLOWY - LEASING Sp. z o.o.	Warsaw	Leasing	Subsidiary	2.53	414	21,662	697	20,965	997	568

Data in thousands of PLN

The above presented financial data of the entities available at the time of preparation of the financial statements originate from the audited financial statements of the entities. Financial data of Handlowy Investments S.A. originate from the financial statements prepared as at 29 February 2024, which is the entity's balance sheet date.

2. Significant accounting policies

Declaration of conformity

The annual consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS EU") and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2021, item 217 and later changes) respective operating regulations and regulations relating to issuers of securities admitted or sought to be admitted to trading on the official stock exchange quotation market.

The financial statements of the Group were prepared on the assumption that the Group will continue as a going concern for at least 12 months from balance sheet day. As at the date of signing these financial statements, the Management Board of the Bank does not state any facts or circumstances that would indicate a threat to the Bank's ability to continue as a going concern for at least 12 months from the balance sheet date as a result of an intentional or forced discontinuance or material limitation of the Bank's existing business.

The annual consolidated financial statements were approved on 11 March 2025 by the Management Board of the Bank

for publication. The financial statements will be finally approved by the General Shareholders' Meeting of the Bank.

The annual standalone financial statements were approved on 11 March 2025 by the Management Board of the Bank for publication. The financial statements will be finally approved by the General Shareholders' Meeting of the Bank.

Basis of preparation

These annual financial statements of the Group were prepared as at 31 December 2024 and the comparable financial data are presented as at 31 December 2023.

The consolidated financial statements are presented in PLN (presentation currency), rounded to the nearest thousand.

The financial statements have been prepared on the fair-value-basis for financial assets and financial liabilities measured at fair value through profit and loss including derivatives and equity investments (minority shareholdings) as well as financial assets measured at fair value through other comprehensive income. Other financial assets are presented at cost decreased by depreciation/amortization and impairment losses. Other financial liabilities are presented at amortized cost.

The preparation of consolidated annual financial statement of the Group in accordance with IFRS requires the Management to make estimates and adopt assumptions that affect the amounts reported in financial statement. The most important accounting policies, estimations and assessments applied in the preparation of this annual financial statements were applied by the Group in all the presented years on a continuous basis.

Estimates and associated assumptions are made on the basis of available historical data and many other factors that have been considered as relevant in the presented period. These factors form the basis for estimates of the balance-sheet value of assets and liabilities whose value cannot be estimated on the basis of other sources. Actual results may differ from those estimates.

Estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates applied in the year ending 31 December 2024 related to:

- Provisions for expected credit losses of financial assets (Note 3);
- Fair value of derivatives (Note 19);
- Cash-generating units impairment testing (Note 25);
- Reserves (including provisions for disputes, Note 40);
- Employee benefits (Note 46).

Significant accounting policies applied to prepare the financial statements are presented either in the notes to the financial statements or below:

Income statement	No of note with accounting policy description
Net interest income	5
Net fee and commission income	6
Dividend income	7
Net income on trading financial instruments and revaluation	2.1
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	2.1
Net gain/(loss) on equity and other instruments measured at fair value through income statement	2.1
Net gain/(loss) on hedge accounting	37
Provisions for expected credit losses on financial assets and provisions for off–balance-sheet commitments	3

Statement of financial position	No of note with accounting policy description
Amounts due from banks	2.1
Financial assets held-for-trading	2.1
Debt financial assets measured at fair value through other comprehensive income	2.1
Equity and other instruments at fair value through the income statement	2.1
Amounts due from customers	2.1
Tangible fixed assets	23
Intangible assets	24

Statement of financial position	No of note with accounting policy description
Deferred income tax asset	26
Non-current assets held-for-sale	28
Amounts due to banks	2.1
Financial liabilities held-for-trading	2.1
Hedging derivatives	37
Amounts due to customers	2.1
Provisions	31
Other liabilities	32

Standards applicable from 1 January 2025

The standards and interpretations approved but not obligatory as at 31 December 2023 that may have an impact on financial statements of the Group include:

- IAS 1 "Presentation of financial statements" amendment , issued on 31 October 2022, concerns the area of classification of liabilities as current or non-current and clarifies that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current on a given reporting date;
- IFRS 16 "Leases" amendment, issued on 22 September 2022, concerns the accounting treatment of a transaction, where an entity sold an asset and concurrently said asset became the subject of a lease agreement concluded with a new owner (leaseback);
- IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: disclosures", issued on May 25, 2023, introduce the requirement for additional disclosures targeting the improvement of transparency of the presentation of supplier financing arrangements, their impact on the entity's liabilities, cash flows and exposure to liquidity risk;

The above-mentioned changes will not impact the financial statement significantly.

Standards approved but not applicable as of 31 December 2024

- IAS 21 "Effects of changes in foreign exchange rates", issued August 15, 2023, clarifies when a currency is convertible into other currencies, how an entity determines the exchange rate when a currency is non-convertible, and specifies the scope of disclosures that will help the financial statements' users to understand the impact of the lack of convertibility of currency on entity's financial position, financial performance and cash flows. The amendment is effective from 1 January 2025. In the Group's opinion, the amendment to the standard has no material impact on the financial statements.

Standards and interpretations issued but awaiting endorsement by the European Union and not yet obligatory

- On 9 April 2024, the IASB issued IFRS 18 "Presentation and Disclosure in Financial Statements". The standard will be effective for annual reporting periods beginning on January 1, 2027. The new standard is intended to replace IAS 1 – "Presentation of Financial Statements" and will help to achieve comparability of the financial performance of similar entities. The new standard:

  - ✓ introduces a defined structure for the statement of profit or loss. Items in the statement of profit or loss will be classified into one of five categories: operating, investing, financing, income taxes and discontinued operations. The standard requires also to present totals and subtotals, including mandatory inclusion of "Operating profit or loss";
  - ✓ introduces an additional note presenting management-defined performance measures which are subtotals of income and expenses an entity uses in public communications outside financial statements, an entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole. The disclosure will have to contain a description of the aspect of financial performance that in management's view, is communicated by the management-defined performance measures, how the management-defined performance measure is calculated and reconciliation between the management-defined performance measure and the position form financial statement measured in accordance with other standards;
  - ✓ clarifies the guidelines for data aggregation and disaggregation which focus on grouping items based on their shared characteristics enabling entities to decide which items are presented in the primary financial statements and what information is disclosed in the notes.

  The new IFRS 18 standard will also result in certain changes to the statement of cash flows and the statement

of financial position, as well as changes to other standards harmonizing disclosure requirements. The Group is in the process of assessing the impact of the new standard on the financial statements.

- On May 9, 2024, the IASB issued IFRS 19 "Subsidiaries without Public Accountability: Disclosures", which allows eligible subsidiaries to apply reduced information disclosure requirements, instead of the requirements of other IFRS Accounting Standards. The new standard will be applicable to the annual reporting periods beginning January 1, 2027, and the Group believes it will not have a significant impact on the financial statements.

- The amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" issued May 30, 2024, clarify:
  - ✓ The timing of discontinuation of recognition of financial liabilities from the balance sheet, introducing an option for early derecognition of financial liabilities that are settled through an electronic payment system that meets certain criteria
  - ✓ How to assess the characteristics of contractual cash flows from "non-recourse" financial assets and financial assets in cases where contractual provisions refer to contingent events, including, for example, related to ESG objectives (for the purpose of classifying financial assets)

  The amendments to the aforementioned standards also introduce additional disclosure requirements for financial assets and liabilities whose contractual terms make cash flows contingent on contingent events and for equity instruments designated at fair value through other comprehensive income. The amendments will be applicable from January 1, 2026. The Group is in the process of assessing the impact of the new standard on the financial statements.

- On 18 July 2024, amendments to the International Financial Reporting Standards and International Accounting Standards (Volume 11) were issued, resulting from the annual review. These changes are intended to clarify the wording used in the standards, in order to improve their legibility, consistency and eliminate possible ambiguities. The changes introduced in this review relate to IFRS 1 ' First-time Adoption of International Financial Reporting Standards', IFRS 7 'Financial Instruments: Disclosures', IFRS 9 'Financial Instruments', IFRS 10 'Consolidated Financial Statements', IAS 7 "Statement of Cash Flows". The changes will be effective from 1 January 2026 and will not have a material impact on the financial statements.

- Due to the growing role of Power Purchase Agreements (PPAs) in mitigating the effects of climate change and decarbonizing production processes, the International Accounting Standards Board has introduced amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" (issued on 18 December 2024), which are intended to help better reflect the impact of such agreements on financial statements. The amendments will be effective from 1 January 2026 and will not affect the Bank's financial statements.

Comparative data

In the consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A for the year ended on 31 December 2024, the Group made the change in the method of presenting the variation margin securing derivatives settled by the central counterparty KDPW_CCP S.A. in the consolidated statement of financial position.

The liabilities arising from the variable deposit previously presented under the item 'Amounts due to customers' are included as an offset to derivative transactions settled by the central counterparty KDPW_CCP S.A. and are now presented under as a reduction of the item 'Financial assets held for trading item'. The change in presentation aimed to better reflect the economic substance of the transaction.

The Group has appropriately transformed the comparative data, as presented in the table below. The change in presentation did not affect the profit and loss account.

The impact of changes on the comparative data of the consolidated statement of financial positions is presented in the tables below:

Consolidated statement of financial position	Data for 31.12.2023 before restatement	Restatement	Data for 31.12.2023 after restatement
Financial assets held-for-trading	4,880,332	(819,186)	4,061,146
Amounts due to customers	55,008,001	(819,186)	54,188,815

Consolidated statement of financial position	Data for 01.01.2023 before restatement	Restatement	Data for 01.01.2023 after restatement
Financial assets held-for-trading	7,029,163	(1,326,838)	5,702,325
Amounts due to customers	50,512,860	(1,326,838)	49,186,022

The impact of changes on the comparative data of the consolidated cash flow statement is presented in the table below:

Consolidated cash flow statement	Data for 31.12.2023 before restatement	Restatement	Data for 31.12.2023 after restatement
Change in financial assets held-for-trading	2,127,253	(507,652)	1,619,601
Change in amounts due from customers	4,459,471	507,652	4,967,123
III. Net cash flows from operating activities	**1,424,996**	**-**	**1,424,996**

Comparative data in subsequent disclosures were adequately restated.

Basis of consolidation

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it has power over the entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Any identifiable purchased assets and assumed liabilities, including contingent liabilities, acquired in a business combination, are measured initially at fair value at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of acquisition over the fair value of the Group's interest in the acquired identifiable net assets is recognized as goodwill. If the cost of acquisition is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement.

Intra-group transactions and balances are eliminated on consolidation. Material unrealized gains and losses on transactions between Group companies are also eliminated.

Accounting policies of subsidiaries have been standardized in the process of preparing the consolidated financial statements, where necessary, to ensure consistency in all material aspects with the accounting policies adopted by the Group.

Foreign currency

The values reported in annual consolidated financial statement are presented in PLN, which is the functional currency and currency of presentation of the Group.

The statement of financial position and contingent liabilities received and granted items denominated in foreign currencies are converted to PLN equivalents using the average exchange rate of the currency determined by the Governor of the National Bank of Poland ("NBP") prevailing at the date of preparation of the statement of financial position.

Foreign currency transactions are converted at initial recognition to the functional currency (PLN) using the exchange rates prevailing at the date of transactions.

Foreign exchange profits and losses resulting from revaluation of the statement of financial position items denominated in foreign currencies and settlement of transactions in foreign currencies are included in net profit on foreign exchange, within the trade financial instruments and revaluation income.

The exchange rates of the major currencies applied in the preparation of these financial statements are:

PLN		31 December 2024	31 December 2023
1	USD	4.1012	3.9350
1	CHF	4.5371	4.6828
1	EUR	4.2730	4.3480

2.1 Financial assets and liabilities – classification and measurement

Classification

The Bank classifies financial instruments into the following categories:

- financial assets measured at fair value through profit and loss,
- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income,
- financial liabilities measured at fair value through profit and loss,
- financial liabilities measured at amortized cost.

Group classifies financial assets to specific categories on initial recognition considering 2 criteria:

1) business model assessment of how assets are managed, which determines, whether cash flows will result from collecting contractual cash flows, selling financial assets or both

2) features of contractual cash flows of an asset, which is estimated using SPPI test (solely payment of principal and interest), under which it is determined if contractual cash flows are solely payments of principal and interest on the principal amount. The test is passed if above-mentioned cash flows are consideration for the time value of money, credit risk, other basic lending risks (for example liquidity risk), costs (for example administration) associated with holding the financial asset for a particular period of time and profit margin.

Business model assessment

In order to classify a financial asset, the Group assesses its business models and takes into account the specificity of entire portfolio the asset belongs to. The considered information include:

- the purpose of a given business model and generating assets
- how the performance of the portfolio is evaluated and reported to the management
- the risks of a portfolio and how they are managed
- the frequency, volume and types of sales.

Receivables from customers are managed to receive the contractual amounts and sales generally relate to impaired assets.

In case of treasury functions in relation to financial instruments there are two models:

- the model which objective is to achieve by both collecting contractual cash-flows and selling financial assets as the sale may be realized in accordance with current business needs and the instrument may also be held until maturity;
- held for trading.

Financial assets measured at fair value through profit and loss (Financial assets held-for-trading and Equity and other instruments at fair value through the income statement)

This category comprises:

1) financial assets that were classified neither as measured at amortized cost nor as measured at fair value through other comprehensive income

2) financial assets classified at initial recognition as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases

3) equities and minority shareholdings

Assets are included in this category especially if they are held-for-trading (held-for-trading model), that is: they were purchased with the primary objective of selling or repurchasing to generate short-term profits, they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of generating short-term profits, they are derivatives.

Minority shareholdings, both trading and non-trading, are valued at fair value through the income statement.

Minority shareholdings due to selected strategic exposures in the so-called infrastructure companies operating for the financial sector are presented in the consolidated financial statement as "Equity and other investments at fair value through the income statement".

Financial assets measured at amortized cost (Amounts due from banks and due from customers)

A financial asset is measured at amortized cost if both conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category comprises, in the first instance, loans, deposit margins, purchased receivables and debt securities that are not quoted on the active market and interbank deposits and also reverse repo transactions.

Purchased or originated credit-impaired assets (POCI)

Purchased or originated credit-impaired assets on initial recognition may be identified when the Bank has originated or purchased exposures already impaired at the moment of initial recognition or the Bank has significantly modified an impaired exposure and a derecognition criterion has been met. POCI assets are recognized at fair value at initial recognition and subsequently at amortized cost using the effective interest rate adjusted by expected credit losses. Life-time expected credit losses are recognized in the relation to such instruments.

Financial assets measured at fair value through other comprehensive income (Debt financial assets measured at fair value through other comprehensive income)

A financial asset is measured at fair value through other comprehensive income if both conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank includes selected debt instruments in this category.

In the statement of cash flows, adjustment for change in debt securities measured at fair value through other comprehensive income are recognized in cash flows from operating activities.

Financial liabilities measured at fair value through profit and loss (Financial liabilities held-for-trading)

The category comprises derivative liabilities which are not hedging instruments and 'short sale' liabilities.

Financial liabilities measured at amortized cost (Amounts due to banks and clients)

This category primarily includes customer deposits, deposit margin, and liabilities resulting from repo transactions.

Recognition, derecognition and insignificant modifications

Transactions of purchase or sale of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are recognized in the Bank's statement of financial position and derecognized at the transaction settlement date, i.e. the date on which the Bank will receive or transfer the ownership right to assets. The rights and liabilities from a concluded transaction are measured at fair value from the transaction conclusion day to the transaction settlement day.

Loans and receivables are recognized at the time of disbursement of funds for the borrower.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when and only when they are extinguished, i.e., the obligation described in the agreement was discharged, cancelled or expired.

The Group applies the following criteria, which result in asset derecognition from the balance sheet and obligation to recognize them according to the classification rules:

- introduction to the loan agreement resulting in failure to pass the cash flow characteristics,
- a change of the debtor,
- currency conversion,
- change of legal form/type of financial instrument,
- granting additional loan amount of at least 10% of the outstanding loan principal,
- extension of the schedule loan by min. 1 year, and a mortgage min. 4 years,
- renewal/extension of a non-schedule loan by min. 1 year preceded by a credit decision.

At the moment of derecognition, an unamortized part of the commission is recognized fully in interest income. The newly charged commission is settled in time using the effective interest rate method.

If there is a change in the cash flows of financial assets, that does not result in the financial asset being derecognized from the balance sheet and containing the repayment schedule measured at amortized cost that results from the annex to the contract, the Bank recalculates the gross balance-sheet value of financial assets and recognizes modification profit or loss in profit and loss. The gross balance-sheet value of that financial asset is calculated as present value of renegotiated or modified contract cash flows, discounted at the original effective interest rate of financial assets (or credit risk adjusted effective interest rate for credit risk for originated or purchased financial assets credit-impaired at initial recognition). All origination costs and fees in connection with the modification adjust the balance-sheet value of

modified assets and are amortized until the maturity date of modified financial assets.

Derivative financial instruments are measured at fair value from the trade date and are derecognized from the balance on the settlement date.

Valuation

When financial assets or financial liabilities are recognized initially, they are measured at fair value increased by, in the case of assets and liabilities not measured at fair value through profit or loss, significant transactional costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

After initial recognition, the Bank measures financial assets:

- at fair value without deducting transactional costs which it may incur in connection with the sale or disposal of assets. This measurement relates to financial assets held-for-trading, debt financial assets measured at fair value through other comprehensive income and equity and other instruments at fair value through the income statement),
- at amortized cost using the effective interest rate method – for amounts due from banks and from clients. Amounts measured at amortized cost include provisions for expected credit losses.

Financial liabilities:

- financial liabilities held-for-trading are measured at fair value through profit and loss,
- amounts due to banks and amounts due to clients after initial recognition are measured at amortized cost using the effective interest rate method.

Profits or losses resulting from the change of fair value of financial assets or financial liabilities, which are not part of the hedging relationship, are recognized in the following way:

- in the case of financial assets or financial liabilities measured at fair value through profit or loss, they are included in profit or loss;
- profits or losses resulting from measurement of financial assets classified as measured at fair value through other comprehensive income are recognized in other comprehensive income. Effect of expected credit losses on debt financial assets measured at fair value through other comprehensive income, interest income and exchange rate differences on monetary assets and liabilities are recognized in the income statement. When financial assets are excluded from the statement of financial position, accumulated profits or losses which were previously included in equity are recognized through profit or loss.

The fair value of derivatives is estimated based on quotations in active markets, prices of transactions recently closed, and measurement techniques, including discounted cash flow models and option measurement models, depending on which method is appropriate in a given case. The derivatives that were not designated as hedging instruments according to hedge accounting principles are classified as trading assets or liabilities measured at fair value through profit or loss.

Embedded derivatives in host contracts that are liabilities are separated from the host and accounted for as derivatives, if their characteristics and risks are not closely related to the characteristics and risks of the host, and if the hybrid contract is not measured at fair value through profit or loss.

Impairment of financial assets

For financial assets measured at amortized cost, contingent liabilities and financial assets measured at fair value by other comprehensive income (FVOCI), the Group creates provisions for expected credit losses, in accordance to the developed internal rules and impairment methodologies.

They are aggregated for each of the three stages:

- Stage 1: Credit exposures that have not had a significant increase in credit risk since initial recognition
- Stage 2: Credit exposures that have experienced a significant increase in credit risk since initial recognition
- Stage 3: Impaired credit exposures

On the balance sheet date, the Group assesses if there is objective evidence of impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets are impaired only when there is objective evidence of impairment resulting from one or more events taking place after the initial recognition of an asset (the loss event) and the loss event (or events) influences the future expected cash flows resulting from a financial asset or a group of financial assets which may be reliably estimated. Objective evidence of impairment of a financial asset or a group of assets includes information obtained by the Bank concerning events, which are provided in the later part of the note 3 “Risk management”.

The classification of exposures to Stage 1 and 2 depends on the occurrence of a significant increase in credit risk since

the moment of initial recognition. Assignment of the exposure depends on the approach to management over the client (individual vs. collective approach), taking into account the wide range of information obtained as part of standard risk management processes (including the Early Warning process) regarding both current and future events, including macroeconomic factors and delinquency.

The portfolio of securities available for sale (measured at fair value by other comprehensive income), due to the fact that they consist of exposures to governments and central banks with investment ratings, is considered a low default portfolio, so all reserves are classified to Stage 1.

The methodology and assumptions used to determine the provisions for amounts due to customer and banks are regularly reviewed and updated, as required. Furthermore, results are back-tested and actual amounts are compared to with estimated expected credit losses.

For financial assets measured at amortized cost, the provisions for expected credit losses are calculated using statistical parameters for the groups of assets combined in portfolios having similar credit risk characteristics.

In order to calculate the expected credit losses for assets measured at fair value through other comprehensive income, the Bank uses an internal methodology to define default probability (PD parameter), loss value at default (LGD parameter) and exposure value at the time of default (EAD parameter).

In the case of institutional exposures fully provided for, where debt collection activities have been carried out for at least 3 years and did not result in full debt repayment and there are no justified prospects for recovering all or part of the contractual cash flows associated with financial asset the Group writes off the exposure against impairment allowances. Such exposures are recognized in off-balance sheet records, including the corresponding expected credit loss provision. If a written-off amount is subsequently recovered, it is presented in “Provision for expected credit losses on financial assets and provisions for off–balance sheet commitments”.

If the exposure meets one of the following conditions:

- The Group does not expect future cash flows and based on tax regulations, the conditions necessary to include a written-off receivable as uncollectible and as tax deductible costs, have been met or
- receivable has been forgiven or
- the receivable has been otherwise extinguished.

based on the decision, the Group:

a) writes off the receivables from balance sheet records or

b) when receivable from institutional customer has already been written off to off-balance sheet, it is removed from thereof.

If the present value of the estimated cash flows increases after an event occurring after impairment was identified, the provision that was previously created will be reversed through profit or loss.

Provisions for amounts due from banks and customers adjust the value of respective assets. Provisions for contingent liabilities are presented in as liabilities in line “Provisions”.

For financial assets measured at fair value through other comprehensive income, the increase or decrease in expected credit losses is recognized in the profit and loss account under the item “Provision for expected credit losses on financial assets and provisions for off-balance-sheet commitments”.

The Group classifies assets measured at amortized cost into the portfolio of assets that are individually significant and the portfolio of assets that are not individually significant (portfolio basis).

Expected credit losses for impaired receivables that are deemed as individually significant are calculated as the difference between the carrying amount of an asset and the present value of the expected future cash flows resulting from repayments by the borrower, cash settlement of collateral or the sale of receivables. The future cash flows are discounted to the present value with the effective interest rate of a given instrument.

Expected credit losses for impaired receivables that are deemed as individually not significant are calculated on the basis of a portfolio assessment which is based on the history of losses incurred on assets with similar risk characteristics.

Forborne exposures are exposures for which concessions were granted due to economic or legal reasons (in the area of financial conditions), resulting from financial difficulties of the obligor that would not have otherwise been extended. Financial hardship refers to borrowers who are experiencing or are likely to experience problems meeting their financial obligations.

The process of assigning "forborne" status for exposures is closely related to the credit risk management process, including the impairment recognition.

The "forborne" status may refer to both impaired and not-impaired exposures. As "forborne" not-impaired exposures are treated receivables if restructuring activities were applied but change of financing conditions has not implied any deterioration of future payment streams.

In case the Group grants a concession to the debtor, if it does not change significantly the terms and expected cash flows

of the financial asset, the expected cash flows from the financial asset subject to the concession are included in the measurement of the asset using the original effective interest rate for the instrument.

If the concession granted significantly changes the important terms or expected cash flows, the financial asset is derecognized, and the new one is recognized at fair value on the day of the initial recognition.

In the case of receivables resulting from activities other than the core business, the Group has adopted the approach of creating provisions for expected credit losses in the full amount once a certain threshold of overdue payments is exceeded.

2.2 Accounting estimates and judgments

Determination of the carrying values of selected assets and liabilities as well as revenue and expense requires estimating the effect of uncertain future events on these items at the balance sheet date. The estimates and assumptions are subject to continuous evaluation and are based on historical experience and other factors, including expectations of future events which seem justified in a given situation. The most crucial estimates applied in the preparation of the financial statements are presented below.

Fair value of derivatives

The fair value of financial instruments not quoted on active markets is determined using valuation techniques. If valuation techniques are used to determine the fair values, these methods are periodically assessed and verified. All the models are tested and approved before application. As far as possible, only observable data are used in the models, although in some areas, the entity's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.

The Group applies the following methods for measuring particular types of derivative instruments:

- FX forwards – discounted cash flows model;
- options – option market-based valuation model;
- interest rate transactions – discounted cash flows model;
- futures – current quotations.

The Group uses a Credit Default Swap quotation for valuation of counterparty credit risk.

The Group differentiates the valuation of counterparty risk due to the availability of quotations of credit derivatives (CDS):

- Counterparty Credit Risk of companies for which there is an active CDS market: It is considered that the CDS quotes reflect the market value of the credit risk;
- Counterparty Credit Risk of companies for which there is no active CDS market: On the basis of the credit rating (external or internal, when an external rating is not available) and industry, the CDS index (for a given industry) is assigned to the company. It is considered that the industry index CDS quotes reflect the market value of the credit risk.

In the case of valuation of own credit counterparty risk (DVA), the Group is using a method defined for clients for which there is no active CDS market.

The main factors determining the change of counterparty credit risk estimations are: (i) change of fair value of derivative instruments correlated with a change of, inter alia, fx rates and interest rates, (ii) a change of CDS quotes (iii) changes in credit risk ratings.

Provisions for expected credit losses

The methodology of estimating provisions for expected credit losses has been described in section *Impairment of financial assets.*

Impairment of goodwill

The Group carries out obligatory annual impairment tests of goodwill in accordance with the model based on guidance from IAS 36. The basis of valuation of the recoverable amount of cash-generating units to which the goodwill is assigned is their value in use which is estimated by the Bank's management based on the financial plan reflecting the adopted assumptions on future economic conditions and expected Bank performance, as well as the discount rate used in cash flow forecasts and the growth rate used to extrapolate cash flow forecasts beyond the period covered by the financial plan.

Reserves

The methodologies have been described in note 31 and note 40.

Employee benefits

Provisions for future payments in respect of employee benefits such as retirement and pension allowances are subject to periodic actuarial estimation by an independent actuary. The amount of provisions corresponds to the current value of future long-term liabilities of the Group to its employees according to employment and salaries on reporting day and is based on a number of assumptions in the field of staff statistics. Provisions are calculated on the basis of a number of assumptions including probability of a given person reaching the retirement age as the Group's employee, including staff turnover, risk of death and risk of total work incapacity.

3. Risk management

RISK MANAGEMENT ORGANIZATION STRUCTURE AND PROCESS

The Group performs analysis, assessment, approval and management of all kinds of risks associated with its business, arising from the applied business strategy. The risk management process is performed by all units and at all levels of the organization and covers among others: credit risk (including counterparty credit risk, residual risk limited by accepted collateral, and concentration risk), liquidity risk, market risk, and operational risk.

The foundation of the Group's risk strategy is balanced risk taking while maintaining the rules of shared responsibility. The concept of risk management, taking into account the shared responsibility, is organized at three independent levels ("three lines of defense"):

- Level 1 i.e.: organizational units responsible for business activities resulting in risk taking and for risk management in the Group's operational activity as well as risk identification and reporting to the units of second line of defense,
- Level 2 i.e.: risk management in organizational units, independently from the risk management by the first line, and compliance – organizational units or employees responsible for establishing standards for the risk management including risk identification, measurement or assessment, mitigation, control, monitoring and reporting and for overseeing the control mechanisms applied by other organizational units to mitigate the risk – organizational units in Risk Management Sector, Compliance Division, Financial Division Legal Division; Human Resources Division; Supervision and Internal Control Unit in Brokerage Department of Bank Handlowy,
- Level 3 i.e.: Internal Audit that provides an independent assessment of risk management processes and internal control system.

In the risk management area, the Supervisory Board of Bank resolves upon:

- approving a strategy of the Group's activity and the Principles of prudent and stable risk management, including operational risk strategy,
- approving level of the Group's risk appetite ("Risk appetite") included in the Policy specifying the Risk Appetite for the Capital Group of Bank Handlowy w Warszawie S.A.,
- approving the fundamental organizational structure of the Group, determined by the Bank's Management Board and adjusted to the size and the profile of incurred risks,
- annual assessment of the adequacy and effectiveness of the risk management system.

In addition, the Supervisory Board supervises the compliance of the Group's policy related to risk-taking with the Group's strategy and financial plan and performs the duties resulted from mentioned above strategies, regulations or other documents approved by the Supervisory Board.

The Management Board of the Bank, by way of a resolution, approves:

- the organizational structure of the Group, with defined roles and responsibilities adequate for the size and risk profile, ensuring that the functions of risk measurement, monitoring and control are independent from risk taking activities,
- the Group's Risk's Profile by determining significant types of risk, at the same time providing implementation of processes to manage them and/or allocation of interior equity,
- Group's strategy, the Principles of prudent and stable risk management constituting the risk management strategy, including operational risk strategy,
- the acceptable risk level ("Risk appetite"), included in the Policy specifying the Risk Appetite for the Capital Group of Bank Handlowy w Warszawie S.A.

The Principles together with the approved by the Supervisory Board Policy specifying the Risk Appetite and ESG Risk Management Framework constitute the BHW's Risk Management Strategy (including the operational risk management strategy).
The Management Board of the Bank nominates an independent Member of the Management Board responsible for Risk Management Sector (Chief Risk Officer) reporting directly to the President of the Management Board and responsible for

the management and control of credit risk, market risk, and operational risk, including:

- introducing a risk management system in the Group as well as risk identification, measurement, control and reporting methods,
- developing the risk management policy and developing risk assessment and control systems,
- making credit decisions in compliance with the principles resulting from the credit procedures as well as documents determining the Group's credit policy,
- ensuring the proper safety level of the credit portfolio,
- managing the problem loans portfolio (including collections and debt restructurings).

Additionally, CRO is responsible for:

- definition, implementation and update regulations, strategy and procedure in term of risk management, internal control and valuation of internal capital;
- review of valuation process and maintaining of internal capital and regulation of remuneration components.

Processes of managing of credit, market, operational risks are implemented in Group based upon written policies and principles of identification, valuation, monitoring and risk control. They are accepted by the Management Board, authorized persons in line with the principles for issuing internal regulations or appropriately nominated Committees.

Following committees have been established within the risk management framework:

- Assets and Liabilities Management Committee (ALCO),
- Risk and Capital Management Committee (RCMC), overseeing Model Commission, Consumer Group (GCB) Risk Commission and Sustainable Development Products ("ESG") Commission,
- New Products Committee,
- Business Risk and Control Committee (BRCC)

Member of the Management Board responsible for Risk Management Sector presents the organizational structure of the Risk Management Sector to the Management Board of the Bank, taking into account the specificity of credit, market, liquidity and operational risk management in the respective customer segments. For this purpose, organizational units have been set up within the Risk Management Sector that are responsible for:

- managing credit risk of corporate clients i.e., of the Corporate Bank and the Commercial Bank,
- managing credit risk of the Consumer Bank
- managing impaired receivables,
- managing market risk, including interest rate risk in banking book,
- managing liquidity risk,
- managing operational risk,
- managing the equity process and model risk,
- model validation,
- supporting risk management in the above areas including in control functions,
- the process of comprehensive and continuous assessment of credit risk (Fundamental Credit Risk Assessment).

The management of Risk Management Sector and of Business units are responsible for developing and implementing risk management policies and practices in their respective business units, overseeing risks in the business units, and responding to the needs and issues of the business units.

Risk management in the Group is supported by a range of IT systems in the following areas:

- obligor and exposure credit risk assessment,
- credit, market and operational risk measurement, reporting and monitoring,
- valuation, monitoring and reporting of collateral,
- calculation and reporting of expected credit losses.

Material Risks

The Group manages all material risks arising from the implementation of its business strategy. In the process of significant risks identification in 2024, the Management Board considered the following type of risk as significant:

- Credit Risk (Retail and Wholesale),
- Credit Counterparty Risk,
- Market Risk (Trading),
- Market Risk (Non-trading),
- Liquidity risk,

- Operational risk,
- Compliance risk,
- Capital risk,
- Climate and Environmental risk for Strategic, Credit and Compliance risk.

The Group monitors all the above types of risk. Due to portfolio characteristics in this chapter are presented principles related to management of credit risk (including counterparty risk and concentration), operational risk, liquidity risk, and market risk.

Credit risk (Retail and Wholesale) , including also counterparty credit risk, is the risk of financial loss due to the inability of a borrower to repay interest and principal as agreed.
Credit risk arises in many of the Group's business activities, hereinafter "products," including:

- Loans and advances,
- Guarantees and letters of credit,
- FX and derivatives transactions,
- Securities transactions,
- Financing and handling settlements, including trade (domestic and foreign),
- Transactions in which the Group acts as an intermediary on behalf of its clients or other third parties.

The principles described in the "Credit Risk" section of this document covers different types of exposure, as defined in relevant Credit Policies of the Group.

Additionally, within the risk management system, the Group applies credit risk mitigation rules (incl. accepting collateral) thus mitigating the inherent **residual risk** and manages **concentration risk**, taking into account material concentration risk factors.

Liquidity risk is the risk that Bank will not be able to efficiently meet both expected and unexpected current and future cash flows and collateral needs without adversely affecting either daily operations or financial condition of the Bank. Risk may be exacerbated by the inability of the firm to access funding sources or monetize assets and the composition of liability funding and liquid assets. Liquidity risk is measured in accordance with the applicable law, in particular with the Banking Act, under standards set by the regulator (regulatory liquidity measures) and with internal measures which support liquidity risk management.

Market risk is the risk of loss arising from changes in the value of Bank's assets and liabilities resulting from changes in market variables, such as interest rates, exchange rates or credit spreads. Losses can also result from the presence of basis risks. Market risk arises in non-trading portfolios, as well as in trading portfolios. Market risk is measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk.

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

CREDIT RISK

The main objective in the field of credit risk management is to support the long-term plan for the stable development of the credit portfolio while maintaining its proper quality. Credit risk management is executed based on the policies and procedures that consistently and clearly define and communicate standards for risk identification, measurement, acceptance, control, monitoring and reporting. In the current reporting period, the Group continued activities related to credit risk management in perspective of the external environment situation development including, in particular, the impact of war between Russia and Ukraine, conflict in Palestine, high inflation and economic slowdown. In the reporting period the Group did not observe significant impact of the above factors on the credit portfolio quality neither of Corporate Banking nor Retail Banking. In case of lending, the Bank is not active in Ukraine, Israel, Russia or Belarus, and the Bank's credit exposure to companies significantly involved in these countries is marginal.

Principles of the Credit Risk Management Policy

The Risk Management unit is responsible for establishing the principles of the Credit Policy for the Corporate Bank, the Credit Policy for the Commercial Bank and credit policies for the Consumer Bank as well as for approving other policies, programs and procedures, monitoring credit risk management performance, providing ongoing assessment of the credit risk of the portfolio and approving individually significant credit risk limits.

The rules for approving risk are matched with the strategy of the Group, generally accepted risk level, credit portfolio performance and internal control results.

For corporate and commercial clients as well as investment banking activities across the organization, the credit process is based on a range of fundamental policies, including:

- joint business and independent risk management responsibility for the quality of the credit portfolio and process as well as for credit loss,
- adherence to portfolio guidelines to ensure diversification and maintain risk/capital alignment,
- credit authorization system assuming that credit authority can be given to authorized, trained and experienced staff based upon their professional experience and tested qualifications concerning the risk assessment and making credit decisions,
- a minimum of two authorized credit approvers with delegated credit authority required for all significant exposures,
- dependence of approval level from the risk taken – exposures with a higher risk (including size and risk assessment) require approval at a higher decision-making level,
- diverse risk rating standards, adequate to every obligor and exposure, including remedial actions,
- risk rating of every obligor and exposure in a consistent rating process using risk rating models and scorecards (scoring),
- periodic monitoring of customers' business results and identification of negative changes in their standing which require immediate reclassification of exposure or remedial actions,
- collateral selection, valuation, establishing legal basis and monitoring,
- exceptions to Credit Policies are approved at higher levels within the organization to ensure control over risk policy implementation by higher level managers in accordance with internal Group's normative acts and generally applicable laws and regulations issued by the appropriate regulators.

In the Consumer Bank (GCB), the Management Board of the Group has approved credit policy as well as detailed principles of its deployment for each credit product offered.

Credit risk in this area is managed by means of:

- detailed credit policies which define the credit scoring rules,
- a system for allocation of credit authority and independent supervision of the quality of credit analyst performance,
- a system of monitoring the quality of IT tools supporting credit scoring,
- a system of risk measurement and control for credit portfolios including: a detailed management information system covering the quality of the credit portfolio and debt collection, identification of impaired exposures, monitoring of delinquencies, monitoring of benchmarks, etc., internal limits of credit portfolio parameters approved by the Management Board,
- debt collection policy rules as well as a fraud prevention policy,
- credit portfolio quality reports to the GCB Risk Commission, the Risk and Capital Management Committee and the Supervisory Board's Risk and Capital Committee,
- stress testing rules,
- monitoring of the performance of scoring models and measurement and identification of impaired exposures,
- checking the behavior of Group customers in the Credit Information Bureau (BIK),
- collateral valuation policy for mortgage-secured credits offered by GCB.

Each portfolio is subjected to stress testing at least on an annual basis.

Credit risk assessment and rating

The Group maintains consistent risk ratings methodology across the corporate and commercial credit portfolio, which facilitates comparison of credit exposure across all lines of business, geographic regions and products.

Obligor Risk Rating and Obligor Limit Rating are elements of the assessment of credit risk associated with granted products. Obligor Risk Ratings reflect an estimated probability of default for an obligor within 1 year and are derived primarily through the use of statistical models, external rating agencies, or scoring models.

Obligor Limit Rating (OLR) as a measure of medium to long-term risk of the obligor is subject to assessment in terms of qualitative factors including sector seasonality, management quality, client's business strategy, influence of vulnerability to regulatory environment on client, transparency and quality of control processes.

Facility Risk Ratings are assigned using the obligor risk rating and facility-level characteristics such as collateral, thus decreasing the potential loss on a facility in case of default. As a result, Facility Risk Rating reflects a potential expected loss given-default.

Credit Risk is measured at a number of levels, including:

- Aa a limit level, which may include one or more contracts, disposals or transactions,
- at an obligor level, if there are multiple facilities approved for an obligor where the risk associated with an obligor default can be assessed jointly,
- at a group level, considering the group structure of connected clients,
- at a portfolio level where Portfolio Risk Rating is calculated as the average rating of individual facility exposure ratings weighted with the size of exposure.

For ICG and CCB customers' credit exposures, the Group uses scoring models of the various level of complexity i.e., depending on the size of customer's portfolio and customer's industry.

For retail credit exposures, the Group uses scoring models developed on the basis of the history of behavior of the Group's customers. Such models analyze the behavior of customers in the Credit Information Bureau, own data as well as customer demographics. The quality of performance of scoring models is reviewed on an ongoing basis and monitored annually. As a result, modifications are made in the model or the credit policy.

Credit risk of the retail credit portfolio is measured based on dedicated scoring models and reporting techniques including an analysis of ratios for new customers and existing portfolios with and without impairment.

The effectiveness of scoring models used in risk assessment processes is monitored regularly with population stability reports, KS (Kolmogorov-Smirnov) test reports and portfolio quality reports (delinquency and loss ratios). Each scoring model is validated annually.

Credit risk monitoring

Risk management units, supported by business units responsible for the cooperation with customers, are responsible for monitoring the probability of obligor default.

Credit risk exposure is monitored and managed at three levels: (a) exposure level, (b) customer level, and (c) portfolio level.

Exposure monitoring and management at a customer level includes periodic control reports, an early warning system and periodic reviews of the customer's standing.

Monitoring of portfolio performance and identification of portfolio trends include regular management reports and control reports which also support active response to negative signals or trends.

In addition to management information reports analysis, risk managers and business representatives take part in regular round tables regarding the portfolio in order to review business pipelines and discuss the credit issues.

In GCB, monitoring covers scoring models, impairment measurements, delinquencies, the effectiveness of debt collection, internal limits, customer behavior checks with BIK, benchmarks, etc.

Risk mitigation

Credit risk mitigation within the set risk appetite is an ongoing and key element of the Group's risk management processes. It is achieved as described below:

- customers selection and credit confirmation:
  - Target market and customer selection criteria are determined;
  - Maximum credit exposure against the obligor is determined through obligor limits related to customer risk ratings and/or through risk acceptance criteria;
  - Limits are established and monitored in order to mitigate exposure concentration risk;
  - Robust credit due diligence standards are established and maintained;
  - Credit process standards are established in order to ensure a consistent approach to each segment;
  - Credit documentation standards are applied;
- collateral is used in order to minimize the risk and to manage residual risk:
  - Establishing acceptable collaterals and their classification in view of regain possibility in case of execution;
  - Setting collaterals in right law's form (documentation standards);
  - Expected collateral structure or credit value in relation to collateral value is determined;
  - The value of collateral on property and equipment is determined by dedicated specialty functions within the Group using external valuation where required;
- monitoring and early warning system:
  - Credit exposures periodic monitoring and an early warning system are used;
  - Regular inspection of portfolio ensuring identification of adverse tendencies and concentration;
  - Active portfolio management includes implementation of necessary modifications to the credit strategy based on portfolio reviews or stress testing.

Policy of collateral acceptance

Apart from general rules of credit risk mitigation, the Group has defined specific Corporate and Consumer rules of accepting, assessing, establishing and monitoring various types of collateral, including mortgages, pledge on fixed and current assets, guarantees and similar forms of support and assignment of receivables (jointly: "collateral"). The risk is limited by the requirement to insure the collateral for the time of credit exposure. These rules serve to minimize the residual risk.

As an additional element limiting the risk, in financing of companies and individuals who pursue business activity, is the rule that revenues from the customer's ongoing business are the key element of creditworthiness assessment of potential borrowers and the primary source of repayment of debt to the Group.

In order to diversify risks associated with collateral, the Group accepts various types of collateral:

- in the Consumer Bank, the most common type of collateral is residential real estate,
- in the Corporate and Commercial Bank, the following types of collateral are among other:
  - guarantees,
  - cash,
  - securities,
  - receivables,
  - inventory,
  - real estate,
  - equipment and machines,
  - vehicles.

Detailed procedures outlining the types of collateral acceptable to the Group and the rules of their establishment and valuation as well as the creation of a special risk unit responsible for the collateral management process allow for the development of appropriate standards for this process, including:

- criteria for acceptance and valuation of collateral,
- documentation standards,
- rules and frequency of collateral value monitoring and updating (including inspections).

In addition, Corporate Banking credit regulations set such parameters as:

- the structure of collateral required for different types of credit receivables,
- the relationship of loan value to collateral value for each type of collateral,
- the desirable structure of the different types of collateral in the credit portfolio.

The Group periodically controls whether the current structure of the collateral portfolio in Corporate Banking is compatible with the objectives and whether the value of the collateral is appropriate.

Within the Corporate Bank, the expected ratio of loan value to collateral value is determined in each case in a credit decision. This ratio is also subject to periodic inspection / monitoring.

The principal type of collateral in GCB is a mortgage register for mortgage-secured loans. The Group also uses bridge insurance to mitigate the risk of the borrower's default between the time of disbursement of a loan and the time of a mortgage register. The value of collateral is measured at each time on the basis of an expert valuation of real estate commissioned by the Group. Expert valuations are reviewed by an independent valuation division according to valuation guidelines for real estate used as collateral of real estate loans for individuals who are GCB customers. The quality of the division's performance is monitored.

Concentration in credit risk

In order to prevent adverse events resulting from excessive concentration, the Group reduces the concentration risk by setting limits airing from law and concentration standards adopted internally, in order to ensure adequate diversification of risk in the portfolio. The Group establishes General and specific limits to mitigate the risk of credit concentration, adequate to the approved risk appetite in the Group as well as business strategy

In its credit risk management, the Group takes into account in particular the risk arising from:

- exposure to single entities (including taking into account the effect of exposure to a single clearing house – KDPW CCP on the level of concentration risk exposure, particularly in the event of potential inability to meet the obligations of the clearing house), or related entities capitally or economically (counterparty concentration risk),

- exposure to the same industry, economic sector, similar type of activity or trading similar goods (industry concentration risk),
- exposure to the same geographical region, as well as individual countries (risk of geographical concentration),
- exposure to the entities belonging to the Capital Group of the Bank,
- exposure to counterparties in derivative transactions,
- used credit risk mitigation techniques (exposures secured by the same type of collateral), including due to large indirect credit exposures such as a single issuer (collateral concentration risk),
- specific of Group products/portfolio and exposure tenor,
- individual products, markets or currencies.

General concentration limits are approved on the Management Board level and monitored according to relevant Policy rules, primarily by the Risk and Capital Management Committee. Credit Risk and Business managers define (where appropriate) detailed internal concentration limits, control and reporting frequency and rules of approval for excesses and corrective action plans. Exceeding of established limits is reported, depending on the specific requirements of the Policy, to the approval of appropriate persons, the Risk and Capital Management Committee and the Bank Management Board together with corrective action plans.

In hedge concentration, appropriate limits are settled and controlled, including commitments hedged with a mortgage in accordance with S Recommendation.

Obligor exposure concentration risk

The Group limits the concentration of its exposure to a single customer or a group of customers with common ownership and/or organization. As at 31 December 2024, the Group's exposure in bank portfolio transactions with groups of customers whose aggregate exposure exceeded 10% of the Group's equity (as defined below in this report) amounted to PLN 6,094,545 thousand, i.e., 87.30% of equity (31 December 2023: 4,940,989 thousand, i.e., 70.50 %). In 2024 and 2023 the Group complied with the provisions on limits of concentration of exposure.

Concentration of exposure to the top non-banking borrowers of the Group:

PLN'000	31.12.2024			31.12.2023		
	Balance sheet exposure*	Financial commitments and guarantees	Total exposure	Balance sheet exposure*	Financial commitments and guarantees	Total exposure
GROUP 1	1,352,976	229,893	1,582,869	953,852	86,478	1,040,330
CLIENT 2	1,099,430	-	1,099,430	942,297	-	942,297
CLIENT 3	1,002,896	-	1,002,896	1,002,530	-	1,002,530
GROUP 4	197,656	679,866	877,522	118,433	582,488	700,921
GROUP 5	836,507	-	836,507	967,561	-	967,561
GROUP 6	214,238	488,492	702,730	592,486	405,827	998,313
CLIENT 7	197,920	462,406	660,326	334,736	208,114	542,850
GROUP 8	266,525	315,928	582,453	305,976	230,451	536,427
GROUP 9	552,871	23,565	576,436	351,031	23,940	374,971
GROUP 10	572,896	685	573,581	361,008	681	361,689
Total	**6,293,915**	**2,200,835**	**8,494,750**	**5,929,910**	**1,537,979**	**7,467,889**

**Excluding investment in shares and other securities.*
As at 31.12.2024; data from 31.12.2023 are comparative and do not illustrate concentration of exposures as at 31.12.2023.
The Group is understood as a capital group consisting of entities in relation to which the Capital Group of Bank Handlowy w Warszawie S.A. has exposures.

The limits of the Group's maximal exposure are determined in the Grouping Law Bill from 29 August 1997 and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Regulation No 575/2013). When keeping conditions determined in Regulation 575/2013, it is allowed for the Group to maintain an overdraft of liabilities level over limits determined in paragraph 71 of the Grouping Law Bill only in the case of liabilities resulting from operations rated in trade portfolio. Own funds for determining limits of exposure purposes were determined according to Regulation No 575/2013.

As at 31 December 2024, the Group did not have an exposure to one entity exceeding the statutory exposure concentration limits.

Concentration of exposure in individual industries*

Given that there is a large diversity of customers representing individual industries, the table below shows aggregate data for the Group's exposure to the industrial sectors.

Sector of the economy according to NACE*	31.12.2024		31.12.2023	
	PLN'000	%	PLN'000	%
Financial service activities, excluding insurance and pension funds	14,050,813	35.4%	18,591,026	44.3%
Wholesale trade, except of motor vehicles	1,868,664	4.7%	3,864,447	9.2%
Production and supply of electricity, gas, steam, hot water and air for air conditioning systems	1,942,595	4.9%	1,721,912	4.1%
Financial services, insurance and pension funds supporting activities	1,806,950	4.5%	1,866,374	4.4%
Production of food products	1,566,630	3.9%	1,589,826	3.8%
Activities of head offices; consulting related to the management	1,455,548	3.7%	1,048,675	2.5%
Retail trade, except of motor vehicles	1,383,112	3.5%	1,259,723	3.0%
Production of other transport equipment	1,033,543	2.6%	-	-
Production of electrical equipment	950,297	2.4%	1,213,314	2.9%
Production of motor vehicles, trailers and semi-trailers, excluding motorcycles	879,426	2.2%	674,491	1.6%
„10" industries total	**26,937,578**	**67.8%**	**31,829,788**	**75.8%**
Other industries	**12,801,896**	**32.2%**	**10,137,990**	**24.2%**
Total	**39,739,474**	**100.0%**	**41,967,778**	**100.0%**

**Balance-sheet and off-balance-sheet exposure gross to institutional customers (including Groups) as at 31.12.2024, based on NACE Revision 2 (The Statistical Classification of Economic Activities in the European Community), data from 31.12.2023 are comparative and do not illustrate concentration of exposures as at 31.12.2023.*

Gross amounts due from customers and Groups by type of business

PLN'000	31.12.2024	31.12.2023
Gross amounts due from economic entities and Groups		
Financial	13,892,311	19,693,605
Production	3,536,234	3,905,880
Services	3,231,131	3,252,568
Other	3,681,436	3,115,575
	24,341,112	**29,967,628**
Gross amounts due from individual customers	**6,360,276**	**6,354,874**
Total (see Note 18, 22)	**30,701,388**	**36,322,502**

Determination of Expected Credit Loss

The Group creates provisions for expected credit losses, according to developed internal rules and methodologies for calculating provisions for all financial assets. They are made based on aggregated level for each of the 3 Stages:

- Stage 1: Credit exposures that have not had a significant increase in credit risk since initial recognition
  - For these assets, a 12-months ECLs are recognized (representing the portion of lifetime expected credit losses that result from default events that are possible within 12 months after the reporting date),
- Stage 2: Credit exposures that have experienced a significant increase in credit risk since initial recognition, but for which the exposure is not yet defaulted
  - For these assets, a lifetime ECLs are recognized,
- Stage 3: Credit exposures with credit loss that has already been suffered on the assets
  - For these assets, ECL is established as for defaulted assets.

The assignment of the exposure to particular Stage is based on the approach to client management (individual vs. group approach), taking into account:

- the wide range of information obtained as part of standard risk management processes (including the Early Warning process) regarding both current and future events, including macroeconomic factors and
- the number of days past due (where days past due calculation, for the purpose of exposure assignment to Stages, is done in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure).

Stage 1

All exposures not classified as Stage 2 and Stage 3 are classified as Stage 1.

Stage 2

In case of credit exposures from the retail banking area, for the Stage 2 classification, except from the 30 days criterion of arrears and forborne categories, the quantitative criterion is additionally applied – analysis of the change in PD level since the exposure was originated. The Group does not use the fixed threshold above which an increase in risk would automatically be considered significant. It results from the fact that the same increase of PD in absolute terms would be more significant for exposures with lower initial risk than for those with the higher initial risk. Therefore, the Group uses a dedicated model which target is to set a threshold above which an increase in risk will be considered significant. In order to determine the relative growth, the Group uses a variable being the quotient of the probability of default on the current reporting date and the contingent probability calculated for the same period at the time of initial recognition. A threshold is defined as the cut-off point, where the probability of a default event occurring when the value of an explanatory variable increases is maximized.

The overdue criterion of over 30 days (incl. materiality of overdue credit exposure) as well as of above 90 days (regardless of the materiality of overdue credit exposure) are a direct trigger for identifying a significant increase in credit risk. In addition, qualitative premises are included on the modification activities carried out and the fact that information about the probability of default is not available.

For credit exposures in the area of institutional banking, except from overdue by more than 30 days criterion in order to assess if a significant increase in credit risk took place within the internal classification process and ongoing monitoring process, the Group analyses changes in risk of default by comparing the current assessment of default with the assessment of default in the initial recognition.

Assessment of change in risk of default for given credit exposure is conducted during internal classification process and monitoring process and includes:

- qualitative indicators (including Early Warning System),
- quantitative information (change of the Lifetime PD at the reporting date with the Lifetime PD at initial recognition above the relative and absolute threshold for a given sensitivity class, financial data),
- expected exposure life period,
- occurrence of economic or legal reasons related to the borrower's financial difficulties and granting to the borrower a concession to financial conditions that the lender would not otherwise consider, (assuming that those changes does not imply deterioration in future payment flows).

Stage 3

The Group applies the general principle that the creditor's default occurs when one or both of the following events occur:

- delay in the debtor's repayment of any material loan obligations to the Group is 90 days or more,
- it is unlikely that the debtor fully fulfills his credit obligations towards the Group, without the institution having to undertake activities such as collateral execution.

The Group assess for each balance sheet date if there an objective prerequisite for impairment for given financial asset of group of financial assets.

A financial asset or a group of financial assets lost their value and the impairment loss was incurred only when there is objective evidence of impairment resulting from one or more events taking place after the initial recognition of the asset (event causing the loss), and the event (or events) causing a loss has an impact on the expected future cash flows resulting from a financial asset or a group of financial assets whose reliable estimation is possible.

In the institutional banking area, materialization of credit exposure value loss takes place if there is objective evidence of impairment, which can be a result of, among others, events as below:

- obtaining information on significant financial difficulties of the client,
- reduction of the client credit rating by an accepted by the Bank External Credit Assessment Institution[1],
- occurrence of economic or legal reasons related to the borrower's financial difficulties and granting to the borrower a concession to financial conditions that the lender would not otherwise consider (forborne non-performing), including granting permission for emergency restructuring of credit exposure, if it might result in decreasing financial requirements, reduction of financial liabilities by redeeming a significant part of the principal, interest or, where applicable, fees or deferring their repayment or payment;
- high likelihood of bankruptcy, gaining information on:

[1] Below risk level corresponding to internal 7- rating (i.e. to CCC- for Standard & Poor's, Caa3 Moody's)

- declaration of bankruptcy,
- commencing bankruptcy proceedings or submitting a bankruptcy petition/ petition for bankruptcy proceedings,
- putting the debtor into bankruptcy or liquidation,
- dismissing the bankruptcy petition because the debtor's assets are insufficient or only sufficient to cover the costs of bankruptcy proceedings,
- dissolution or annulment of the company,
- appointing of a guardian,
- establishing a trustee (bancupcy administrator),
- submitting an application for restructuring proceedings within the meaning of the Restructuring Law,

or granting to the obligor a similar protection if it would allow him to avoid or delay repayment of credit obligations,

- Bank initiates procedure to obtain an enforcement title,
- delay in payment equal to 90 days or more (where days past due are calculated in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd, 2019, on the significance level of overdue credit exposure),
- obtaining information from an external database about the delay in payment of debtor's financial liabilities in other financial institutions by 90 days or more in line with the materiality thresholds
- default contagion in line with EBA/GL/2016/07 guidance,
- status of exposure has been changed from "accrual"/ "performing" to "non-accrual"/ "non-performing",
- exposure has been classified (as per internal classification) to category: "Substandard non–performing/ non-accrual"/ "Doubtful" or "Loss",
- obligor Risk Rating (ORR) is worse than 7- which is applied for obligors that are defaulted,
- justified suspicion of abuse or extorting a credit exposure, or identifying cases of a probable criminal act related to a credit exposure, documented by submitting a notification of suspected crime to the competent state authority
- termination of the loan agreement due to high credit risk,
- obtaining information on the execution of a court judgment process against the debtor in an amount which, in the opinion of the bank, may result in the loss of creditworthiness,
- lack of payment by the debtor the amount of the realized Government guarantee,
- death, permanent disability or serious illness of the debtor (in the case of debtors running a company in the form of entrepreneurship), resulting in the inability to continue the activity,
- staying in custody or prison of the debtor (in the case of debtors running a company in the form of entrepreneurship), resulting in the inability to continue the activity.
- obtaining information about a customer's default under agreements with other Citi group entities,
- in case the Economic Loss (L) resulted from the sale of credit obligations is higher than 5%, all other remaining client exposures should be considered as defaulted,

or any other events that may have an impact on the estimated future cash flows from the financial asset that can be reliably estimated.

Objective evidence of impairment of a financial asset or a group of assets in the Retail Banking area includes the fulfillment of even one of the following conditions by any of the customer's exposures:

- occurrence of delays in repayment of principal and interest, the minimum amount to be paid, commission or exceeding the permitted limit. For the purpose of default identification, it is assumed that the delay in repayment is equal to or exceeds 90 days at the moment of calculating the provision (where days past due are calculated in line with EBA/GL/2016/07 guidance and the regulation of Ministry of Finance, Investment and Development of October 3rd 2019 on the significance level of overdue credit exposure,
- granting modifications to the terms of the agreement (restructuring), as a result of which the current value of cash flows falls below the book value before the modification,
- termination of the contract for reasons other than a delay in the repayment of mortgage products,
- default contagion in line with EBA/GL/2016/07 guidance,
- occurrence of qualitative circumstances:
  - death,
  - bankruptcy,
  - permanent disability or serious illness,
  - fraud,
  - obtaining information about initiating bankruptcy proceedings of the client or announcing bankruptcy by the client,
  - impairment or threat of collateral impairment,
  - obtaining information about significant financial problems of the client,
  - justified suspicion of extortion of credit exposure or identifying cases of the substantiated criminal

offense concerning credit exposure,
- obtaining information about the execution of the debtor in the amount, which in the bank's opinion may result in the loss of creditworthiness,
- the client's stay in custody or prison,
- partial capital write-off,
- agreement termination,
- the Group's request to initiate enforcement proceedings against the client.

In the case of clients who do not meet the restructuring criteria, and in particular, for which the legal path has been implemented (bankruptcy, enforcement, court dispute) without the prospects of returning the repayment formula from the client's core operations, the debt collection process is carried out and the receivables are written off. The main goal of this process is to maximize the amount of outstanding exposures recovered by the Group. In the debt collection process, the Group will develop a cooperation formula with the client, in the course of which the Group's activity is not limited only to legal actions, but also, if possible, ongoing cooperation. In the event that the repayment of the exposure is jeopardized due to the poor financial standing of the debtor or by the transfer of assets beyond the scope of recovery, the exposures can be sold in exceptional cases.

The Group has established and applies a quarantine period for exposures that cease to be classified as Stage 3 assets.

In the area of institutional banking, a change in status from "impairment" to "no impairment" may take place when there are no arrears to the Bank within a minimum period of 12 months and the principal amount and related additional claims under the contract are recoverable in full. The main premise for changing the status from impairment to no impairment is complete recovery of creditworthiness.

In the Retail area, the quarantine mechanism relies on maintaining the customer in the status of impairment for the next 9 months after all indications of impairment have ceased to exist.

The expected credit loss, which is the basis for determining the level of the provision for impaired receivables and with a significant increase of credit risk since the initial recognition is determined throughout the lifetime of the exposure. In the case of installment exposures, this is the period to the contractual maturity date. For revolving exposures, the contractual maturity is not specified, in replacement of the so-called behavioral maturity resulting from the empirical estimation of the life of the credit product.

Provisions for expected credit losses for consumer banking portfolio are calculated on the basis of statistical models for groups of assets combined in portfolios with common credit risk features. The Group aggregates financial instruments for the purpose of measurement of expected credit losses on product level in consumer banking and on segment level for homogenous micro-entrepreneurships portfolio with minimal shareholding in the sum of gross receivables of the Group. In terms of product aggregation, the following portfolios are defined: credit cards, cash loan within credit card, credit line, cash loan and mortgages.

In the financial statements, the Group adjusts the value of credit exposures by provision for expected credit losses. In case individually significant exposure is at Stage 3, provisions are measured using individual approach. Exposures are deemed to be individually significant, if an expected credit loss for the borrower in Stage 3 exceeds 10% of average provisions related to receivables in Stage 3 in the last quarter.

In the area of Institutional Banking, the main sources of parameters included in the methodology of expected credit losses ('ECL') are the results of internal customer assessment processes and the results of loan models:

- the rate of expected credit losses is derived from the client's rating determined based on internal rating models. The ECL methodology describes the process of applying existing migration ratings, expected in a given macroeconomic scenario, to migration schedules. In this way, in the following forecast periods, the probability of migration to a given rating range is obtained,
- the value of the LGD parameter results directly from the dedicated model for impaired clients,
- the exposure value for subsequent forecast periods is based on available repayment schedules as well as (for renewable products) on the expected change in exposure described by the value of the CCF parameter. The basis for estimating this parameter was internal data on amounts used by customers before the Group identified impairment of value,
- the assignment to the stage is based on the customer assessment process used in the Group to manage the client. This process includes both quantitative factors (e.g., customer rating) and a number of qualitative factors (e.g., Early Warning Signals),
- the maturity dates adopted by the Group result directly from agreements with customers and periods in which the Group is exposed to possible risks.

In the area of Retail Banking, the basis of parameters included in the ECL methodology are the existing internal models of the client's creditworthiness assessment in the Group, information about the stage of debt collection proceedings and information from the Group's data warehouse:

- the rate of expected credit losses is the submission of a number of models of customer creditworthiness assessment, connected to each other by process called integration logic. The ECL methodology, based on forecasts provided by the Chief Economist, transforms the results of integration logic so that the result reflects the expected changes in the economy. The parameters thus obtained are then applied to the loss vectors during the life of the product, estimated on the basis of historically observed loss rates. Recovery value vectors are the result of the analysis of the amount of historically collected receivables for homogeneous populations. The

populations were segmented against similar features such as product type, time from default, amount of exposure left for repayment or historically observed repayments,
- the value of the EAD parameter is based on installment products on the expected repayment schedules generated based on the length of the contract and the interest rate on the product. For renewable products, EAD is based on the internally estimated CCF vector.

The Group uses the macroeconomic scenarios including explanatory variables in models used to measure expected credit losses. Scenarios are prepared by the Chief Economist of the Group min. once a quarter in a 3-year horizon divided into quarters (base scenario with 60% weight and positive and negative variation from scenario with 20% weight).

In the area of institutional banking, the Group divided the loan portfolio into industries in terms of their sensitivity to macroeconomic conditions, identified macroeconomic variables that best explained the historical changes in credit quality and analyzed the dependence on macroeconomic factors using statistical methods. Finally, the Group has built a model for two classes with a higher level of industry sensitivity allowing for the dependence of the coefficient determining the level of client migration between ratings from these factors. For the class with low sensitivity, the Group did not make the level of migration dependent on macroeconomic factors.

In the area of Retail Banking, at the level of homogeneous product portfolios, the Group, using statistical methods, built equations making the level of annual loss rates dependent on macroeconomic factors. The models allow for dynamic shaping of the provision for expected credit losses depending on the expected changes in the economy.

Macroeconomic scenarios in the area of Institutional Banking include below variables:

- annual amendment of index WIG,
- NBP reference rate

However, Retail Banking uses two variables in modeling the expected credit losses:
- unemployment rate „BAEL",
- annual change of index WIG.

Macroeconomic scenarios for the variables used to estimate expected credit losses as at 31 December 2024, is presented below.

Basic macroeconomic scenario	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27	3q27	4q27
NBP reference rate	5.75	5.50	5.50	5.00	4.75	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75
Unemployment rate „BAEL"	2.70	2.90	3.00	2.90	2.70	3.00	2.90	2.90	2.56	3.00	2.80	2.88	2.70
WIG (end of the period)	82762	84431	86101	87770	89440	90746	92053	93359	94666	96073	97481	98889	100296

Pessimistic macroeconomic scenario	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27	3q27	4q27
NBP reference rate	5.75	5.25	5.00	4.25	3.75	3.00	2.75	2.50	2.50	2.50	2.50	2.50	2.50
Unemployment rate „BAEL"	2.72	3.01	3.19	3.26	3.15	3.50	3.54	3.66	3.38	3.90	3.75	3.76	3.63
WIG (end of the period)	79293	77591	75893	74204	75616	76720	77825	78930	80034	81224	82414	83604	84794

Optimistic macroeconomic scenario	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26	1q27	2q27	3q27	4q27
NBP reference rate	5.75	6.00	6.50	6.50	6.75	6.25	6.00	5.75	5.50	5.25	5.00	4.75	4.50
Unemployment rate „BAEL"	2.66	2.79	2.80	2.64	2.26	2.40	2.24	2.17	1.76	2.17	1.97	1.90	1.73
WIG (end of the period)	86230	91560	97184	103116	105078	106613	108148	109683	111217	112871	114525	116179	117832

Macroeconomic scenarios for the variables used to estimate expected credit losses as at 31 December 2023, is presented below.

Basic macroeconomic scenario	4q23	1q24	2q24	3q24	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26
NBP reference rate	5.75	5.75	5.75	5.50	5.25	4.75	4.75	4.25	4.00	3.75	3.75	3.75	3.75
Unemployment rate „BAEL"	2.90	3.20	2.80	2.80	3.10	3.50	3.00	2.90	3.00	3.20	2.90	2.80	3.10
WIG (end of the period)	76515	77556	78596	79637	80677	81906	83135	84364	85594	86568	87543	88518	89493

Pessimistic macroeconomic scenario	4q23	1q24	2q24	3q24	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26
NBP reference rate	5.50	5.25	5.00	4.50	4.00	3.50	3.50	3.00	2.75	2.50	2.50	2.50	2.50
Unemployment rate „BAEL"	2.96	3.35	3.04	3.13	3.52	4.01	3.61	3.60	3.80	4.03	3.81	3.74	4.05
WIG (end of the period)	73791	71722	69697	67717	68602	69647	70692	71737	72782	73611	74440	75269	76098

Optimistic macroeconomic scenario	4q23	1q24	2q24	3q24	4q24	1q25	2q25	3q25	4q25	1q26	2q26	3q26	4q26
NBP reference rate	6.25	6.75	7.00	7.25	7.25	6.75	6.75	6.25	6.00	5.50	5.25	5.00	4.75
Unemployment rate „BAEL"	2.84	3.05	2.56	2.47	2.68	2.92	2.37	2.20	2.20	2.30	1.97	1.86	2.15
WIG (end of the period)	79239	83616	88221	93063	94279	95715	97151	98588	100024	101163	102302	103441	104580

Scenarios and macroeconomic variables are updated on a quarterly basis.

As part of the adequacy assessment of the methodology used to determine expected credit losses, the Group regularly (at least annually) carries out an analysis to verify to what extent the provision covered actual losses. In addition, the provisioning models are subject to evaluation by an independent Model Validation Office.

The Group assesses sensitivity of expected credit losses with respect to applied methods and underlying assumptions, in particular concerning macroeconomic parameters. The table below presents change of expected credit losses for not impaired exposures that were determined as a difference between the expected credit losses estimated assuming one particular scenario and expected credit losses estimated using probability-weighted approach (the "-" sign means lower and the "+" sign means higher expected losses).

Change of expected credit losses for stage 1 and 2 assuming 100% scenario weight as at 31.12.2024	Optimistic scenario	Pessimistic scenario
Consumer Bank	(2,141)	1,701
Stage 1	(365)	291
Stage 2	(1,776)	1,410
Institutional Bank	(1,395)	1,626
Stage 1	(924)	892
Stage 2	(471)	734
	(3,536)	**3,327**

Change of expected credit losses for stage 1 and 2 assuming 100% scenario weight as at 31.12.2023	Optimistic scenario	Pessimistic scenario
Consumer Bank	(2,046)	1,634
Stage 1	(337)	270
Stage 2	(1,709)	1,364
Institutional Bank	(947)	1,411
Stage 1	(346)	767
Stage 2	(601)	644

Change of expected credit losses for stage 1 and 2 assuming 100% scenario weight as at 31.12.2023	Optimistic scenario	Pessimistic scenario
	(2,993)	3,045

The Group recognizes and manages counterparty credit risk in transactions in financial instruments based on internal limits for pre-settlement and settlement engagement. The exposures also include credit ratings.

In 2024, the Group introduced methodological changes to expected credit losses estimation, which entailed:

- for credit exposures in institutional banking, PD parameter model change and implementation of quantitative SICR based on change of the Lifetime PD between reporting date with and initial recognition; the changes resulted in an increase in expected credit losses in the amount 15,1 MM.
- in case of credit exposures from the retail customers, changes at the level of model construction (including calibration, structure and concept) and data selection within the PD parameter. The changes resulted in an increase in expected credit losses in the amount of PLN 10.6 million, which in turn was fully offset by the cessation of maintaining additional provisions for expected credit losses (management overlay).

The table below presents the maximum exposure of the Group to credit risk:

PLN'000	Note	31.12.2024	31.12.2023
Gross receivables due from the Central Bank	17	5,794,361	1,241,873
Gross receivables due from banks	18	8,788,431	15,372,457
Gross receivables due from institutional customers**	(below)	15,552,681	14,436,772
Gross receivables due from individual customers**	(below)	6,360,276	6,354,874
Debt securities held-for-trading	19	1,801,904	791,112
Derivative instruments	19	2,623,860	3,262,636
Debt investment financial assets measured at fair value though other comprehensive income	20	30,088,771	29,560,292
Other financial assets	27	239,546	159,201
Contingent liabilities granted	40	20,724,650	17,342,302
		91,974,480	**88,521,519**

**As at 31 December 2024, the value of mortgage collateral (limited to net exposure value) for receivables from institutional clients amounted to PLN 1,719,596 thousand and for receivables from individual clients amounted to PLN 2,356,824 thousand. The values do not take into account the collateral for the reverse repurchase agreements. As at December 31, 2023, the value of collateral diminishing the maximum exposure to credit risk for receivables from institutional clients amounted to PLN 3,821,166 thousand and for receivables from individual clients amounted to PLN 2,225,502 thousand.*

The table below present the mortgage-backed receivables from individual customers in a given Loan-to-value (LtV) interval. The amount of exposure is measured by unpaid principal amount.

PLN'000	31.12.2024	31.12.2023
Less than 50%	1,340,156	1,006,584
51 - 80%	956,511	1,134,579
81 - 100%	27,432	56,112
	2,324,098	**2,197,275**

The collateral amount is haircut in estimation of expected credit losses to reflect the expected recovery through sale. Hypothetical impact of mortgage collateral onto expected credit losses for receivables from individual customers as at 31 December 2024 amounts to PLN 12.1 million. This scenario assumes that the collateral amount is not taken into account in the estimation of expected credit losses.

The collateral amount (mainly mortgage) used to estimate expected credit losses for impaired receivables from institutional customers as at 31 December 2024 equaled PLN 96.1million (before reflecting time-value-of-money). For particular exposures the collateral amount was decreased to account of accommodate the expectations in collection processes, capped by exposure amount, and weighted with a probability of a collateral collection scenario.

The tables below present the portfolio grouped whether they are impaired or not. The tables also present the details of expected credit losses provision.

According to credit management process, Group groups assets into assessed individually and collectively.

Exposures without impairment are classified based on the internal risk ratings from 1 to 7, where risk category 1 is the best rating.

Impaired exposures have assigned internal risk ratings from 8 to 10.

The internal risk ratings are received in the complex credit assessment's process, which consists of rating models and methodologies, additional adjustments resulting, among others, from the acquired support and collateral, and all the defined processes used in order to determine risk ratings.

The risk rating defines the probability of breach of contract by the debtor within the 1-year period. Ratings from 1 to 4- inclusive are treated as the equivalent of ratings at investments levels of external credit rating agencies, which implies that they indicate a low or medium level of credit risk. Ratings below 4- indicate increased credit risk, wherein the rating 7 means high credit risk and low ability to service debt obligations, even in favorable macroeconomic conditions.

The structure of the portfolio of exposures to banks and clients from the point of view of credit risk as at 31 December 2024:

PLN '000	31.12.2024			
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Total
Not impaired receivables (Stage 1)				
By risk rating				
Risk rating 1-4-	10,173,771	-	8,779,409	18,953,180
Risk rating +5-6-	3,815,106	-	673	3,815,779
By delinquency				
No delinquency	-	4,524,788	-	4,524,788
1-30 days	-	55,909	-	55,909
31-90 days	-	-	-	-
Gross amount	**13,988,877**	**4,580,697**	**8,780,082**	**27,349,656**
Provision for expected credit losses	(27,095)	(14,900)	(307)	(42,302)
Net amount	**13,961,782**	**4,565,797**	**8,779,775**	**27,307,354**
Not impaired receivables (Stage 2)				
By risk rating				
Risk rating 1-4-	338,066	-	-	338,066
Risk rating +5-6-	757,175	-	8,349	765,524
Risk rating +7 and greater	186,980	-	-	186,980
By delinquency	-	-	-	-
No delinquency	-	1,342,659	-	1,342,659
1-30 days	-	64,109	-	64,109
31-90 days	-	13,027	-	13,027
Gross amount	**1,282,221**	**1,419,795**	**8,349**	**2,710,365**
Provision for expected credit losses	(36,630)	(42,577)	(344)	(79,551)
Net amount	**1,245,591**	**1,377,218**	**8,005**	**2,630,814**
Impaired receivables (Stage 3)				
By delinquency	-	341,339	-	341,339
By risk rating				
Risk rating +7 and greater	280,708	-	-	280,708
Gross amount	**280,708**	**341,339**	**-**	**622,047**
Provision for expected credit losses	(159,574)	(265,668)	-	(425,242)
Net amount	**121,134**	**75,671**	**-**	**196,805**
Purchased or originated credit-impaired receivables				
By delinquency	-	18,445	-	18,445
By risk rating				
Risk rating +7 and greater	875	-	-	875
Gross amount	**875**	**18,445**	**-**	**19,320**
Provision for expected credit losses	166	567	-	733
Net amount	**1,041**	**19,012**	**-**	**20,053**
Total gross value	**15,552,681**	**6,360,276**	**8,788,431**	**30,701,388**

PLN '000	31.12.2024			
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Total
Provision for expected credit losses	(223,133)	(322,578)	(651)	(546,362)
Total net value	**15,329,548**	**6,037,698**	**8,787,780**	**30,155,026**

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The structure of the portfolio of exposures to banks and clients from the point of view of credit risk as at 31 December 2023:

PLN '000	31.12.2023			
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Total
Not impaired receivables (Stage 1)				
By risk rating				
Risk rating 1-4-	10,280,827	-	15,331,662	25,612,489
Risk rating +5-6-	2,692,480	-	5,385	2,697,865
By delinquency				
No delinquency	-	4,631,658	-	4,631,658
1-30 days	-	78,408	-	78,408
31-90 days	-	331	-	331
Gross amount	**12,973,307**	**4,710,397**	**15,337,047**	**33,020,751**
Provision for expected credit losses	(20,582)	(31,893)	(316)	(52,791)
Net amount	**12,952,725**	**4,678,504**	**15,336,731**	**32,967,960**
Not impaired receivables (Stage 2)				
By risk rating				
Risk rating 1-4-	443,774	-	5,343	449,117
Risk rating +5-6-	328,656	-	30,067	358,723
Risk rating +7 and greater	302,783	-	-	302,783
By delinquency	-	-	-	-
No delinquency	-	1,086,026	-	1,086,026
1-30 days	-	109,786	-	109,786
31-90 days	-	15,831	-	15,831
Gross amount	**1,075,213**	**1,211,643**	**35,410**	**2,322,266**
Provision for expected credit losses	(29,898)	(69,853)	(589)	(100,340)
Net amount	**1,045,315**	**1,141,790**	**34,821**	**2,221,926**
Impaired receivables (Stage 3)				
By delinquency	-	414,565	-	414,565
By risk rating				
Risk rating +7 and greater	379,316	-	-	379,316
Gross amount	**379,316**	**414,565**	**-**	**793,881**
Provision for expected credit losses	(260,474)	(324,962)	-	(585,436)
Net amount	**118,842**	**89,603**	**-**	**208,445**
Purchased or originated credit-impaired receivables				
By delinquency	-	18,269	-	18,269
By risk rating				
Risk rating +7 and greater	8,936	-	-	8,936
Gross amount	**8,936**	**18,269**	**-**	**27,205**
Provision for expected credit losses	646	(176)	-	470
Net amount	**9,581**	**18,093**	**-**	**27,674**

PLN '000	31.12.2023			
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Total
Total gross value	**14,436,772**	**6,354,874**	**15,372,457**	**36,164,103**
Provision for expected credit losses	(310,308)	(426,884)	(905)	(738,097)
Total net value	**14,126,464**	**5,927,990**	**15,371,552**	**35,426,006**

As described above, one of the main factors influencing the management of individual customers portfolio are days of delay, while in the institutional customers segment rating is the key determinant of credit risk.

Impaired receivables are characterized by a relatively lower and, in some circumstances, positive allowance for expected credit losses, as disclosed in the table above. Upon initial recognition, POCI assets are recognized at fair value and the fair value adjustment, which primarily reflects credit risk, is included in the gross carrying amount of the receivable.

Structure of derivatives in terms of credit risk:

PLN '000	31.12.2024			31.12.2023		
	Transactions with institutional customers	Transactions with individual customers	Transactions with banks	Transactions with institutional customers	Transactions with individual customers	Transactions with banks
Derivatives by risk rating						
Risk rating 1-4-	1,523,080	-	1,085,301	2,370,564	-	833,052
Risk rating+5-6-	14,579	-	900	58,325	-	541
Risk rating +7 and greater	-	-	-	154	-	-
Total	**1,537,659**	**-**	**1,086,201**	**2,429,043**	**-**	**833,593**

**Comparative data as at 31 December 2023 have changed in connection with the presentation change in 2024. For additional information, see Note 2 in the Comparative Data section.*

The classification of exposures in the portfolio of debt securities held for trading and portfolio of debt securities measured at fair value through other comprehensive income by ratings agency Fitch is presented below:

PLN '000	31.12.2024		31.12.2023	
	Debt securities held-for-trading*	Debt securities measured at fair value though the income statement*	Debt securities held-for-trading	Debt securities available-for-sale
Issuer rating by Fitch agency				
A (including from A- to AAA)	1,801,904	30,088,771	791,112	29,560,292
Total	**1,801,904**	**30,088,771**	**791,112**	**29,560,292**

Structure of the granted contingent liabilities from the credit risk point of view as at 31 December 2024:

PLN '000	31.12.2024		
	Liabilities due to institutional customers	Liabilities due to individual customers	Liabilities due to banks
Contingent liabilities granted (Stage1)	**13,196,783**	**3,538,682**	**1,339,807**
by risk rating			
Risk rating 1-4-	10,739,288	-	1,339,807
Risk rating+5-6-	2,457,495	-	-
Contingent liabilities granted (Stage 2)	**921,188**	**1,693,746**	**-**
by risk rating	**-**	**-**	**-**
Risk rating 1-4-	170,881	-	-
Risk rating+5-6-	724,178	-	-
Risk rating +7and greater	26,129	-	-
Contingent liabilities granted (Stage 3)	**1,820**	**6,111**	**-**

PLN '000	31.12.2024		
	Liabilities due to institutional customers	Liabilities due to individual customers	Liabilities due to banks
by risk rating	**-**	**-**	**-**
Risk rating +7and greater	1,820	6,111	-
Purchased or originated credit-impaired	**26,513**	**-**	**-**
by risk rating			
Risk rating +7and greater	26,513	-	-
Total	**14,146,304**	**5,238,539**	**1,339,807**

Structure of the granted contingent liabilities from the credit risk point of view as at 31 December 2023:

PLN '000	31.12.2023		
	Liabilities due to institutional customers	Liabilities due to individual customers	Liabilities due to banks
Contingent liabilities granted (Stage1)	**10,744,060**	**3,754,304**	**300,512**
by risk rating			
Risk rating 1-4-	8,716,458	-	300,512
Risk rating+5-6-	2,027,602	-	-
Contingent liabilities granted (Stage 2)	**1,052,158**	**1,465,679**	**-**
by risk rating	**-**	**-**	**-**
Risk rating 1-4-	86,642	-	-
Risk rating+5-6-	814,083	-	-
Risk rating +7and greater	151,433	-	-
Contingent liabilities granted (Stage 3)	**1,873**	**5,995**	**-**
by risk rating			
Risk rating +7and greater	1,873	-	-
Purchased or originated credit-impaired	**17,721**	**-**	**-**
by risk rating			
Risk rating +7and greater	17,721	-	-
Total	**11,815,812**	**5,225,978**	**300,512**

"Forbearance" practices

Forborne exposures are identified in the Group within credit risk management. Bank takes into account "forborne" exposures according to the reporting requirements under the EBA Technical Standards under ESMA Document 2012/853. In case of impaired or restructured exposures the Group applies EBA guidelines, EBA/GL/2018/06.

The Group considers as "forborne" exposures, where the Group grants debtor experiencing or about to face financial difficulties preferential financing conditions (i.e., on non-market conditions), which would not have been considered in a different situation. Preferential financing conditions are considered situations in which for example the yield of the modified facility is lower than the contractual yield prior to the restructuring and/or the yield on the modified loan is below a market yield for the relevant tenor and credit risk.

The extent to which the financing conditions are changed is determined individually for each debtor in question. In particular, these activities include:

- receipt of assets;
- granting a new or restructured facility in partial or full satisfaction of a facility;
- modification of the terms of the existing facility, including rescheduling of future payments (e.g., extension of financing tenor), change of interest rate or methods of repayment, reduction of amount to be repaid (principal or accrued interest).

The process of assigning "forborne" status for exposures is closely related to the credit risk management process,

including the impairment recognition process for exposures.

For institutional clients, similarly to retail exposures, the "forborne" status may refer to both the exposures: from the impaired portfolio as well as from the portfolio without any impairment. As "forborne" without impairment are recognized by the Group exposures, where restructuring activities were applied, but change of financing conditions has not implied any deterioration of future payment streams. In such cases the change into “forborne" status is not evidence of exposure’s impairment.

For Retail exposures, the Group assumes, that exposures will remain in” forborne” status until they are entirely paid off.

Exposures with modified conditions according to forbearance rules (forborne exposures) are subject to regulatory and internal reporting.
Exposure values from customers, with particular emphasis on exposures in the "forborne" status:

PLN ‘000	31.12.2024	31.12.2023
Receivables without recognized impairment	**21,271,590**	**19,970,559**
Receivables without recognized impairment (Stage 1), including	**18,569,574**	**17,683,703**
non-financial sector entities	13,459,215	13,505,522
Institutional customers	8,878,518	8,795,125
Individual customers	4,580,697	4,710,397
Receivables without recognized impairment (Stage 2), including:	**2,702,016**	**2,286,856**
non-financial sector entities	2,702,001	2,286,831
Institutional customers, including:	1,282,206	1,075,188
„forborne”	848,416	225,616
Individual customers, including:	1,419,795	1,211,643
„forborne”	132	46
Receivables with recognized impairment (Stage 3), including:	**622,047**	**793,882**
non-financial sector entities	622,047	793,882
Institutional customers, including:	280,708	379,303
„forborne”	(347,897)	82,347
Individual customers, including:	341,339	414,579
„forborne”	20,848	30,062
Purchased or originated credit-impaired receivables	**19,320**	**27,205**
non-financial sector entities	19,320	27,205
Institutional customers, including:	875	8,936
„forborne”	875	8,936
Individual customers, including:	18,445	18,269
„forborne”	12,549	12,666
Total gross amount, including:	**21,912,957**	**20,791,646**
non-financial sector entities	16,802,583	16,613,440
Institutional customers, including:	10,442,307	10,258,552
„forborne”	501,394	316,899
Individual customers, including:	6,360,276	6,354,888
„forborne”	33,529	42,774
Provision for expected credit losses	**(545,711)**	**(737,192)**
On „forborne” receivables	(63,755)	(61,930)
Total net amounts due from customers, including:	**21,367,246**	**20,054,454**
„forborne” receivables	471,168	297,743

LIQUIDITY RISK

The processes and organization of liquidity risk management

Liquidity risk is defined as the risk that the Group may not be able to meet its financial commitments to customers or counterparties when due.

The objective of liquidity risk management is to ensure that the Group can meet all commitments to customers when due and to secure the liquidity necessary to clear all money market transactions when due.

Liquidity risk management is based on:

- Applicable law, in particular on the Banking Law;
- Requirements of Polish regulatory institutions and especially resolutions of the Polish Financial Supervision Authority;
- Rules of prudent and stable risk management of the Group as well as general risk levels approved by the Supervisory Board of the Bank;

taking into account the best market practice.

The ultimate responsibility for ensuring that the Group operates under approved liquidity risk limits lies within the Management Board of the Bank, and ongoing market risk management is performed by the:

- Member of the Management Board responsible for Risk Management Sector;
- Assets and Liabilities Management Committee (ALCO);
- Head of the Market Risk unit;
- Persons delegated to risk management in the Group's entities.

Liquidity management

The objective of liquidity risk management is to ensure that the Bank and Group's entities have adequate access to liquidity in order to meet its financial obligations when due, including under extreme but probable stress conditions.

The Group analyses and manages liquidity risk in several time horizons while distinguishing current, short-, mid- and long-term liquidity, to which appropriate risk measurement methods and limits apply. The adopted measures and limits aim to limit the excessive concentration in terms of the balance sheet structure and sources of financing.

Long-term liquidity management is the responsibility of ALCO and as such it is reflected in the Group's strategy. It is based on the monitoring of balance sheet structural ratios and on long-term regulatory liquidity measures and includes the analysis of liquidity gaps, the ability to acquire in the future sufficient funding sources as well as funding costs in the light of the overall business profitability.

Mid-term liquidity management, in the one-year time horizon, is the responsibility of ALCO and is based on the established on annual bases Funding and Liquidity Plan which defines the size of internal limits taking into account the business plans for changes in assets and liabilities that are being prepared by business units of the Group as part of the financial plans for the next budget year.

Short-term liquidity management, in the three-month time horizon, is the responsibility of the Financial Markets and Corporate Banking Sector and is performed based on short-term regulatory liquidity measures as well as internal limits. In addition, the Group analyses liquidity under stress scenarios, assuming the lack of liquidity gaps in all tenors up to three months as a necessary condition.

Current liquidity management is the responsibility of the Financial Markets and Corporate Banking Sector and comprises the management of the balances on the Group's nostro accounts and especially the mandatory reserve account with NBP while applying available money market products and central bank facilitates.

Liquidity management with accordance to "Risk management principals" in Group entities is a part of the entities, management board responsibilities. ALCO is the supervisor of the Group's entities liquidity supervision.

In 2023 the Group has not implemented any changes significant in liquidity risk management processes, procedures, systems and policies.

Funding and Liquidity Plan

The Head of the Financial Markets and Corporate Banking Sector is responsible for preparing an annual Group's Funding and Liquidity Plan ("Plan") for the Group and obtaining the ALCO's approval for the Plan. The Plan addresses all funding or liquidity issues resulting from business plans, especially in the customer deposits and loans area, as defined in annual budgets of particular business entities, as well as any material changes in regulatory requirements and market dynamics.

Liquidity risk management tools

The Group measures and manages liquidity risk by applying both external regulatory measures and additional internal liquidity measures.

The supervisory liquidity measures

The LCR and NSFR regulatory liquidity measures were at a safe level and amounted to:

	31.12.2024	31.12.2023	Change
LCR	225%	191%	34p.p.

	31.12.2024	31.12.2023	Change
NSFR	209%	231%	-22p.p.

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

Internal liquidity risk management tools

In addition to the regulatory liquidity measures, the Bank's Group applies a range of liquidity risk management tools including:

- Analysis of liquidity gaps resulting from stress tests;
- Stress scenarios;
- Liquidity ratios;
- Market Triggers;
- Significant Funding Sources;
- Contingency Funding Plan.

Stress scenarios

Stress tests are intended to quantify the potential impact of an event on the Group's balance sheet and cumulative gap over a twelve-month period, and to ascertain what incremental funding may be required under any of the defined scenarios. The scenarios are proposed by the Bank's Financial Markets and Corporate Banking Sector and Market Risk and approved by ALCO.

The Group conducts the stress tests monthly. The scenarios assume material changes in the underlying funding parameters, i.e.:

- Concentration event;
- Highly Stressed Market Disruption ("S2") – serious disruptions of financial markets;
- Local market event.

Contingency Funding Plan

Financial Markets and Corporate Banking Sector is responsible for the preparation and annual update of the Contingency Funding Plan, which defines the Bank's action plan in case of a contingency, specifically in cases assumed in liquidity stress scenarios and described in the annual Funding and Liquidity Plan. The Contingency Funding Plan is approved by ALCO.

The Contingency Funding Plan defines:

- Circumstances / symptoms of contingency events;
- Responsibilities for executing the action plan;
- Sources of liquidity, and in particular the principles of maintenance of a liquid assets portfolio to be used in the case of a liquidity contingency;
- Rules for assets disposal and balance sheet restructuring;
- Procedures for restoring customer confidence.

The levels of the cumulative liquidity gap in stress conditions and the level of liquid assets as at 31 December 2024 and 31 December 2023.

The cumulative liquidity gap as at 31 December 2024 in real terms:

PLN'000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	33,623,315	357,977	5,468,641	-	34,030,614
Liabilities	10,605,653	5,458,492	2,873	-	57,413,529
Balance-sheet gap in the period	**23,017,662**	**(5,100,515)**	**5,465,768**	**-**	**(23,382,915)**
Conditional derivative transactions – inflows	39,521,673	19,483,837	22,995,643	38,830,563	16,891,761
Conditional derivative transactions – outflows	39,393,024	19,161,150	22,726,200	38,800,173	17,102,669

PLN'000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Off-balance-sheet gap in the period	**128,649**	**322,687**	**269,443**	**30,390**	**(210,908)**
Potential utilization of credit lines granted	857,032	571,354	(1,428,386)	-	-
Cumulative gap	**22,289,279**	**16,940,097**	**24,103,694**	**24,134,084**	**540,261**

The cumulative liquidity gap as at 31 December 2023 in real terms:

PLN'000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	40,433,270	2,702,444	821,791	-	29,513,126
Liabilities	10,668,501	5,483,299	47,030	-	57,271,801
Balance-sheet gap in the period	**29,764,769**	**(2,780,855)**	**774,761**	**-**	**(27,758,675)**
Conditional derivative transactions – inflows	37,963,542	17,887,414	20,613,688	25,339,909	19,199,180
Conditional derivative transactions – outflows	37,853,954	17,707,092	20,679,168	24,715,879	19,298,149
Off-balance-sheet gap in the period	**109,588**	**180,322**	**(65,480)**	**624,030**	**(98,969)**
Potential utilization of credit lines granted	479,020	319,346	(798,366)	-	-
Cumulative gap	**29,395,337**	**26,475,458**	**27,983,105**	**28,607,135**	**749,491**

Liquid assets and the cumulative liquidity gap up to 1 year:

PLN'000	31.12.2024	31.12.2023	Change
Liquid assets, including:	37,402,857	**30,621,030**	6,781,827
nostro account in NBP and stable part of cash	5,512,182	269,626	5,242,556
debt securities held-for-trading	1,801,904	791,112	1,010,791
debt financial assets measured at fair value through other comprehensive income	30,088,771	29,560,292	528,479
Cumulative liquidity gap up to 1 year	**24,103,694**	**27,983,105**	**(3,879,411)**
Coverage of the gap with liquid assets	**Positive gap**	**Positive gap**	-

Financial liabilities of the Group, by contractual maturity, are presented below. Presented amounts do not include the impact of the effective rate on the interest payable.

As at 31 December 2024

PLN'000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Amounts due to banks	**29**	**4,435,832**	**3,367,582**	**-**	**-**	**1,068,250**	**-**
Financial liabilities held-for-trading							
Short positions in financial assets	19	156,708	156,708	-	-	-	-
Amounts due to customers, including:	30	**53,985,048**	**47,644,928**	**4,312,590**	**2,026,078**	**1,452**	**-**
Deposits from financial sector entities	30	3,998,037	3,948,364	46,770	2,903	-	-
Deposits from non-financial sector entities	30	49,439,211	43,152,169	4,264,175	2,021,415	1,452	-
Other liabilities	30	547,800	544,395	1,645	1,760	-	-
Financial liabilities held-for-trading							
Derivative financial instruments (settled on a net basis)	19	2,816,672	45,236	23,071	182,725	1,584,532	981,108
Hedging derivatives		**72,737**	**-**	**-**	**-**	**40,183**	**32,554**
Unused credit lines liabilities	40	**16,261,305**	**12,495,483**	**526,122**	**358,380**	**1,654,508**	**1,226,812**

PLN'000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Guarantee lines	40	**4,057,549**	**4,057,549**	-	-	-	-
		81,785,851	**67,767,486**	**4,861,783**	**2,567,183**	**4,348,925**	**2,240,474**
Derivatives settled on a gross basis							
Inflows		117,463,044	39,295,616	21,051,859	18,528,429	38,293,800	293,340
Outflows		116,312,386	39,254,227	20,488,092	18,249,279	38,028,247	292,541
		1,150,658	**41,389**	**563,767**	**279,150**	**265,553**	**799**

As at 31 December 2023

PLN'000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Amounts due to banks	**29**	3,375,693	3,365,693	-	10,000	-	-
Financial liabilities held-for-trading		-	-	-	-	-	-
Short positions in financial assets	19	132,417	132,417	-	-	-	-
Amounts due to customers, including:	30	**54,188,849**	**48,361,831**	**3,505,375**	**2,318,684**	**2,959**	**-**
Deposits from financial sector entities	30	3,787,947	3,710,768	36,519	40,660	-	-
Deposits from non-financial sector entities	30	49,404,846	43,656,155	3,468,551	2,277,181	2,959	-
Other liabilities	30	996,056	994,908	305	843	-	-
Financial liabilities held-for-trading		-	-	-	-	-	-
Derivative financial instruments (settled on a net basis)	19	4,117,218	118,398	112,261	468,644	2,136,424	1,281,491
Hedging derivatives		**92,869**	**-**	**-**	**-**	**24,458**	**68,411**
Unused credit lines liabilities	40	**14,165,469**	**12,408,065**	**91,410**	**380,343**	**941,017**	**344,634**
Guarantee lines	40	**3,018,997**	**3,018,997**	**-**	**-**	**-**	**-**
		79,091,512	**67,405,401**	**3,709,046**	**3,177,671**	**3,104,858**	**1,694,536**
Derivatives settled on a gross basis		-	-	-	-	-	-
Inflows		105,388,871	43,716,553	13,302,571	18,214,288	29,896,828	258,631
Outflows		104,334,434	43,621,581	13,262,534	18,142,911	29,049,997	257,411
		1,054,437	**94,972**	**40,037**	**71,377**	**846,831**	**1,220**

MARKET RISK

Market risk is the risk of negative impact on the Group's earnings and equity resulting from changes in market interest rates, foreign exchange rates, equity and commodity prices, as well as all volatilities of these rates and prices.

The objective of market risk management is to ensure that the extent of risk accepted within the Group corresponds to the level acceptable to the shareholders and banking supervision authorities and to ensure that all exposures to market risk are properly reflected in the calculated risk measures, communicated to relevant persons and bodies responsible for the management of the Group. The adopted market risk measures and limits aim to prevent excessive concentration of exposure to a single risk factor or a group of related risk factors, as well as to determine the overall maximum level of risk taken in the trading or banking book. Market risk management in the Group is based on:

- Requirements of Polish regulatory institutions and especially resolutions of the Polish Financial Supervision Authority;
- Rules of prudent and stable risk management of the Bank as well as general risk levels approved by the Supervisory Board of the Bank;

taking into account best market practice.

The ultimate responsibility for ensuring that the Group operates under approved market risk exposure limits lies within the Management Board of the Bank, and ongoing market risk management is performed by the:

- Member of the Management Board responsible for Risk Management Sector;

- Assets and Liabilities Management Committee (ALCO);
- Head of the Market Risk unit;
- Heads of risk-taking business units;
- Persons delegated to risk management in Group entities.

Market risk management

Scope of risk

Market risk management applies to all portfolios generating income exposed to the negative impact of market factors including interest rates, foreign exchange rates, equity prices, commodity prices and the parameters of their volatility. Two types of portfolios have been defined for the purpose of market risk management: trading portfolios and bank portfolios.

The trading portfolios include transactions in financial instruments (balance-sheet and off-balance-sheet instruments) expected to generate income owing to a change in market parameters over a short period. The trading portfolios include balance-sheet items such as debt securities held-for-trading, i.e., debt securities acquired to be further traded and meeting pre-defined liquidity criteria, as well as all derivative instrument positions broken down into portfolios acquired purely for trading and transactions executed in order to provide an economic hedge of bank portfolio positions. The trading portfolios are valued directly at market prices or using market pricing-based valuation models. The trading portfolio operations are performed by the Bank's Financial Markets and Corporate Banking Sector in respect of interest rate risk portfolios and FX risk portfolios. The trading portfolio also includes options, manly foreign exchange options and interest rate and optional structures being a reflection of economic nature and risk resulting from products offered to customers of the Group. In this area, the Group concludes transactions in a way which ensures concurrent (at each time and immediate) conclusion of an opposite transaction with the same parameters and, in consequence, the option portfolio does not generate open exposition of market risk. The only item related to the conclusion of option transactions which is reflected in market risk measurement, and in particular in foreign exchange risk, is the premium paid/received in a foreign currency.

The bank portfolios include all other balance-sheet and off-balance-sheet positions not assigned to any of the trading portfolios. The transactions are executed to realize a profit over the entire contracted transaction period. The Group's and Corporate Banking Sector takes over the interest rate risk positions held in the bank portfolios of all other organizational units of the Group. The mechanism of transferring the interest rate risk positions is based on the transfer price system.

Measurement of the market risk of the non-trading portfolios

The Group typically uses the following methods for measuring the risk of the bank portfolios:

- Interest rate gap analysis;
- Interest Rate Exposure (IRE), based both on the gap and cashflow/income method over the relevant time horizon;
- Net interest income measures, economic value measures,
- Stress testing.

Interest rate gap analysis uses the schedule of maturities or revaluations of balance-sheet positions and of derivative instruments used in hedge accounting or qualified as economic hedge for the purpose of establishing the differences between positions whose maturity or interest rate revaluation fall within a given time range.

The general rule in the interest rate gap analysis is that of classifying transactions to respective bank portfolio position revaluation bands by the contracted or assumed transaction interest rate revaluation dates.

It is assumed that:

- transactions with a fixed interest rate (such as term deposits, interbank deposits, portfolio of debt securities available-for-sale with a fixed interest rate, granted loans both repaid in full at maturity and repaid in installments) are classified into appropriate revaluation bands in accordance with their maturity dates;
- transactions with a floating interest rate, updated at a regular frequency (primarily, loans granted with interest set based on a specific market/base rate such as, e.g., WIBOR 1M) are classified into appropriate revaluation bands in accordance with the nearest interest rate revaluation date;
- transactions with an administrated floating interest rate (i.e., any changes in the interest rate and its revaluation date are reserved to sole decision of the Group) or undefined maturity or interest rate revaluation date are classified into appropriate revaluation bands in accordance with historically observed or expert assessed shifts in the moment and scale of change in the interest rate of given positions in relation to change in the market interest rates (model of minimizing product margin variability). This group of transactions / balance-sheet positions includes among others: current accounts, card loans, overdraft facilities. Additionally, early loan repayments are taken into account based on analysis of actual repayments made by customers before the due date and product interest rate revaluation profiles are set on that basis. This pertains particularly to installment loans;

- transactions insensitive to changes of interest rates, including cash, fixed assets, equity, other assets/liabilities, are classified into the longest revaluation band;
- transactions executed directly by the Financial Markets and Corporate Banking Sector for the purpose of management of interest rate risk and liquidity risk (Financial Markets and Corporate Banking Sector own portfolio) are always classified into appropriate revaluation bands in accordance with the contracted dates.

The Interest Rate Exposure (IRE) method is used to estimate the potential impact of a specific parallel shift in the interest rate curves on interest income from the bank portfolio before tax which can be earned in a specific period of time. This is a prospective indicator, equivalent to Factor Sensitivity of trading portfolios. An assumption is made that under standard conditions interest rate shifts are identical for every currency and stand at 100 basis points upwards. IRE measures are calculated separately for positions in each currency in the time horizon of 10 years; however, for the purpose of current monitoring and limiting of interest rate risk positions in bank portfolios, the Group normally applies IRE measures with one-year and five-year time horizons.

Additionally, the Bank measures the interest rate risk using the income method (cashflow 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 base NIR and NIR in the interest rate shock scenario, i.e., +/- 100 basis points for all currencies together. Similar assumptions regarding the revaluation dates as described above for the gap method are made, with the difference that items not generating interest flows and the Bank's equity (excluding AFS portfolio) are excluded from the calculation

The table below presents the IRE measures for the Group as at 31 December 2024 and 31 December 2023, separately for measures based on the gap method and interest flows. The statement is presented separately for the main currencies, i.e., PLN, USD and EUR, which jointly account for over 90% of the Group's balance-sheet, and for all currencies in total for the interest flow method.

IRE – gap method

PLN'000	31.12.2024		31.12.2023	
	IRE 12M	IRE 5L	IRE 12M	IRE 5L
PLN	(44,959)	(152,338)	16,066	10,710
USD	(5,956)	(32,698)	30,248	54,031
EUR	3,445	48,704	(7,350)	(2,747)

IRE – cashflow method

PLN '000	31.12.2024		31.12.2023	
	IRE 12M		IRE 12M	
	+100 bp	-100 bp	+100 bp	-100 bp
Total for All currencies	**177,097**	**(177,583)**	**232,952**	**(235,707)**

Stress tests measure the potential impact of material changes in the level or directionality of interest rate curves on open interest positions in the bank portfolio.

The Group runs stress tests of predefined interest rate movement scenarios, which represent combinations of market factor movements defined as large moves and stress moves occurring both in Poland and abroad. Values of the assumed market factor movements are regularly assessed and are adjusted as appropriate to changes in the market conditions of the Group's operation. Stress tests also include changes in the value of capital as a result of movements in interest rates for individual currencies in scenarios compliant with the CRR requirements.

Activities relating to securities available-for-sale are the responsibility of the Assets and Liabilities Management Department within the Professional Markets Division. Three basic goals of activities in the portfolio of securities available-for-sale have been defined as follows:

- management of the liquidity;
- hedging against the risk transferred to the Financial Markets and Corporate Banking Sector from other organizational units of the Bank or the Group's entities;
- opening of own interest rate risk positions on the Group's books by the Financial Markets and Corporate Banking Sector.

In order to avoid excessive fluctuations in the Group's capital funds, caused by the revaluation of assets held-for-sale, the maximum limits of DV01 (Dollar Value of 1 basis point), which determines the potential change in the value of risk positions on a given interest rate curve at a specific nodal point (which brings together all the cash flows in a given time

horizon), caused by a shift in the market interest rate by 1 basis point upwards, are established for this kind of portfolio. The limits also concert the open positions in derivatives (i.e., interest rate swap transactions), carried out to hedge the fair value of the portfolio.

Hedge accounting program

In addition to the general rules limiting market risk, in particular, interest rate risk, the Group has defined rules for the application of fair value hedge accounting. The main risk, which is hedged under hedge accounting, is the risk of changes in interest rates resulting from holding portfolio of securities measured at fair value through other comprehensive income with fixed interest rates. At the end of each month, when the hedging relation happened, the Group shall evaluate the effectiveness of the hedging instrument used, by analyzing the changes in the fair value of the hedged and hedging instrument in respect of the risk being hedged.

The hedged item was part of a portfolio of securities measured at fair value through other comprehensive income at a fixed interest rate, denominated in PLN. In all cases, the hedging instrument was the interest rate swap (IRS), which converts the fixed interest rate on a variable. Gains and losses arising from revaluation at fair value of the hedging instrument and changes in the fair value of the hedged items are reflected - in part resulting from the hedged risk - in profit and loss item "Net income from hedge accounting".

The table below presents the risk measured with DV01 for the portfolio of securities available-for-sale, including the economic collateral, broken down by currency:

PLN '000	31.12.2024			Total in the period 01.01.2024 – 31.12.2024		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(3,578)	(6,958)	3 380	(2,423)	(1,140)	(3,852)
USD	(369)	(369)	-	(272)	-	(420)
EUR	(185)	(185)	-	(238)	(165)	(365)

PLN '000	31.12.2023			Total in the period 01.01.2023 – 31.12.203		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(1,917)	(3,257)	1,339	(1,801)	(1,023)	(2,768)
USD	(12)	(12)	-	(126)	(7)	(188)
EUR	(366)	(366)	-	(520)	(366)	(735)

The Group's activities involving investments in debt securities available-for-sale were also one of the main factors influencing changes in the level of the risk of mismatch in revaluation periods as expressed by the IRE measure.

Measurement of the market risk of the trading portfolios

The following methods are applicable in measurement of the risk of the trading portfolios:

- Factor Sensitivity;
- Value at Risk (VaR); and
- Stress testing.

Factor Sensitivity measures the change in the value of positions in an underlying instrument in the case of a specific change in a market risk factor (e.g., change of the interest rate by 1 basis point at a given point on the interest rate curve, change of the currency exchange rate or share price by 1%).

In the case of interest rates, the applicable sensitivity measure is DV01.

In the case of exchange rate (FX) risk, the Factor Sensitivity value is equal to the value of the FX position in a given currency.

In the case of positions held in equities, the Factor Sensitivity value is equal to the net value of the positions held in the respective instruments (shares, indices, participation units).

Value at Risk (VaR) is the integrated measure of the market risk of trading portfolios which combines the impact of positions in respective risk factors and accounts for the effect of correlation between the fluctuations of different factors. VaR is applied for the purpose of measuring the potential decrease in the value of a position or portfolio under normal market conditions, at a specific confidence level and within a specific time period. In the case of positions opened in the Group's trading portfolio, VaR is calculated at a 99% confidence level and a one-day holding period.

DV01 as well as VaR for the trading portfolio are calculated net of the economic hedge of the portfolio of securities

available-for-sale, i.e., net of derivative instruments intended to hedge the fair value of the portfolio. The exposures to the risk of such transactions are mitigated through the application of relevant risk measurement methods and by the bank portfolio risk limits.

Each day, the Group runs stress tests on the assumption that the risk factors change by more than expected in the Value at Risk scenario and ignoring the historical correlations of these factors.

The Group keeps records of exposures of the bank portfolios to market risk in over twenty currencies both for currency positions and exposures to interest rates risk. These exposures are significant only for a few currencies. For a large group of currencies, the exposures are the consequence of a gap between transactions executed on the customer's orders and closing transactions with other wholesale market counterparties. Significant exposures to market risk are opened for PLN, currencies of well-developed markets (predominantly USD and EUR with a lesser focus on GBP, CHF and JPY) and Central European currencies.

The values of significant exposures to the interest rate risk of the trading portfolios risk in terms of DV01 in 2024 are presented in the table below:

PLN'000	31.12.2024	31.12.2023	In the period 1.01.2024 – 31.12.2024		
			Average	Maximum	Minimum
PLN	653	(20)	(141)	730	(843)
EUR	(259)	195	(45)	508	(264)
USD	39	(23)	(26)	93	(143)

Average exposures to the interest rate risk in the local currency in 2024 was higher comparing to the average level from the previous year (PLN -204 thousand) and amounted to PLN -141 thousand. Average exposure to the interest rate risk in EUR was lower than in 2023 (average DV01 amounted to PLN -45 thousand, compared to PLN 199 thousand in the previous year). Average exposure in USD was lower than in 2023 (average DV01 amounted to PLN -26 thousand, compared to PLN -14 thousand in 2023). The maximum exposure in PLN of the biggest exposures accepted by the Treasury Division was PLN 730 thousand compared to PLN 496 thousand in 2023 and the position in EUR amounted to PLN 508 thousand compared to PLN 937 thousand in the previous year.

The Financial Markets and Corporate Banking Sector, which trades in financial instruments within the Group, continued the strategy of very active management of exposures to FX risk and interest rate risk by adjusting the volume and direction of such exposures depending on changing market conditions, which is reflected in the range of volatility of these exposures (the minimum and the maximum values in the table above).

The table below presents the levels of risk measured by VaR (net of economic hedges of the portfolio of securities available-for-sale) broken down by FX risk and interest rate risk position in 2024:

PLN'000	31.12.2024	31.12.2023	In the period 1.01.2024– 31.12.2024		
			Average	Maximum	Minimum
Currency risk	237	240	894	6,008	137
Interest rate risk	17,179	10,252	13,823	24,560	6,121
Spread risk	7,494	16,158	17,034	26,753	6,036
Total risk	**20,859**	**18,267**	**22,510**	**28,316**	**10,781**

The main risk factor was the interest rate risk, followed by the spread risk, where the credit spread risk determines the impact on the valuation of the instrument / portfolio resulting from changes in the market perception of the credit quality of certain instruments, such as "cross currency swap", "asset swap" or a portfolio of securities denominated in a foreign currency.
The overall average level of the market risk of the trading portfolios was 15% higher in 2024 than the average level in 2023, and amounted to PLN 22,510 thousand, mainly as a result of spread risk and interest rates volatility. The maximum level of price risk remained at a similar level (28,316 thousand PLN in 2024, and 29,703 thousand PLN in 2023).

Equity instruments risk

The Bank's Group is active in capital market instruments through the Brokerage Department of Bank Handlowy (DMBH). In accordance with its core scope of activity, DMBH is authorized to accept pricing risk of the trading portfolio of shares, or rights to shares, traded or likely to be traded on the Warsaw Stock Exchange ("WSE"), or BondSpot, WIG20 index futures and Indexed Participation Units, as well as shares of companies dual-listed on the WSE which are traded on international stock exchanges. The pricing risk of DMBH's portfolios of instruments is managed by means of volume limits applicable to specific types of financial instruments and concentration warning thresholds applicable to instruments of specific issuers. Moreover, DMBH uses warning thresholds of potential loss under stress scenarios and the cumulative realized loss on the trading portfolio.

The equity instruments measured at fair value through profit and loss, that are not actively traded by the Group, include for example shares of Visa Inc, (the valuation method of which is presented in note 38).

The Group's FX exposure

The table below presents the Group's FX exposure by main currencies:

31.12.2024

PLN'000	Balance-sheet transactions		Contingent derivative transactions*		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	9,200,104	10,540,123	42,021,904	40,675,770	6,115
USD	8,084,739	7,253,740	20,633,407	21,489,359	(24,953)
GBP	23,007	466,786	495,617	52,491	(653)
CHF	34,475	327,864	298,726	7,041	(1,704)
Other currencies	187,334	186,607	2,183,931	2,173,278	11,380
	17,529,659	**18,775,120**	**65,633,585**	**64,397,939**	**(9,815)**

** at present value which is the sum of discounted future cash flows*

31.12.2023

PLN'000	Balance-sheet transactions		Contingent derivative transactions*		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	16,386,115	9,607,146	33,629,060	40,362,787	45,242
USD	7,501,227	7,443,335	18,061,886	18,129,997	(10,219)
GBP	35,712	602,923	646,689	84,788	(5,310)
CHF	41,183	340,313	475,907	180,216	(3,439)
Other currencies	594,754	207,138	659,862	1,037,517	9,961
	24,558,991	**18,200,855**	**53,473,404**	**59,795,305**	**36,235**

** at present value which is the sum of discounted future cash flows*

OPERATIONAL RISK

Strategic goals and assumptions of the operational risk management system

The objective of operational risk management is to ensure a permanent and effective approach to the identification, measurement/assessment, mitigation, control, monitoring and reporting of these risks, as well as the effective reduction of the level of exposure to operational risk, and as a consequence, to reduce the number and scale of operational risk events (policy of low tolerance for operational risk losses).

Operational risk management is also aimed at the full integration of this risk management processes into business decision- making processes (i.e., business strategy is supported by an operational risk assessment, and the business is assessed on the basis of pre-determined indicators of control and operational risk).

While organizing operational risk management process, the Group takes into account business strategy, Group's risk profile, macroeconomic environment, available resources of capital and liquidity and regulatory requirements (in particular Recommendation M) that constitute a framework for the preparation of operational risk control and management system in the Group.

The Management Board and subsidiary Management Boards are responsible for the development, implementation and operation of proper operational risk management system through the introduction of appropriate internal regulations, ensures consistency between operational risk management system and Group's Strategy, as well as its proper functioning within the organization through an analysis of information that allow to assess whether the system is adequate for operational risk profile. If needed, operational risk management system is reinforced through implementation of crucial improvements.

Operational risk management system in the Group is built in a way that ensures risk management at every stage, i.e.: identification, assessment/measurement, mitigation, control, monitoring and reporting.

The implementation of the strategy by the Management Board shall be assessed by the Supervisory Board, assisted by Audit Committee and Risk and Capital Management Committee based on synthetic reports submitted by the Management Board with frequency correlated with the committees' meetings, determining the scale and types of operational risk that the Bank is exposed to, methods of operational risk management, probability of risk's occurrence,

assessment of potential negative impact of operational risk management methods, as well as results of operational risk profile and operational risk appetite monitoring. If necessary, after evaluation the Supervisory Board may request revision of the entire or partial internal control system.

Operational risk definition

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

The operational risk was considered significant for 2024. Additionally, the Compliance Risk, which is included in the Operational Risk for the purposes of the ICAAP process, has also been considered material risk.

Rules of operational risk identification

Each Group's Business Unit identifies all significant operational risks related to its processes. This includes identification by the Group's Management of significant risks associated with all processes, products, human factors, systems and compliance with applicable laws, regulatory administrative actions, the Group's internal regulations and the Group's strategy, also taking into consideration risk associated with dependence on other entities in the Group.

Group's organizational units and the Independent Control and Operational Risk Department use in the operational risk identification processes, regular analysis of information generated using the tools of operational risk management.

Operational Risk Profile

Operational Risk Profile – scale and structure of exposure to operational risk, defining the level of exposure to operational risk, expressed in selected structural measures (e.g., types of operational risk events, types of business lines, significant processes) and scale measures (e.g., assessed potential loss). The Group defines its operational risk profile based on operational loss data and based on information gathered through utilized operational risk management tools.

Measurement and assessment

In the process of risk estimation Group applies differentiated methods of risk measurement and assessment. Risk assessment is the determination of the probability of occurrence and scale of potential future operational losses. Group applies quantitative and quantitative methods for the purpose of risk assessment (e.g. appetite for risk, capital requirements, the target risk profile, key risk indicators, data loss and operational risk events, issues and corrective actions, the process of self-assessment, concentration risk areas and increasing the risk level, scenario analysis, stress tests, changes in processes and products, information from internal and external reviews and audits, information reported to the Commissions and Committees). Risk assessment analyses involve internal and external threats. Proper operational risk assessment enables adequate determination of risk profile and adequate risk management.

Assessed capital requirement for operational risk covers all risk categories included by the Group in operational risk definition.

Risk tolerance framework, risk control and mitigation

The Group sets tolerance levels for each operational risk category and business areas within a determined risk appetite. Excess of the established level of tolerance thresholds requires undertaking of corrective actions in line with the decision of the Risk and Capital Management Committee.

Risk and Capital Management Committee or Management Boards of subsidiaries can decide on the following treatment of the identified risks by:

- accepting (conscious avoidance of activities, aiming at mitigation of probability and results of an event, including ensuring of funds for covering of potential losses);
- mitigation (mainly by adequate definition of processes, products, systems, procedures and implementation of control mechanisms);
- transfer (movement of part or whole risk related to a particular threat to the external party, in particular by outsourcing of activity to an external services provider or by insurance);
- avoidance of activities, leading to risk exposure.

In key aspects, processes of risk identification, self-assessment, measurement, monitoring and reporting are unified and generally accepted in all organizational units of the Group. Risk mitigation processes are determined for each entity and may be different for individual units.

Control is a process designed to mitigate cause(s), reduce the probability of an event occurring and/or minimize the severity of an effect. Risk mitigation measures include also risk transfer mechanisms (outsourcing, insurance). Risk mitigation measures include internal controls as well as risk transfer mechanisms, i.e., transfer of part or whole risk related to a given threat to an external entity, in particular by outsourcing or insurance. The Group regularly assesses and monitors the proper functioning of risk transfer mechanisms.

Monitoring and reporting

The Risk and Capital Management Committee, Operational Risk, Control and Compliance Committee, New Products Committee and commissions supporting the Committees are accountable for ongoing monitoring of operational risk. Quality and effectiveness of operational risk management processes (including the self-assessment process) in the respective organizational units of the Capital Group are subject to inspections and assessment carried out by the internal audit.

Within the consolidated oversight operational risk data of Group and subsidiaries is presented to Commissions and Committees, supporting the Management and Supervisory Board in the operational risk management process.

The Supervisory Board supervises and assesses the adequacy and effectiveness of operational risk management. The Supervisory Board is supported by Committees of Supervisory Board - Audit Committee, Risk and Capital Committee and Remuneration and Nomination Committee.

Based on synthetic operational risk reports, presented periodically by the Management Board at least twice a year, prepared based on data resulting from operational risk monitoring, covering scale and types of operational risk the Group is exposed at, probability of its occurrence, dimension of its possible negative impact, operational risk management principles and the operational risk profile, and risk concentration areas, Supervisory Board, supported by the Audit Committee and Risk and Capital Committee, monitors the effectiveness of internal control and risk management and the Supervisory Board shall review the implementation by the Management of the risk management strategy (including operational risk management).

Assumptions of internal control of operational risk

Internal control system and risk management system, functioning in the Group, are organized at three, independent levels.

Within the Management Board, one of its members – Risk Management Sector Head - supervises Independent Control and Operational Risk Department and is responsible for providing the Management Board and the Supervisory Board with complex information on the risk.

The Management Board is supported by Risk and Capital Management Committee, Operational Risk, Control and Compliance Committee, New Products Committee, GCB and ICG Investment and Insurance Commission and Ethics and Disciplinary Commission.

Each Business Unit must establish an appropriate system of controls that are commensurate with the level of risk (incl. operational risk), including proper documentation of the control procedures and appropriate staff training. Each Business Unit must evaluate the risks that are unacceptable or outside of the Business Unit's risk appetite/tolerance and determine the appropriate actions for their mitigation or transfer.

Settings of control standards, coordination of the management, as well as monitoring of operational risk for key risk categories are supported by specialized organizational units.

Independent Control and Operational Risk Department - ICOR (internal control system second line of defense) is responsible for operational risk management supervision within the Bank, in particular for setting and enforcing standards and tools of the operational risk management, self-assessment process, management of the operational risk indicators monitoring process, monitors, prevents and reports operational losses, performs corrective action plans' monitoring. Additionally, the Department is responsible for maintaining operational risk management-supporting systems, calculation of regulatory and assessment of economic capital requirement for operational risk, management and regulatory reporting with regard to operational risk, operational risk market disclosures, recommending changes in the processes and operations of the Bank to adjust control functions to the acceptable risk exposure level. The Department conducts also reviews within the organizational units of the Bank regarding the increased operational risk areas, and recommends changes in the procedures, processes and banking operations in order to mitigate the operational risk level. In the scope of internal control system Independent Control and Operational Risk Department is responsible for Control Function Matrix coordination and vertical monitoring

The Audit Department (IA-Internal Audit) is responsible for independent assessment of the effectiveness of operational risk management processes and assessment of adequacy and effectiveness of operational risk management system, as well as for its regular reviews. Results of internal and external audits are considered in the management information system, the process of decision making with regard to risk management and management of the Group.

Climate and Environmental Risk

Climate and Environmental risk (C&E) is a type of ESG risks (environmental, social and governance risk). Climate and environmental risk should be understood as the risk of negative financial effects resulting from climate change and environmental degradation on clients, counterparties or the Bank's assets. There are two main risk drivers:

- Physical risk - consequences of a changing climate, including the increased occurrence of extreme weather events and gradual shifts caused by climate change, as well as environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation.
- Transition risk - losses stemming from the process of adjustment towards a lower-carbon and more environmentally sustainable economy.

C&E risk is recognized as a cross-cutting risk that may manifest through or amplify primary risk categories (i.e. Credit risk, Market risk, Strategic risk, etc.). As part of the risk identification and assessment process in 2024, in the short term (1-3 years), materiality of C&E risk was determined for three types of primary risk categories - Strategic risk, Credit risk and Compliance risk.

The main objective of climate and environmental risk management is to effectively integrate these risk factors into existing risk management processes, all to ensure the effectiveness of the Group's risk profile in the short, medium and long term. Due to the cross-cutting nature of ESG risks and the dynamic development of regulatory expectations and good practices, the Group has developed a dedicated ESG Risk Management Framework in the Capital Group of Bank Handlowy w Warszawie S.A. ("ESG Risk Management Framework"), which is one of the elements of the Group's risk strategy. This document:

- describes the key elements of the organizational structure and processes used by the Group to identify, measure, monitor, control and report ESG risk;
- clarifies the roles and responsibilities in relation to ESG risk management of the Group's Management Board, as well as employees across the three Lines of Defense.

ESG risk management practices are successively developed as part of policies and procedures for managing individual risk categories. A detailed description of the Group's ESG Risk Management Framework can be found in the Sustainable Development Statement of Bank Handlowy w Warszawie S.A. and the Capital Group of Bank Handlowy w Warszawie S.A. for the year 2024.

In the risk assessment process, the Group uses a combination of methods of measuring or estimating risk, tailored to the risk category, including:

- determining KRI indicators as part of the risk appetite covering priority portfolios, as well as risk types with a material impact of ESG factors,
- monitoring credit exposure to transactions with increased environmental and social risk,
- using an industry climate heatmap at the portfolio and client level to identify and measure these risks,
- conducting stress tests for credit exposures (sensitivity analysis) and compliance risk (heuristic analysis).

Monitoring the correctness and ensuring the effectiveness of ESG risk management and ensuring appropriate consideration of ESG risk in the Group's risk profile and risk appetite are the tasks of the Risk and Capital Management Committee of the Group's Management Board. A package of ESG risk analysis reports is prepared periodically and submitted to the Group's Management Board, including the Risk and Capital Management Committee, and the Supervisory Board, including the Risk and Capital Committee.

Climate and Environmental risk did not have a material direct impact on individual areas of estimates made as at 31 December 2024, including the determination of the expected credit loss recognized in these financial statements, nor on the Group's continuity of business in the period of 12 months before the date of approval of this statement.

EQUITY MANAGEMENT

According to the Banking Act, banks in Poland are obliged to maintain equity at a level adequate for their specific business risks. The capital level presented below is considered sufficient for conducting business activity. The capital level is regularly monitored by using the capital adequacy ratio.

The Bank determines a policy of future dividend payment to the shareholders as part of the capital management process. The dividend policy depends on a number of factors including the Bank's profits, the Bank's expectations concerning future financial results, the level of capital requirements, as well as regulatory and legal issues.

Capital adequacy

In 2024, the Group complied with the applicable prudential capital adequacy standards. The capital ratio is determined in accordance with the applicable legal regulation in this respect.

Financial data necessary to calculate the Group's capital adequacy ratio is presented in the table below:

PLN'000	31.12.2024	31.12.2023*
I Own Funds	**7,124,915**	**7,086,384**
Common Equity Tier 1 Capital	7,124,915	7,086,384
II Total capital requirements, including:	**2,687,736**	**2,401,607**
credit risk capital requirements	1,751,377	1,624,282
counterparty risk capital requirements	101,817	102,614
credit valuation correction capital requirements	8,688	5,533
	-	-
total market risk capital requirements	113,887	105,048
operational risk capital requirements	711,967	564,130
Common Equity Tier 1 Capital ratio (%)	**21.2%**	**23.61%**
Total Capital ratio (%)	**21.2%**	**23.61%**

Comparative data have been recalculated with a consideration of retrospective acceptance of profit for the year 2023 (the result has been certified by the General Meeting of Shareholders).

On 16 December 2024 PFSA informed Bank that in the supervisory assessment process Bank's sensitivity to the possible materialization of stress scenarios affecting the level of own funds and risk exposure was assessed as low. Having regard to the above, the PFSA did not impose on Bank an additional capital add-on (P2G) for absorption of potential losses resulting from the occurrence of stress conditions.

The Group's capital ratios remain above the minimum requirements under the CRR, the Act on Macroprudential Supervision and the recommendation of the supervisory authority.

The Bank is a resolution entity that is part of a global systemically important institution in accordance with the definition contained in CRR and according to Art. 92a CRR must satisfy the following requirements for own funds and eligible liabilities:

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 (TLAC 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 (TLAC TEM).

In accordance with the CRR regulations, the amount of the required TLAC TREA plus the combined buffer requirement for the Bank as of 31 December 2024 is 20,81 %, while TLAC TREA of the Bank on a consolidated level was 24,38%.

The Bank meets the TLAC TREA requirement after increasing the combined buffer requirement as of 31 December 2024.

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

01 January 2025 came into force the main changes resulting from Regulation CRR3 (i.e. Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor) which has impact on Group capital adequacy.

These changes of law are intended to make standard methods of calculating requirements more sensitive and to increase the comparability of capital requirements between institutions using different calculation methods (including by using the output floor for credit risk in advanced methods or implement one common method for operational risk). The CRR3 regulations are being implemented in stages, with the largest scope of changes coming into force on 1 January 2025. In some situations, a transitional period has been established for the implementation of the target principles.

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

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

The banking sector is still waiting for the finalization of legislative changes, including the adoption of regulatory technical

standards for selected articles of the CRR regulation and the adoption of guidelines which may have a potential impact on the selected rules interpretation.

4. Segment reporting

A segment is a separable component of the Group engaged in business activities, generating income and expenses (including intergroup transactions), whose operating results are regularly reviewed by the Management Board of the parent entity as the chief operating decision-maker of the Group in order to allocate resources and assess its performance.

The Group is managed at the level of two main business segments – the Institutional Bank and Consumer Bank. The valuation of a segment's assets and liabilities as well as calculation of financial results comply with the Group's accounting policies applied in the preparation of the financial statements, including intergroup transactions between segments.

The allocation of the Group's assets, liabilities, revenues and expenses to segments was made on the basis of internal information prepared for management purposes. Transfer of funds between the Group's segments is based on market prices. Transfer prices are calculated using the same rules for both segments and any difference results only from maturity and the currency structure of assets and liabilities. The basis for assessment of segment performance is gross profit or loss.

The Group conducts its operations solely within the territory of Poland.

Institutional Bank

Within the Institutional Bank segment, the Group offers products and renders services to business entities, local government units and the public sector. Apart from traditional banking services, including credit and deposit activities, the segment provides services in the area of cash management, trade financing, leases, brokerage, custody services in respect of securities and offers treasury products on financial and commodity markets. In addition, the segment offers investment banking services on local and international capital markets, including advisory services, obtaining and underwriting financing via public and non-public issues of financial instruments. The activities of the segment also include proprietary transactions in the equity, debt and derivative instruments markets.

Consumer Bank

Within the Consumer Bank segment, the Group provides products and financial services to individuals as well as to micro-enterprises and individual entrepreneurs within the framework of CitiBusiness offer. Apart from keeping bank accounts and providing credit and deposit offers, the Group offers cash loans, mortgage loans, credit cards, provides asset management services, and acts as an agent in the sale of investment and insurance products.

Income statement of the Group by business segment

For the period	2024			2023		
PLN'000	Institutional Bank	Consumer Bank	Total	Institutional Bank	Consumer Bank	Total
Net interest income	2,109,654	1,107,313	3,216,967	2,193,183	1,085,535	3,278,718
Internal interest income, including:	(680,780)	680,780	-	(583,676)	583,676	-
Internal income	-	680,780	680,780	-	583,676	583,676
Internal expenses	(680,780)	-	(680,780)	(583,676)	-	(583,676)
Net fee and commission income	426,773	144,587	571,360	400,403	161,096	561,499
Dividend income	2,786	8,722	11,508	3,111	8,299	11,410
Net income on financial instruments and revaluation	564,252	33,625	597,877	760,613	36,141	796,754
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	50,652	-	50,652	(147,758)	-	(147,758)
Net gain/(loss) on equity and other instruments measured at fair value through income statement	19,807	11,710	31,517	8,442	26,909	35,351
Net gain/(loss) on hedge accounting	8,874	-	8,874	(10,067)	-	(10,067)
Net other operating income	9,318	(44,568)	(35,250)	11,436	(28,788)	(17,352)
General administrative expenses	(669,033)	(759,009)	(1,428,042)	(647,096)	(681,417)	(1,328,513)
Depreciation and amortization	(29,025)	(90,313)	(119,338)	(24,989)	(86,046)	(111,035)

For the period	2024			2023		
PLN'000	Institutional Bank	Consumer Bank	Total	Institutional Bank	Consumer Bank	Total
Net impairment allowances on non-financial assets	-	(432,512)	(432,512)	-	-	-
Profit on sale of other assets	885	(300)	585	(37)	(86)	(123)
Net impairment loss on financial assets and provisions for off-balance-sheet commitments	(18,898)	35,455	16,557	36,580	(54,586)	(18,006)
Operating income	**2,476,045**	**14,710**	**2,490,755**	**2,583,821**	**467,057**	**3,050,878**
Tax on some financial institutions	(120,761)	(54,489)	(175,250)	(133,157)	(57,098)	(190,255)
Profit before tax	**2,355,284**	**(39,779)**	**2,315,505**	**2,450,664**	**409,959**	**2,860,623**
Income tax expense			(555,048)			(604,275)
Net profit			**1,760,457**			**2,256,348**

As at	31.12.2024			31.12.2023		
PLN'000	Institutional Bank	Consumer Bank	Total	Institutional Bank	Consumer Bank	Total
Total assets	**65,975,771**	**6,502,332**	**72,478,103**	**65,763,410**	**6,809,924**	**72,573,334**
Total liabilities and shareholder equity, including:	**49,237,874**	**23,240,229**	**72,478,103**	**50,141,669**	**22,431,665**	**72,573,334**
Liabilities	40,912,716	21,696,856	62,609,572	42,076,536	20,767,307	62,843,843

5. Net interest income

Accounting policy:

For all financial instruments, interest income and interest expense are recognized through the profit or loss account using the effective interest rate method.

The effective interest rate method calculates the amortized cost of a financial asset or a financial liability and allocates interest income or interest expense to appropriate periods. The effective interest rate is a rate that discounts the estimated futures inflows or payments in the expected period until the maturity of the financial instrument to the gross carrying value of a financial asset or the amortized cost for a financial liability. When calculating the effective interest rate, the Bank takes into account all the terms and conditions of a financial instrument agreement (e.g., prepayments, call options, etc.), but excludes potential future losses in connection with non-recoverable loans. The calculation covers all the commissions payable to and receivable from the parties to the agreement, integral components of the effective interest rate, transactional costs and any other premiums and discounts. As a result, commissions that are an integral part of the effective interest rate less direct costs of obtaining the financial instrument are recognized as components of interest income.

The effective interest rate applies for the gross carrying amount of financial asset, except for impaired financial assets.

In the case of financial assets for which impairment losses were recognized, interest income is measured using the interest rate that was used to discount the future cash flows to estimate such impairment losses and are calculated on the amount of exposure reduced by expected credit losses.

Financial information:

PLN'000	For the period	2024	2023
Interest income from:		**4,141,650**	**4,297,083**
Financial assets measured at amortized cost		**2,287,938**	**2,549,354**
Balances with Central Bank and current accounts with other banks		230,143	229,518
Amounts due from banks		481,359	535,215
Amounts due from customers, in respect of:		1,576,436	1,784,621
financial sector entities		304,012	284,639
non-financial sector entities, including:		1,272,424	1,499,982
credit cards		289,994	348,259
Financial assets measured at fair value through comprehensive income		**1,853,712**	**1,747,729**
Debt investment financial assets measured at fair value through comprehensive income		1,853,712	1,747,729

PLN'000	For the period	2024	2023
Similar income from:		**278,312**	**102,517**
Debt securities held-for-trading		87,101	57,219
Liabilities with negative interest rate		83	249
Derivatives in hedge accounting		191,128	45,049
		4,419,962	**4,399,600**
Interest expense and similar charges for:			
Financial liabilities measured at amortized cost		**(1,066,253)**	**(1,095,808)**
Balances with the Central Bank		(4)	(5)
Amounts due to banks		(106,311)	(134,655)
Amounts due to customers		(950,481)	(957,123)
Amounts due to financial sector entities		(145,245)	(159,289)
Amounts due to non-financial sector entities		(805,236)	(797,834)
Loans and advances acquired		(5,131)	-
Lease liabilities		(4,326)	(4,025)
Derivatives in hedge accounting		**(136,742)**	**(25,074)**
		(1,202,995)	**(1,120,882)**
Net interest income		**3,216,967**	**3,278,718**

The impact on value of financial assets, whose cash flows resulting from the contract were modified however were not discontinued recognition, as at 31 December 2024 amounted to PLN (3,454) thousand and net modification gain in 2024 amounted to PLN (4,015) thousand (PLN (286) thousand and PLN (1,224) thousand as at 31 December 2023, respectively).

6. Net fee and commission income

Accounting policy:

Commission and fee income is generated when the Bank renders financial services to its customers. The Bank classifies its commission into the following categories:

- commissions that are an integral part of the effective interest rate,
- commissions for brokerage activities, including commissions for the execution of orders to buy or sell financial instruments, offering financial instruments, maintaining cash accounts, holding and registering cash instruments and acting as market makers,
- commissions for services rendered,
- commissions for executing significant transactions.

Commissions that are an integral part of the effective interest rate are recognized in the income statement adjusted by the calculation of the effective interest rate and are shown in interest income.

In the case of loans and borrowings with undetermined installment payment dates, e.g., overdrafts or credit cards, commissions and fees are recognized using the straight-line method until the expiry date of a credit limit. Such commissions and fees are recognized as commission income.

For other commissions, the Bank performs the principles of IFRS 15. In particular if the Group transfers control of service over time and, therefore, satisfies a performance obligation and the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs, then fees are recognized over time in proportion to the completion of the service in fee income, In other cases, the fees are recognized at a point in time when services have been completed and are presented in fee income. There are no situations of withholding services which would affect the manner of revenue recognition described above in connection with meeting the obligation to provide services. The majority of commission income is settled on a one-off basis, except situation where the commission is charged in advance for a period of service exceeding one month. Such situation arises in respect of guarantees or loans for which no repayment schedule is agreed. In the area of commission income, the remuneration received is in principle non-refundable.

The Group considers the terms of the contract to determine the transaction price. The transaction price is the amount of consideration (fixed, variable or both) to which Bank expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.

The Bank renders intermediary services for insurance products. Income for the distribution of insurance products not directly relating to the occurrence of financial assets is recognized in the income statement when the service has been provided or renewal of the insurance policy has taken place, except for the part of remuneration for services provided after the sale, which is amortized over the life of the facility using the straight-line method.

In the case of products directly attributable to financial assets, where income is received up front for a period longer than one month, to establish the way of showing income on distributing this insurance, a model of relative fair value is used

as a result of which income from the sale of an insurance product is divided into the following components:

- income on account of services provided as an insurance agent, and
- income recognized in the Income Statement as an effective interest rate component, adjusted by the estimated amounts of potential future returns in case of early termination of insurance products based on the share of the fair value of each of these parts in the total of their fair values.

The income described above takes into account the estimation of future returns on customers renouncing their insurance in given conditions.

Costs directly attributable to the acquisition of a cash loan are amortized over the life of the product as an effective interest rate component and are part of the interest income.

If the Bank incurs costs directly associated with the sale of an insurance product, such costs are accounted for in accordance with the principle of matching revenues and expenses. Costs not directly associated with the sale of insurance products are recognized when incurred.

Financial information:

PLN'000	For the period	2024		2023	
		Institutional Banking	Consumer Banking	Institutional Banking	Consumer Banking
Fee and commission income					
Credit activities (other than income covered by the calculation of the effective interest rate process)		41,384	4,863	43,154	8,781
Servicing bank accounts		85,356	25,364	88,841	26,469
Insurance and investment products distribution		-	47,110	-	43,458
Payment and credit cards		12,726	103,666	13,853	112,955
Payment services		112,875	4	110,815	4
Custody services		127,327	123	116,181	414
Brokerage operations		56,741	-	43,240	-
Clients' cash on account management services		23,961	11	20,953	-
Financial liabilities granted		34,919	-	29,413	-
Other		3,809	6,209	2,817	6,955
		499,098	**187,350**	**469,267**	**199,036**
Fee and commission expense					
Payment and credit cards		(1,326)	(39,368)	(1,579)	(34,052)
Brokerage operations		(16,365)	-	(14,330)	-
Fees paid to the National Depository for Securities (KDPW)		(34,148)	(12)	(32,157)	(12)
Broker's fees		(3,896)	-	(4,694)	-
Other		(16,591)	(3,382)	(16,104)	(3,876)
		(72,326)	**(42,762)**	**(68,864)**	**(37,940)**
Fee and commission income		**426,772**	**144,588**	**400,403**	**161,096**

7. Dividend income

Accounting policy:

Dividends resulting from equity investments are recognized in profit and loss when the entity's right to receive payment is established. There is a possibility that the entity will obtain economic benefits connected with the dividend and the dividend will be set credibly.

Financial information:

PLN'000	For the period	2024	2023
Equity and other instruments at fair value through the income statement		10,598	9,922
Securities held-for-trading		910	1,488

Total dividend income	**11,508**	**11,410**

8. Net income on trading financial instruments and revaluation

***Accounting policy*:**

This item covers net income on trading financial instruments measured in fair value through profit or loss (as described in note 2.1 Financial assets and liabilities – classification and measurement) and net income on revaluation.

***Financial information*:**

PLN'000	For the period	2024	2023
Net income on financial instruments measured at fair value through profit and loss from:			
Debt instruments		(9,363)	(153,920)
Equity instruments		(3,646)	9,782
Derivative instruments, including:		111,112	(33,067)
Interest rate derivatives		102,894	(30,053)
Equity		8,154	(3,071)
Commodities		64	57
		98,103	**(177,205)**
Net income on FX operations			
Operations on FX derivative instruments		554,780	881,813
FX gains and losses (revaluation)		(55,006)	92,146
		499,774	**973,959**
Net income on trading financial instruments and revaluation		**597,877**	**796,754**

The net income on trading financial instruments and revaluation for 2024 contains movement in (net) adjustment of the valuation of derivatives reflecting the counterparty credit risk and own credit risk in the amount of PLN (1,859) thousand (in 2023: PLN (5,455) thousand).

Net income from debt instruments includes the net results on trading in government securities, corporate debt securities, EBI (European Investment Bank) securities and money market instruments held-for-trading.

Net income from equity instruments includes net income from shares in other entities.

Income from derivative instruments includes net income due to transactions in interest rate swaps, options, futures and other derivatives.

Net profit on foreign exchange includes profit and losses on valuation of assets and liabilities denominated in foreign currency and foreign currency derivatives such as forward, CIRS and option contracts and also contains a margin realized on spot and forward currency transactions.

9. Net gain/(loss) on hedge accounting

Accounting policy:

Detailed information on hedge accounting applied by the Bank, including the accounting policy, are presented in note 37.

Financial information:

PLN'000	For the period	2024	2023
Fair value hedge accounting			
Net gain on hedged transaction valuation		(145,533)	80,361
Net gain on hedging transaction valuation		154,407	(90,428)
Hedge accounting income		**8,874**	**(10,067)**

10. Net other operating income and expense

***Financial information*:**

Other operating income and expenses comprise income and expenses that are not directly related to banking activities. They include the proceeds from and costs of selling or disposing of tangible fixed assets and assets held for disposal, income related to services for related parties, compensation, penalties and fines.

PLN'000	For the period	2024	2023
Other operating income			
Income from provision of services for related parties outside the Group		8,832	10,913
Income from office rental		3,147	6,714
Other		12,212	8,318
		24,191	**25,945**
Other operating expenses			
Amicable procedure and vindication expenses		(3,929)	(7,614)
Net provision for litigation		(21,503)	(18,502)
Other**		(34,009)	(17,181)
		(59,441)	**(43,297)**
Net other operating income and expense		**(35,250)**	**(17,352)**

**The item includes the (net) costs of provisions for litigation proceedings including those related to TSUE judgements*
***The item "Other" includes i.a. operating losses and donation costs*

11. General administrative expenses

***Accounting policy*:**

General administrative expenses are recognized in the period they apply to.

***Financial information*:**

PLN'000	For the period	2024	2023
Staff expenses			
Remuneration costs, including:		(549,900)	(511,361)
Provisions for retirement allowances		(41,539)	(38,700)
Bonuses and rewards		(95,730)	(102,218)
Social insurance costs		(91,751)	(83,916)
		(737,381)	**(697,495)**
Administrative expenses			
Telecommunication fees and hardware purchases		(244,292)	(224,344)
Costs of external services, including advisory, audit, consulting services		(80,001)	(55,512)
Building maintenance and rent costs		(72,759)	(83,827)
Advertising and marketing costs		(52,138)	(42,084)
Cash management service, KIR service and other transactional costs		(37,383)	(36,544)
Costs of external services related to the distribution of banking products		(53,926)	(49,585)
Postal services, office supplies and printmaking costs		(5,197)	(6,557)
Banking and capital supervision costs		(9,895)	(7,663)
Costs paid to Bank Guarantee Fund		(89,850)	(73,791)
Other expenses		(45,220)	(51,111)
		(690,661)	**(631,018)**
Total general administrative expenses		**(1,428,042)**	**(1,328,513)**

In the building maintenance and rent cost position, there are lease payments for short-term leases and low-value assets, variable lease payments, non-lease components and maintenance costs related to real estate owned or leased by the

Group.

Staff expenses include the following employee benefits for current and former members of the Management Board – the Group's parent company:

PLN'000	For the period	2024	2023
Short-term employee benefits		16,887	16,853
Long-term employee benefits		227	136
Capital assets		9,964	14,263
		27,078	**31,252**

12. Depreciation expense

Accounting policy:

Depreciation expenses is recognized on a straight-line basis according to depreciation rates described in note 23 for tangible fixed assets and note 24 for intangible assets.

Financial information:

PLN'000	For the period	2024	2023
Depreciation of property and equipment		(50,270)	(45,834)
Amortization of intangible assets		(69,068)	(65,201)
Depreciation expense, total		**(119,338)**	**(111,035)**

13. Provisions for expected credit losses on financial assets and provisions for contingent liabilities

Accounting policy:

Provisions for expected credit losses and provisions for contingent commitments are presented in this position. Impairment policy is described in detail in note 3 in Credit risk part.

Financial information:

PLN'000	For the period	2024	2023
Provision for expected credit losses on amounts due from banks			
Provision creation		(2,162)	(4,686)
Provision release		2,524	5,044
		362	**358**
Provision for expected credit losses on amounts due from customers			
Provision creation and reversals		2,898	(41,045)
Provision creation		(212,010)	(253,044)
Provision release		227,447	224,547
Other		(12,539)	(12,548)
Recoveries from debt sold		11,998	11,122
		14,896	**(29,923)**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income			
Provision creation		(6,847)	(3,793)
Provision release		6,458	5,981
		(389)	**2,188**
Provision for expected credit losses on financial assets		**14,869**	**(27,377)**
Created provisions for granted financial and guarantee commitments		(31,546)	(36,126)
Release of provisions for granted financial and guarantee commitments		33,234	45,497

PLN'000	For the period	2024	2023
Provision for expected credit losses for contingent liabilities		1,688	9,371
Provision for expected credit losses on financial assets and provisions for contingent liabilities		**16,557**	**(18,006)**

14. Income tax expense

***Accounting policy*:**

Income tax consists of current tax and deferred tax. Income tax is recognized in the income statement, except for taxes related to amounts that are allocated to other comprehensive income.

***Financial information*:**

Recognized in the income statement

PLN'000	For the period	2024	2023
Current tax			
Current year CIT		(485,100)	(591,992)
Adjustments for prior years		9,502	(2,844)
		(475,598)	**(594,836)**
Deferred tax			
Origination and reversal of temporary differences		(79,450)	(9,439)
		(79,450)	**(9,439)**
Total income tax expense in income statement		**(555,048)**	**(604,275)**

Reconciliation of effective tax rate

PLN'000	For the period	2024	2023
Profit before tax		2,315,505	2,860,623
Income tax at the domestic corporate tax rate of 19%		(439,946)	(543,518)
Impairment provision not constituting deductible expenses		(4,171)	(3,789)
Deductible income not recognized in the income statement		(4,599)	(5,411)
Non-taxable income		2,123	2,110
Tax on some financial institutions		(33,297)	(36,149)
Bank Guarantee Fund		(17,072)	(14,020)
Other permanent differences, including other non-deductible expenses		(58,086)	(3,498)
Total tax expenses		**(555,048)**	**(604,275)**
Effective tax rate		**21.12%**	**22,51%**

Deferred tax recognized directly in equity

Deferred tax recognized directly in equity as at 31 December 2024 is related to financial assets measured at fair value through other comprehensive income and valuation of defined benefit plan and amounted to PLN 20,617 thousand (31 December 2023: PLN (26,575) thousand).

15. Earnings per share

***Accounting policy*:**

Basic earnings per share for each reporting period shall be computed by dividing the net profit from continuing operations for the reporting period by the weighted average number of shares outstanding in the given reporting period. Diluted earnings per share for each reporting period shall be calculated by dividing the net profit from continuing operations for the reporting period by the total of weighted average number of shares outstanding in the given reporting period and all shares.

Financial information:

In 2024 due to implementation of the incentive programs referred to in the Note 34, the Bank purchased a total of 335,901 treasury shares at the same time issuing a total of 116,994 treasury shares free of charge to eligible employees of the Bank. Based on information regarding the purchase and issuance of treasury shares in the 12-month period ended 31 December 2024, the weighted average number of shares was calculated at the level 130,581,136.

PLN'000	31.12.2024	31.12.2023
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	130,581,136	130,659,600
Net profit for the reporting period	1,760,457	2,256,348
Net earnings per share	**13.48**	**17.27**

The Bank does not have any ordinary shares that may have a dilution impact or any other dilutive instruments.

16. Changes in other comprehensive income

Deferred income tax and reclassification included in other comprehensive income concern the valuation of financial assets measured at fair value recognized in the revaluation reserve and valuation of the defined benefit program recognized in other reserves.

PLN'000	Gross amount	Deferred income tax	Net amount
As at 1 January 2024	**139,871**	**(26,575)**	**113,296**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	(187,958)	35,712	(152,246)
(Profit) or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	(50,652)	9,624	(41,028)
Total comprehensive income connected with financial assets measured at fair value through other comprehensive income	**(98,739)**	**18,761**	**(79,978)**
Net actuarial profits/(losses) on defined benefit program valuation	(9,769)	1,856	(7,913)
As at 31 December 2024	**(108,508)**	**20,617**	**(87,891)**

PLN'000	Gross amount	Deferred income tax	Net amount
As at 1 January 2023	**(711,063)**	**135,101**	**(575,962)**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	718,828	(136,578)	582,250
(Profit) or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	147,758	(28,074)	119,684
Total comprehensive income connected with financial assets measured at fair value through other comprehensive income	**155,523**	**(29,551)**	**125,972**
Net actuarial profits/(losses) on defined benefit program valuation	(15,652)	2,976	(12,676)
As at 31 December 2023	**139,871**	**(26,575)**	**113,296**

17. Cash and cash equivalents

PLN'000	31.12.2024	31.12.2023
Cash in hand	486,315	416,922
Current balances with Central Bank	5,296,169	55,850
Deposits in Central Bank	-	610,701
Current accounts in other banks	11,877	158,400
Total gross value	5,794,361	1,241,873
Provision for expected credit losses	(16)	(149)
Total net value	**5,794,345**	**1,241,724**

On the current account in the National Bank of Poland (NBP), the Bank maintains an obligatory reserve which may be used only under the condition that the sum of the average monthly balance on the current account in NBP is not lower than the declared balance.

The declared balance of obligatory reserve amounted as at 31 December 2024 to PLN 2,098,239 thousand (31 December 2023: PLN 2,008,621 thousand).

18. Amounts due from banks

Accounting policy:

Classification and measurement of Amounts due from banks are described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2024	31.12.2023
Current accounts	5,258	35,898
Deposits	235,635	-
Receivables due to purchased securities with a repurchase agreement	8,217,515	14,861,439
Deposits pledged as collateral of derivative instruments and stock market transactions	324,170	475,120
Other receivables	5,853	-
Total gross amount	**8,788,431**	**15,372,457**
Impairment provision	(651)	(905)
Total net amount due from banks	**8,787,780**	**15,371,552**

Changes in gross amounts due from banks that contributed to movements in provision for expected credit losses amounts are as follows:

PLN'000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from banks				
Loss allowance as at 1 January 2024	**(364)**	**(541)**	**-**	**(905)**
Transfer to Stage 1	(69)	69	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
(Creation)/Releases in the period though the income statement	258	(11)	-	247
Foreign exchange and other movements	7	-	-	7
Loss allowance as at 31 December 2023	**(168)**	**(483)**	**-**	**(651)**

PLN'000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from banks				
Loss allowance as at 1 January 2023	**(376)**	**(1,037)**	**-**	**(1,413)**
Transfer to Stage 1	(127)	127	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
(Creation)/Releases in the period though the income statement	47	311	-	358
Foreign exchange and other movements	92	58	-	150

PLN'000	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 31 December 2023	**(364)**	**(541)**	**-**	**(905)**

The closing balance of impairment recognized on loans and advances to customers consisted of:

PLN'000	Stage 1	Stage 2	Stage 3	Total
Gross amounts due from banks measured at amortized cost				
Gross amounts due from banks as at 1 January 2024	**15,337,047**	**35,410**	**-**	**15,372,457**
Transfer to Stage 1	20,030	(20,030)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Receivables increase / repayment	8,095,257	(7,000)	-	8,088,257
Other movements	(14,672,251)	(32)	-	(14,672,283)
Gross amounts due from banks as at 31 December 2024	**8,780,083**	**8,348**	**-**	**8,788,431**

PLN'000	Stage 1	Stage 2	Stage 3	Total
Gross amounts due from banks measured at amortized cost				
Gross amounts due from banks as at 1 January 2023	**707,005**	**263,156**	**-**	**970,161**
Transfer to Stage 1	654	(654)	-	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	-	-	-	-
Receivables increase / repayment	14,734,789	1,101	-	14,735,890
Other movements	(105,400)	(228,194)	-	(333,594)
Gross amounts due from banks as at 31 December 2023	**15,337,047**	**35,410**	**-**	**15,372,457**

19. Financial assets and liabilities held-for-trading

Accounting policy:

Classification and measurement of financial assets and liabilities held-for-trading are described in note 2.1.

Financial information:

Financial assets held-for-trading

Derivative instruments, excluding hedging instruments, and selected debt securities are classified as held-for-trading and presented in the consolidated financial statement as "Financial assets held-for-trading".

PLN'000	31.12.2024	31.12.2023
Debt securities held-for-trading		
Bonds and notes issued by:		
Central Banks		
Banks and other financial entities*	963,254	446,280
Central governments	838,650	344,832
	1,801,904	**791,112**
Including:		
Listed on active market	1,801,904	791,112
Equity instruments held-for-trading	**10,555**	**7,398**
Including:		

PLN'000	31.12.2024	31.12.2023
Listed on active market	10,555	7,398
Derivative financial instruments	**2,623,860**	**3,262,636**
Financial assets held-for-trading, total	**4,436,319**	**4,061,146**

**As at 31 December 2023, some of the securities (bonds) issued by banks in the amount of PLN 956,638 thousand are covered by Government guarantees (31 December 2023: PLN 442,075 thousand).*

***Comparative data as at 31 December 2023 have changed in connection with the presentation change in 2024. For additional information, see Note 2 in the Comparative Data section.*

Financial liabilities held-for-trading

PLN'000	31.12.2024	31.12.2023
Liabilities related to short sale of securities	156,708	132,417
Liabilities related to short sale of equity securities	-	1,078
Derivatives	2,599,197	3,388,708
Financial liabilities held-for-trading, total	**2,755,905**	**3,522,203**

As at 31 December 2024 and 31 December 2023, the Group did not hold any financial assets and liabilities designated at fair value through profit or loss at initial recognition.

Derivative financial instruments as at 31 December 2024

PLN'000	Nominal amount with remaining life of				Total	Fair value	
	less than 3 months	between 3 months and 1 year	between 1 year and 5 years	more than 5 years		Assets	Liabilities
Interest rate instruments	**32,557,968**	**42,871,630**	**82,384,391**	**29,605,070**	**187,419,059**	**608,997**	**1,299,743**
FRA	13,700,000	4,340,000	-	-	18,040,000	1,522	4,010
Interest rate swaps (IRS)	3,772,194	15,866,977	76,402,711	29,605,070	125,646,952	572,375	1,295,620
Interest rate options	-	**1,110,980**	20,845	-	1,131,825	106	113
Futures*	15,085,774	21,553,673	5,960,835	-	42,600,282	34,994	-
Currency instruments	**60,391,684**	**18,570,602**	**38,722,067**	**293,340**	**117,977,693**	**1,997,438**	**1,282,595**
FX forward	13,260,201	5,282,716	3,896,464	-	22,439,381	226,064	27,337
FX swap	37,482,704	8,846,021	10,056,172	-	56,384,897	1,328,477	608,259
Currency-interest rate swaps (CIRS)**	6,244,481	3,382,507	24,762,464	293,340	34,682,792	407,606	611,689
Foreign exchange options	3,404,298	1,059,358	6,967	-	4,470,623	35,291	35,310
Securities transactions	**455,977**	**9,090**	**-**	**-**	**465,067**	**1,328**	**761**
Futures*	6,851	9,090	-	-	**15,941**	-	-
Securities purchased/sold pending delivery	449,126	-	-	-	449,126	1,328	761
Commodity transactions	**21,843**	**-**	**-**	**-**	**21,843**	**16,097**	**16,098**
Swaps	21,843	-	-	-	21,843	16,097	16,098
Total derivative instruments	**93,427,472**	**61,451,322**	**121,106,458**	**29,898,410**	**305,883,662**	**2,623,860**	**2,599,197**

**Exchange-traded products*

*** Foreign exchange interest rate swaps with capital exchange*

Derivative financial instruments as at 31 December 2023

PLN'000	Nominal amount with remaining life of				Total	Fair value	
	less than 3 months	between 3 months and 1 year	between 1 year and 5 years	more than 5 years		Assets	Liabilities
Interest rate instruments	**22,610,335**	**55,365,613**	**75,978,961**	**22,890,070**	**176,844,979**	**632,696**	**1,461,663**

PLN'000	Nominal amount with remaining life of				Total	Fair value	
	less than 3 months	between 3 months and 1 year	between 1 year and 5 years	more than 5 years		Assets	Liabilities
FRA	7,550,000	3,000,000	-	-	10,550,000	377	9,192
Interest rate swaps (IRS)	7,094,621	29,993,022	68,798,485	22,864,581	128,750,709	584,789	1,443,888
Interest rate options	-	52,703	1,130,480	25,489	1,208,672	1,560	1,554
Futures*	7,965,714	22,319,888	6,049,996	-	36,335,598	45,970	7,029
Currency instruments	**60,107,163**	**26,255,077**	**30,322,110**	**258,631**	**116,942,981**	**2,515,210**	**1,812,551**
FX forward	14,389,128	6,334,285	1,640,536	-	22,363,949	776,497	327,794
FX swap	35,841,199	6,560,081	12,440,867	,	54,842,147	1,126,162	919,812
Currency-interest rate swaps (CIRS)**	3,913,219	4,338,665	16,147,229	258,631	24,657,744	308,320	260,700
Foreign exchange options	5,963,617	9,022,046	93,478	-	15,079,141	304,231	304,245
Securities transactions	**836,420**	**4,191**	**-**	**-**	**840,611**	**588**	**360**
Futures*	7,601	4,191			11,792	-	-
Securities purchased/sold pending delivery	828,819	-	-	-	828,819	588	360
Commodity transactions	**3,494**	**224,523**	**262,416**	**-**	**490,433**	**114,142**	**114,134**
Swaps	3,494	224,523	262,416	-	490,433	114,142	114,134
Total derivative instruments	**83,557,412**	**81,849,404**	**106,563,487**	**23,148,701**	**295,119,004**	**3,262,636**	**3,388,708**

**Exchange-traded products*
*** Foreign exchange interest rate swaps with capital exchange*

20. Debt investment financial assets measured at fair value through other comprehensive income

Accounting policy:

The policy for classification and measurement of debt investment financial assets measured at fair value through other comprehensive income is described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2024	31.12.2023
Bonds and notes issued by:		
Central Banks	999,202	4,996,012
Other banks*, including:	13,889,991	10,295,147
Covered bonds in fair value hedge accounting	3,225,777	2,595,263
Other financial sector entities	1,843,248	2,095,217
Covered bonds in fair value hedge accounting	505,371	236,733
Central governments, including:	13,356,330	12,173,916
Covered bonds in fair value hedge accounting	2,836,707	-
Debt securities measured at fair value through other comprehensive income, total	**30,088,771**	**29,560,292**
Including:		
Listed on active market instruments	29,089,569	24,564,280
Unlisted instruments on the active market	999,202	4,996,012

**As at 31 December 2024, the securities (bonds) issued by banks in the amount of PLN 13,889,991 thousand are covered by Government guarantees (31 December 2023: PLN 10,295,147 thousand).*

For debt investment financial assets measured at fair value through other comprehensive income, the cumulated value of impairment as at 31 December 2024 amounts to PLN 8,520 thousand (as at 31 December 2023 8,131 thousand).

The movement in debt investment financial assets measured at fair value through other comprehensive income is as follows:

PLN'000	2024	2023
As at 1 January	**29,560,292**	**37,180,808**
Increases (due to):		
Purchases	548,803,054	301,158,675
Revaluation	-	986,568
Foreign exchange differences	44,170	-
Depreciation of discount, premium and interest	1,717,000	1,585,267
Decreases (due to):		
Sale	(549,653,949)	(310,843,287)
Revaluation	(362,750)	-
Foreign exchange differences	-	(459,604)
Depreciation of premium	(19,046)	(48,135)
As at 31 December	**30,088,771**	**29,560,292**

21. Equity and other instruments measured at fair value through the income statement

Accounting policy:

Shares in entities other than dependent entities are classified as financial assets measured at fair value through the income statement. Their classification and measurement are described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2024	31.12.2023
Stocks and shares in other entities	161,999	125,826
Impairment	10,949	15,669
Equity and other instruments measured at fair value through income statement, total	**172,948**	**141,495**
Including:		
Listed on active market instruments	38,117	19,739
Unlisted on active market instruments	134,831	121,756

The movement in equity and other instruments measured at fair value through income statement is as follows:

PLN'000	2024	2023
As at 1 January	**141,495**	**106,144**
Action conversion - transfer to Level I	2,548	-
Change in valuation	28,905	35,351
As at 31 December	**172,948**	**141,495**

22. Amounts due from customers

Accounting policy:

Classification and measurement of amounts due from customers are described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2024	31.12.2023
Amounts due from financial sector entities		
Loans, placements and advances	2,190,586	1,408,492
Debt financial assets unlisted	1,002,896	1,002,530
Receivables due to purchased securities with a repurchase agreement	303,408	181,616

PLN'000	31.12.2024	31.12.2023
Guarantee funds and deposits pledged as collateral	1,613,484	1,585,568
Total gross amount	**5,110,374**	**4,178,206**
Provision for expected credit losses	(2,623)	(2,873)
Total net amount	**5,107,751**	**4,175,333**
Amounts due from non-financial sector entities		
Loans and advances	13,920,199	14,177,379
Purchased receivables	2,840,285	2,388,441
Realized guarantees	30,533	30,709
Other receivables	11,566	16,911
Total gross amount	**16,802,583**	**16,613,440**
Provision for expected credit losses	(543,088)	(734,319)
Total net amount	**16,259,495**	**15,879,121**
Total net amounts due from customers	**21,367,246**	**20,054,454**

In amounts due from customers presented on the line Unlisted debt financial assets are securitization assets covered by the Bank. The Group acts as investor in transactions involving senior tranches. The assets purchased by the Bank are not traded on the market. The Bank intends to maintain investments until the maturity date. The main risk of securitization transactions is credit risk. The Bank's maximum exposure to loss from involvement in these entities is equal to their carrying gross value, as at 31 December 2024 in the of amount PLN 1,002,896 thousand (31 December 2023: PLN 1,002,530 thousand). The carrying value of assets relating in Bank participation in unconsolidated structured entities as at 31 December 2024 in the amount of PLN 1,002,403 thousand (31 December 2023: PLN 1,001,976 thousand).

Movement in **provision for expected credit losses** - amounts due from customers presents as follows:

2024

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Loss allowance - amounts due from institutional customers					
Provision for expected credit losses as at 1 January 2024	**(20,582)**	**(29,898)**	**(260,474)**	**646**	**(310,308)**
Transfer to Stage 1	(738)	738	-	-	-
Transfer to Stage 2	2,006	(2,006)	-	-	-
Transfer to Stage 3	-	6	(6)	-	-
Transfer to purchased or originated credit-impaired assets	-	-	-	-	-
(Creation)/Releases in the period though the income statement	(4,953)	(9,072)	(1,988)	(42)	(16,055)
Decrease in provisions due to write-offs	-	-	99,698	-	99,698
Decrease in write-downs in connection with the sale of receivables	-	-	307	-	307
Changes in accrued interest in Stage 3 other than written off and sale of receivables	10	(1)	(3,990)	-	(3,981)
Decrease in provisions due to derecognition from the balance sheet as a result of significant change	-	-	-	(1,107)	(1,107)
Foreign exchange and other movements	(2,838)	3,604	6,879	669	8,314
Provision for expected credit losses as at 31 December 2024	**(27,095)**	**(36,629)**	**(159,574)**	**166**	**(223,132)**

Effect of minor modification on provision for expected credit losses is insignificant

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Loss allowance - amounts due from individual customers					
Provision for expected credit losses as at 1 January 2024	**(31,893)**	**(69,853)**	**(324,962)**	**(176)**	**(426,884)**
Transfer to Stage 1	(18,287)	17,101	1,186	-	-
Transfer to Stage 2	5,175	(8,077)	2,902	-	-
Transfer to Stage 3	1,088	17,514	(18,602)	-	-
Transfer to purchased or originated credit-impaired assets	-	-	13,295	(13,295)	-
(Creation)/Releases in the period though the income statement	29,017	733	(12,800)	2,003	18,953
Decrease in write-downs due to write-offs	-	-	15,326	-	15,326
Decrease in write-downs in connection with the sale of receivables	-	-	90,214	2,141	92,355
Changes in accrued interest in Stage 3 other than written off and sale of receivables	-	4	(28,894)	(3,400)	(32,290)
Decrease in impairment losses due to de-balance sheet as a result of a material change	-	-	-	13,295	13,295
Foreign exchange and other movements	-	-	(3,333)	(1)	(3,334)
Provision for expected credit losses as at 31 December 2024	**(14,900)**	**(42,578)**	**(265,668)**	**567**	**(322,579)**

Effect of minor modification on provision for expected credit losses is insignificant

2023

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Loss allowance - amounts due from institutional customers					
Provision for expected credit losses as at 1 January 2023	**(40,985)**	**(43,613)**	**(331,769)**	**(1,354)**	**(417,721)**
Transfer to Stage 1	(913)	913	-	-	-
Transfer to Stage 2	1,902	(1,902)	-	-	-
Transfer to Stage 3	89	959	(1,048)	-	-
Transfer to purchased or originated credit-impaired assets	-	-	795	(795)	-
(Creation)/Releases in the period though the income statement	20,232	7,852	(12,364)	229	15,949
Decrease in provisions due to write-offs	-	-	67,505	-	67,505
Decrease in write-downs in connection with the sale of receivables	-	-	18,338	-	18,338
Changes in accrued interest in Stage 3 other than written off and sale of receivables	(10)	1	(8,678)	-	(8,687)
Decrease in provisions due to derecognition from the balance sheet as a result of significant change	-	-	-	1,428	1,428
Foreign exchange and other movements	(897)	5,892	6,747	1,138	12,880
Provision for expected credit losses as at 31 December 2023	**(20,582)**	**(29,898)**	**(260,474)**	**646**	**(310,308)**

Effect of minor modification on provision for expected credit losses is insignificant

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Loss allowance - amounts due from individual customers					
Provision for expected credit losses as at 1 January 2023	**(40,250)**	**(64,772)**	**(333,032)**	**(404)**	**(438,458)**
Transfer to Stage 1	(11,848)	10,562	1,286	-	-
Transfer to Stage 2	6,039	(8,615)	2,576	-	-
Transfer to Stage 3	2,448	23,127	(25,575)	-	-
Transfer to purchased or originated credit-impaired assets	-	-	19,893	(19,893)	-
(Creation)/Releases in the period though the income statement	11,718	(30,162)	(41,365)	2,816	(56,993)
Decrease in write-downs due to write-offs	-	-	5,264	-	5,264
Decrease in write-downs in connection with the sale of receivables	-	-	80,241	417	80,658
Changes in accrued interest in Stage 3 other than written off and sale of receivables	-	7	(33,909)	(3,005)	(36,907)
Decrease in impairment losses due to de-balance sheet as a result of a material change	-	-	-	19,893	19,893
Foreign exchange and other movements	-	-	(341)	-	(341)
Provision for expected credit losses as at 31 December 2023	**(31,893)**	**(69,853)**	**(324,962)**	**(176)**	**(426,884)**

Effect of minor modification on provision for expected credit losses is insignificant

The closing balance of impairment recognized on **loans and advances** to customers consisted of:

PLN'000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Gross amounts due from customers measured at amortized cost					
Gross amounts due from customers as at 1 January 2024	**17,683,704**	**2,286,856**	**793,881**	**27,205**	**20,791,646**
Transfer to Stage 1	1,009,326	(1,004,302)	(5,024)	-	-
Transfer to Stage 2	(1,001,989)	1,008,256	(6,267)	-	-
Transfer to Stage 3	(43,093)	(51,613)	94,706	-	-
Transfer to purchased or originated credit-impaired assets	(162)	(924)	(13,759)	14,845	-
Receivables increase / repayment*	1,073,713	464,437	(54,653)	(9,814)	1,473,683
Receivables written-off	-	-	(109,719)	-	(109,719)
Disposed receivables	-	-	(95,579)	(1,429)	(97,008)
Other movements	(151,925)	(694)	18,461	(11,487)	(145,645)
Gross amounts due from customers as at 31 December 2024	**18,569,574**	**2,702,016**	**622,047**	**19,320**	**21,912,957**

PLN'000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Gross amounts due from customers measured at amortized cost					
Gross amounts due from customers as at 1 January 2023	**19,027,051**	**2,558,056**	**872,457**	**16,948**	**22,474,512**
Transfer to Stage 1	1,085,332	(1,073,213)	(12,119)	-	-
Transfer to Stage 2	(1,528,140)	1,533,429	(5,289)	-	-
Transfer to Stage 3	(73,009)	(86,041)	159,050	-	-
Transfer to purchased or originated credit-impaired assets	(375)	(1,051)	(44,158)	45,584	-
Receivables increase / repayment*	(550,329)	(553,495)	(4,585)	(12,614)	(1,121,023)
Receivables written-off	-	-	(75,326)	-	(75,326)
Disposed receivables	-	-	(104,584)	(256)	(104,840)
Other movements	(276,826)	(90,829)	8,435	(22,457)	(381,677)
Gross amounts due from customers as at 31 December 2023	**17,683,704**	**2,286,856**	**793,881**	**27,205**	**20,791,646**

For gross amounts due from customers and provisions for expected credit losses which changed Stages during the period, transfers are presented as the change between the Stage as of 1 January 2023 or at the moment of initial recognition and as of 31 December 2023.

23. Tangible fixed assets

Accounting policy:

Tangible fixed assets are stated at historical cost minus accumulated depreciation or amortization and impairment losses. The historical cost of an item of property and equipment includes any directly attributable costs of purchasing and bringing the asset into use.

Subsequent expenditure relating to an item of property and equipment is added to the carrying amount of the asset or recognized as a separate asset (where appropriate) only when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. Any other expenditure, e.g., repairs and maintenance, is recognized as an expense when incurred.

Depreciation and amortization are calculated using the straight-line method over the expected useful life of an asset on the basis of rates that are approved in the depreciation and amortization plan for 2023.

Illustrative annual depreciation and amortization rates applied by the Group are presented in the table below:	
Buildings and structures	1.5%-4.5%
Motor vehicles	14.0%-34.0%
Computers	25.0%
Office equipment	20.0%
Other tangible fixed assets	7.0%-34.0%
Leasehold improvements - compliant with lease agreement period	

At each balance sheet date, the residual values of non-current assets and their useful lives are reviewed and the depreciation and amortization schedule are adjusted where appropriate.

Assets with original cost below PLN 3,500 are fully depreciated on a one-off basis when brought into use. The total cost of other tangible fixed assets depreciated on a one-off basis is not material to the financial statements.

Assets in the course of construction are stated at the total of costs directly attributable to construction, assembly or improvement in progress less impairment provision.

The carrying amounts are reviewed at each balance sheet date to determine whether there is any evidence of impairment. If so, the asset's recoverable amount is estimated.

The recoverable amount in the case of assets other than financial assets is higher fair value less selling costs and value

in use. For value in use calculation, the estimation of future cash flows is discounted to their present value using the discount rate before taxation, which represents present market expectations regarding money value and specific risk regarding an asset. For assets that are not generating independent cash flows, the recoverable amount is estimated for the cash-generating unit, the asset owner (see Note 25).

Revaluation impairment allowances are recognized if the book value of an asset or cash-generating unit exceeds the recoverable amount. Revaluation impairment allowances are recognized in profit or loss.

The revaluation provision for impairment is reversed if the estimations for the recoverable amount have changed.

The revaluation write-off for impairment can be reversed only to the level by which the book value of the asset does not exceed the depreciation decreased book value that would be estimated if the impairment write-off was not recognized.

Tangible fixed assets from the date of initial application of IFRS 16 include the assets of the right of use of the assets. Details are presented in note 43.

Financial information:

Movements of tangible fixed assets in 2024

PLN'000	Land and buildings	Vehicles	Other	Under construction	Total
Gross amount					
As at 1 January 2024	**653,665**	**39,745**	**228,802**	**98,324**	**1,020,536**
Increases:	-	-	-	-	-
Purchases	687	16,425	9,667	49,479	76,258
Other increases*	24,103	-	143	-	24,246
Decreases:	-	-	-	-	-
Disposals	-	(10,048)	-	-	(10,048)
Liquidation	(604)	-	(20,931)	-	(21,535)
Other decreases*	(6,145)	(289)	-	(13,184)	(19,618)
Transfers	91,094	-	35,246	(126,340)	-
As at 31 December 2024	**762,800**	**45,833**	**252,927**	**8,279**	**1,069,839**
Depreciation					
As at 1 January 2024	321,202	5,586	185,345	-	512,133
Increases:	-	-	-	-	-
Amortization charge for the period	27,745	3,929	18,596	-	50,270
Other increases	-	-	-	-	-
Decreases:	-	-	-	-	-
Disposals	-	(2,672)	-	-	(2,672)
Liquidation	(540)	-	(20,530)	-	(21,070)
Classification as non-current assets held for sale	-	-	-	-	-
Other decreases	(3,740)	(37)	-	-	(3,777)
As at 31 December 2024	**344,667**	**6,806**	**183,411**	**-**	**534,884**
Impairment write-offs					
As at 1 January 2024	**-**	**-**	**-**	**-**	**-**
Increases	5,059	-	8,765	-	13,824
As at 31 December 2024	**5,059**	**-**	**8,765**	**-**	**13,824**
Carrying amount					
As at 1 January 2024	**5,059**	34,159	43,457	98,324	508,403
As at 31 December 2024	**5,059**	**39,027**	**60,751**	**8,279**	**521,131**

**Other increases/ decreases include for example restoration of a liquidated asset to inventory, donations, settlements of fixed assts under construction, new and terminated lease agreements.*

Movements of tangible fixed assets in 2023

PLN'000	Land and buildings	Vehicles	Other	Under construction	Total
Gross amount					
As at 1 January 2023	**704,149**	**29,975**	**228,768**	**20,925**	**983,817**
Increases:	-	-	-	-	-
Purchases	84	11,319	14,032	95,694	121,129
Other increases*	7,975	-	233	-	8,208
Decreases:	-	-	-	-	-
Disposals	-	(1,549)	-	-	(1,549)
Liquidation	(32,748)	-	(14,982)	-	(47,730)
Classification as non-current assets held for sale	(29,980)	-	(4,853)	-	(34,833)
Other decreases*	(4,009)	-	-	(4,497)	(8,506)
Transfers	8,194	-	5,604	(13,798)	-
As at 31 December 2023	**653,665**	**39,745**	**228,802**	**98,324**	**1,020,536**
Depreciation					
As at 1 January 2023	334,368	3,062	190,969	-	528,399
Increases:	-	-	-	-	-
Amortization charge for the period	28,230	3,422	14,182	-	45,834
Other increases	-	-	9	-	9
Decreases:	-	-	-	-	-
Disposals	-	(898)	-	-	(898)
Liquidation	(18,838)	-	(14,982)	-	(33,820)
Classification as non-current assets held for sale	(20,733)	-	(4,833)	-	(25,566)
Other decreases	(1,825)	-	-	-	(1,825)
As at 31 December 2023	**321,202**	**5,586**	**185,345**	**-**	**512,133**
Carrying amount					
As at 1 January 2023	369,781	26,913	37,799	20,925	455,418
As at 31 December 2023	**332,463**	**34,159**	**43,457**	**98,324**	**508,403**

**Other increases/ decreases include for example restoration of a liquidated asset to inventory, donations, settlements of fixed assts under construction, new and terminated lease agreements.*

As at 31 December 2024, as well as at 31 December 2023, the Group had no significant contractual obligations for future purchases of tangible fixed assets.

As at 31 December 2024, the Group has carried out an impairment test of the cash-generating unit. As a result of a performed test, an impairment loss was recognized for property, plant and equipment in the amount of PLN 13,824 thousand and it was allocated to the Retail Banking Segment. Detailed information on the test is presented in Note 25.

24. Intangible assets

Accounting policy:

Intangible assets are stated at historical cost minus accumulated depreciation or amortization and impairment losses. The historical cost of an item of intangibles includes any directly attributable costs of purchasing and bringing the asset into use.

Subsequent expenditure relating to an item of intangibles is added to the carrying amount of the asset or recognized as a separate asset (where appropriate) only when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. Any other expenditure, e.g., repairs and maintenance, is recognized as an expense when incurred.

Depreciation and amortization are calculated using the straight-line method over the expected useful life of an asset on the basis of rates that are approved in the depreciation and amortization plan for 2024.

Illustrative annual depreciation and amortization rates applied by the Group are presented in the table below:	
Computer software and licenses (except the main operating systems, which are depreciated at the rate of 10% and 20%)	34.0%

Illustrative annual depreciation and amortization rates applied by the Group are presented in the table below:	
Other intangible fixed assets	20.0%

At each balance sheet date, the residual values of non-current assets and their useful lives are reviewed and the depreciation and amortization schedule are adjusted where appropriate.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an item of property and equipment or intangible asset is written down to its recoverable amount if the carrying amount exceeds the recoverable amount.

The recoverable amount is higher fair value less selling costs and value in use. For value in use calculation, the estimation of future cash flows is discounted to their present value using the discount rate before taxation, which represents present market expectations regarding money value and specific risk regarding an asset. For assets that are not generating independent cash flows, the recoverable amount is estimated for the cash-generating unit, the asset owner (see Note 25).

Revaluation impairment allowances are recognized if the book value of an asset or of the cash-generating unit exceeds the recoverable amount. Revaluation impairment allowances are recognized in profit or loss.

The revaluation provision for impairment, excluding goodwill, is reversed if the estimations for the recoverable amount have changed.

The revaluation write-off for impairment for other assets can be reversed only to the level by which the book value of the asset does not exceed the depreciation decreased book value that would be estimated if the impairment write-off was not recognized.

Financial information:

Movements of intangible assets in 2024

PLN'000	Goodwill	Software	Prepayments	Total
Gross amount				
As at 1 January 2024	**1,245,976**	**54,592**	**2,157,500**	**856,932**
Increases:	-	-	-	-
Purchases	-	95,021	95,363	342
Decreases:	-	-	-	-
Liquidation	-	-	-	-
Other decreases	-	-	(20 047)	(20 047)
Transfers	-	97,497	(97 497)	-
As at 31 December 2024	**1,245,976**	**954,771**	**32 069**	**2 232 816**
Depreciation				
As at 1 January 2024	**-**	**657,479**	**-**	**657,479**
Increases:	-	-	-	-
Amortization charge for the period	-	69,068	-	69,068
Decreases:	-	-	-	-
Liquidation	-	-	-	-
Other decreases	-	-	-	-
Transfers	-	-	-	-
As at 31 December 2024	**-**	**726,547**	**-**	**726,547**
Impairment write-offs				
As at 1 January 2024	**214,707**	**-**	**-**	**214,707**
Increases	180,064	216,105	22,518	418,687
As at 31 December 2024	**394,771**	**216,105**	**22,518**	**633,394**
Carrying amount				
As at 1 January 2024	1,031,269	199,453	54,592	1,285,314
As at 31 December 2024	**851,205**	**12,119**	**9,551**	**872,875**

Movements of intangible assets in 2023

PLN'000	Goodwill	Patents, licenses etc.	Software	Prepayments	Total
Gross amount					
As at 1 January 2023	**1,245,976**	**-**	**719,375**	**106,258**	**2,071,609**
Increases:					
Purchases	-	-	1,226	87,220	88,446
Decreases:					
Liquidation	-	-	(761)	-	(761)
Other decreases	-	-	-	(1,794)	(1,794)
Transfers	-	-	137,092	(137,092)	-
As at 31 December 2023	**1,245,976**	**-**	**856,932**	**54,592**	**2,157,500**
Depreciation					
As at 1 January 2023	**-**	**-**	**593,039**	**-**	**593,039**
Increases:					
Amortization charge for the period	-	-	65,201	-	65,201
Decreases:					
Liquidation	-	-	(1,741)	-	(1,741)
Other decreases	-	-	(5,856)	-	(5,856)
Transfers	-	(1,843)	1,843	-	-
As at 31 December 2023	**-**	**-**	**593,039**	**-**	**593,039**
Impairment write-offs					
As at 1 January 2023	214,707	-	-	-	214,707
As at 31 December 2023	**214,707**	**-**	**-**	**-**	**214,707**
Carrying amount					
As at 1 January 2023	1,031,269	-	126,336	106,258	1,263,863
As at 31 December 2023	**1,031,269**	**-**	**199,453**	**54,592**	**1,285,314**

As at 31 December 2024, as well as at 31 December 2023, the Group had no significant contractual obligations for future purchases of intangible assets.

As at 31 December 2024, the Group has carried out an impairment test of the cash-generating unit. As a result of a performed test, an impairment loss was recognized for property, plant and equipment in the amount of PLN 238,623 thousand and it was allocated to the Retail Banking Segment. Detailed information on the test is presented in Note 25.

Intangible assets in the amount of PLN thousand as at 31 December 2023 (as at 31 December 2023: PLN 1,263,863 thousand) include goodwill in the amount of PLN 1,031,269 thousand.

In the consolidated financial statements of the Group, goodwill represents the difference between the cost of the acquisition and the fair value of the Group's interest in identifiable assets, liabilities and contingent liabilities acquired at the business combination date. Goodwill included PLN 1,243,645 thousand proceed from merger from 28 February 2001 between Bank Handlowy w Warszawie S.A and Citibank (Poland) S.A, and PLN 2,331 thousand proceed from acquisition of organized part of the banking enterprise ABN Amro Bank (Poland) S.A, which happened on 1 March 2005.

Goodwill is stated at cost minus any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but is tested annually for impairment independently of objective evidence of impairment.

Goodwill is disclosed at acquisition cost less total impairment losses to date. Goodwill is not amortized but is tested annually for impairment independently of objective evidence of impairment. The Group has identified two cash-generating units (the Retail Banking Segment and the Institutional Banking Segment) to which goodwill has been allocated.

As a result of a performed test, as of June 30, 2024, the Bank's Management Board has fully written off the goodwill attributable to the Retail Banking Segment.

The revaluation write-off for impairment for goodwill cannot be reversed.

The allocation of goodwill to cash-generating units is presented in the table below.

Book value of goodwill allocated to unit

PLN'000	31.12.2024	31.12.2023
Corporate Bank	851,206	851,206
Consumer Bank	-	180,063
	851,206	**1,031,269**

25. Impairment test for cash-generating units

Impairment testing is performed by comparing the carrying amount of an asset with its recoverable amount. Due to the fact that some property, plant and equipment, intangible assets and goodwill do not generate cash flow independently, for the purposes of the impairment test, they are assigned to the so-called cash generating units (CGUs).

A cash-generating unit is defined by International Accounting Standard 36 as the smallest identifiable set of assets that generates cash inflows that are largely independent of cash inflows from other assets or other sets of assets.

The Bank has identified two cash-generating units: the Institutional Banking Sector and the Retail Banking Sector, and their recoverable amount was determined on the basis of such a division.

The recoverable amount of cash-generating units is determined on the basis of their value in use estimated on the basis of the financial plan. The plan is based on rational assumptions about future facts that reflect management assessment of future economic conditions and expected results of the Bank. The plan is periodically updated and approved by the Bank's Supervisory Board. The board accepted a 3-year time period for the process of financial planning.

As at 31 December 2024, the Group performed an impairment test. For the purposes of the impairment test, for each year, the valuation used discount rates (from the range 10.9% - 12%) estimated using a beta coefficient for the banking sector, a risk premium and risk-free rate. Extrapolation of cash flows, which exceed the period covered by the financial plan, has been based on growth rates reflecting the long-term NBP inflation target that amounted to 2.5% as at 31 December 2024.

As a result of a performed test, an impairment loss was recognized and was allocated to the Retail Banking Segment. Impairment losses in the case of cash-generating units first reduce goodwill attributable to cash-generating units (group of units), and then reduce proportionally the book value of other assets in the unit (group of units). As goodwill attributable to the Retail Banking Segment was written off as a result of the test carried out as at 30 June 2024, the loss identified from the test was applied and reduced the book value of intangible assets by the amount of PLN 238,623 thousand and tangible fixed assets by the amount PLN 13,824 thousand. Total amount of impairment was charged in full to the Group's profit or loss under line *Net impairment on non-financial assets*. The key factors which triggered the impairment were lower income in the Consumer Banking segment – as a result of expected decline in interest rates for the Polish zloty and for major foreign currencies as well as maintained cost pressures.

26. Deferred income tax asset and liabilities

Accounting policy:

A deferred tax provision and asset are calculated using the carrying value method by computing temporary differences between the carrying value of assets and liabilities in the statement of financial position and the tax base of assets and liabilities. In the statement of financial position, the Group discloses the deferred tax asset net of deferred tax provisions after compensation, when there is a legal title to set such a compensation and when the provision and asset refer to the same taxpayer.

Deferred tax assets are recognized only to the extent that it is probable that a tax benefit will be realized in the future.

Financial information:

PLN'000	31.12.2024	31.12.2023
Deferred income tax asset	842,941	1,058,275
Deferred income tax liability	(762,775)	(945,850)
Deferred income tax net asset	**80,166**	**112,425**

Deferred tax on acquisition of the organized part of the enterprise in the value of 2,105 PLN thousand will be settled with the liability to the Tax Office for the next 5 years.

Positive and negative taxable and deductible temporary differences are presented below:

Deferred tax asset is attributable to the following:

PLN'000	31.12.2024	31.12.2023
Interest accrued and other expense	23,990	54,550
Revaluation impairment provision	66,432	84,236
Unrealized premium from securities	3,716	16,394
Negative valuation of derivative financial instruments	547,897	770,046
Negative valuation of securities held-for-trading	28,773	2,421
Income collected in advance	15,868	16,794
Commissions	3,146	3,498
Debt and equity securities measured at fair value through other comprehensive income	40,532	3,421
Staff expenses and other costs due to pay	73,585	67,370
Leasing IFRS16	34,698	31,194
Other	4,304	8,351
Deferred tax asset	**842,941**	**1,058,275**

Deferred tax liability is attributable to the following:

PLN'000	31.12.2024	31.12.2023
Interest accrued (income)	20,668	65,824
Positive valuation of derivative financial instruments	537,289	729,710
Unrealized securities discount	106,013	48,965
Income to receive	5,137	4,920
Positive valuation of securities held-for-trading	23,965	1,226
Debt and equity securities measured at fair value through other comprehensive income	(7,044)	26,575
Investment relief	5,997	7,158
Valuations of shares	26,462	22,126
Leasing IFRS16	33,119	29,707
Other	11,169	9,639
Deferred tax liability	**762,775**	**945,850**
Net deferred income tax asset	**80,166**	**112,425**

Movement in temporary differences during the year 2024

The movement in temporary differences relating to deferred tax asset:

PLN'000	As at 1 January 2024	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2024
Interest accrued and other expense	54,550	(30,560)	-	23,990
Revaluation impairment provision	84,236	(17,804)	-	66,432
Unrealized premium from securities	16,394	(12,678)	-	3,716
Negative valuation of derivative financial instruments	770,046	(222,149)	-	547,897
Negative valuation of securities held-for-trading	2,421	26,352	-	28,773
Income collected in advance	16,794	(926)	-	15,868
Commissions	3,498	(352)	-	3,146
Debt and equity securities measured at fair value through other comprehensive income	3,421	16,494	20,617	40,532
Staff expenses and other costs due to pay	67,370	6,215	-	73,585
Leasing IFRS16	31,194	3,504	-	34,698
Other	8,351	(4,047)	-	4,304
	1,058,275	**(235,951)**	**20,617**	**842,941**

The movement in temporary differences relating to the deferred tax provision:

PLN'000	As at 1 January 2024	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2024
Interest accrued (income)	65,824	(45,156)	-	20,668
Positive valuation of derivative financial instruments	729,710	(192,421)	-	537,289
Unrealized securities discount	48,965	57,048	-	106,013
Income to receive	4,920	217	-	5,137
Positive valuation of securities held-for-trading	1,226	22,739	-	23,965
Debt and equity securities measured at fair value through other comprehensive income	26,575	(7,044)	(26,575)	(7,044)
Investment relief	7,158	(1,161)	-	5,997
Valuations of shares	22,126	4,336	-	26,462
Leasing IFRS16	29,707	3,412	-	33,119
Other	9,639	1,530	-	11,169
	945,850	**(156,500)**	**(26,575)**	**762,775**
Change in net deferred income tax assets	**112,425**	**(79,451)**	**47,192**	**80,166**

Movement in temporary differences during the year 2023

The movement in temporary differences relating to deferred tax assets:

PLN'000	As at 1 January 2023	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2023
Interest accrued and other expense	20,603	33,947	-	54,550
Revaluation impairment provision	96,839	(12,603)	-	84,236
Unrealized premium from securities	26,262	(9,868)	-	16,394
Negative valuation of derivative financial instruments	1,338,351	(568,305)	-	770,046
Negative valuation of securities held-for-trading	3,773	(1,352)	-	2,421
Income collected in advance	22,216	(5,422)	-	16,794
Commissions	2,781	717	-	3,498
Debt and equity securities measured at fair value through other comprehensive income	160,908	(22,407)	(135,080)	3,421
Staff expenses and other costs due to pay	62,293	5,077	-	67,370
Leasing IFRS16	30,709	485	-	31,194
Other	6,598	1,753	-	8,351
	1,771,333	**(577,978)**	**(135,080)**	**1,058,275**

The movement in temporary differences relating to the deferred tax provision:

PLN'000	As at 1 January 2023	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2023
Interest accrued (income)	56,482	9,342	-	65,824
Positive valuation of derivative financial instruments	1,349,764	(620,054)	-	729,710
Unrealized securities discount	16,209	32,756	-	48,965
Income to receive	4,620	300	-	4,920
Positive valuation of securities held-for-trading	1,356	(130)	-	1,226
Debt and equity securities measured at fair value through other comprehensive income	-	-	26,575	26,575
Investment relief	7,528	(370)	-	7,158
Valuations of shares	15,630	6,496	-	22,126
Leasing IFRS16	28,953	754	-	29,707
Other	7,272	2,367	-	9,639
	1,487,814	**(568,539)**	**26,575**	**945,850**

PLN'000	As at 1 January 2023	Adjustments recognized in income	Adjustments recognized in equity	As at 31 December 2023
Change in net deferred income tax assets	**283,519**	**(9,439)**	**(161,655)**	**112,425**

27. Other assets

PLN'000	31.12.2024	31.12.2023
Interbank settlements	35,132	22,848
Settlements related to securities trade	-	26
Settlements related to brokerage activity	114,269	60,269
Income to receive	52,427	48,731
Staff loans out of the Social Fund	11,711	15,146
Sundry debtors	78,434	60,912
Prepayments	8,291	9,603
Other assets, total	**300,264**	**217,535**
Including financial assets*	239,546	159,201

** Financial assets include all the positions "Other assets", except the positions "Income to receive" and "Prepayments".*

28. Non-current assets held-for-sale

Accounting policy:

Non-current assets held for sale are measured at the lower of book value or fair value less selling costs.

Financial information:

The item non-current assets held for sale as at 31 December 2023 included the value of property held for sale, the book value of which was PLN 9,266 thousand. In 2024 the property was sold with a net profit amounted to PLN 2,102 thousand.

29. Amounts due to banks

Accounting policy:

Classification and measurement of amounts due to banks are described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2024	31.12.2023
Current accounts	1,871,173	2,521,721
Term deposits	714,223	357,829
Credits and loans received	1,073,387	-
Other liabilities, including:	777,034	496,137
margin deposits	775,767	494,205
Total amounts due to banks	**4,435,817**	**3,375,687**

On 19 November 2024, the Bank decided to draw funds from subordinated loan under the Framework Loan Facility Agreement, dated 6 June 2024, concluded by the Bank and Citibank Europe PLC. The loan amount totals EUR 250 million and was taken for 4 years however the Bank has prepayment right subject to Bank Guarantee Fund consent. Interest is based on ESTR reference rate increased by margin at arm's length. The Bank will recognize the funds obtained from the loan under the eligible liabilities for the purpose of the TLAC requirement. More details in Note 3 in Capital Adequacy section.

PLN'000	01.01.-31.12.2024	01.01.-31.12.2023
As the beginning of period	**-**	**-**
Increases (due to):		-

PLN'000	01.01.-31.12.2024	01.01.-31.12.2023
received credits and loans	1,066,750	-
received credit and loans interest	5,137	-
currency differences	1,500	-
As at the end of period	**1,073,387**	**-**

30. Amounts due to customers

Accounting policy:

Classification and measurement of amounts due to customers are described in note 2.1 "Financial assets and liabilities – classification and measurement".

Financial information:

PLN'000	31.12.2024	31.12.2023
Deposits from financial sector entities		
Current accounts	1,748,848	939,624
Term deposits	2,249,188	2,848,319
	3,998,036	**3,787,943**
Deposits from non-financial sector entities		
Current accounts, including:	34,350,246	35,247,407
institutional customers	20,334,301	21,561,300
individual customers	11,385,244	11,442,558
public sector units	2,630,701	2,243,549
Term deposits, including:	15,088,950	14,157,409
institutional customers	5,793,514	6,141,613
individual customers	8,694,430	7,727,411
public sector units	601,006	288,385
	49,439,196	**49,404,816**
Total deposits	**53,437,232**	**53,192,759**
Other liabilities		
Other liabilities, including:	547,800	996,056
cash collaterals	446,647	503,263
margin deposits	53,863	446,797
Total other liabilities	**547,800**	**996,056**
Total amounts due to customers	**53,985,032**	**54,188,815**

**Comparative data as at 31 December 2023 have changed in connection with the presentation change in 2024. For additional information, see Note 2 in the Comparative Data section.*

31. Provisions

Accounting policy:

A provision is recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and also if it is probable that the discharge of this obligation will result in an outflow of economic benefits, and the provision amount can be reliably estimated.

A restructuring provision is recorded when the following conditions have been met: (i) the Group has a detailed and formalized restructuring plan; (ii) the restructuring has already begun or has been publicly announced; (iii) the provision

amount can be reliably estimated. The restructuring provision does not include future operating expenses.

Financial information:

PLN'000	31.12.2024	31.12.2023
Litigation	53,046	47,028
Granted financial and guarantee liabilities*	33,256	34,960
Other	34,690	29,701
Provisions, total	**120,992**	**111,689**

The movement in provisions is as follows:

PLN'000	2024	2023
As at 1 January	**111,689**	**112,507**
Provisions for:		
Litigation	47,028	34,067
Granted financial and guarantee commitments	34,960	44,969
Workforce restructuring		
Other	29,701	33,471
Increases:		
Charges to provisions in the period:	62,471	55,371
Litigation	16,296	18,527
Granted financial and guarantee commitments	31,546	36,125
Other	14,629	719
Decreases:		
Release of provisions in the period	(46,363)	(47,711)
Litigation	(5,446)	(24)
Granted financial and guarantee commitments	(33,234)	(45,498)
Other	(7,683)	(2,189)
Provisions used in the period, including:	(6,789)	(7,842)
Litigation	(4,832)	(5,542)
Other	(1,957)	(2,300)
Other, including:	(16)	(636)
Granted financial and guarantee commitments	(16)	(636)
As at 31 December	**120,992**	**111,689**

**Additional information concerning provisions for granted financial and guarantee commitments are presented in note 40.*
***The „Other" item includes portfolio provisions related to TSUE judgements, which has been described in note 40.*

32. Other liabilities

Accounting policy:

The Bank records accruals and prepayments of expenses primarily in relation to the Bank's overhead expenses in reporting periods to which they relate. Accruals and prepayments are presented as 'Other liabilities' in the statement of financial position.

Within the range of liabilities to provision of providing services on time, the Bank uses a method of income on the time proportion in the time of providing services. According to the bank, this method reflects the procedure of providing services.

Within the area of methods, input data and assumptions adopted to estimate variable remuneration, the Bank uses approach most likely values in accordance the remuneration received for achievement of the objectives, whereas within the range of remuneration reimbursements in insurance mediation, statistical methods are used, and provision is presented as accrual. The Bank addresses all issues setting the level of income subject to identified variables (remuneration under specified objectives, expected reimbursements, all discounts).

For the remuneration for mediation in distribution of insurance products, in particular with the insurance connected with

the Bank's credit product, the model of relative fair value is used. According to this model, using the fair value of the credit product and the sales services of the insurance product, the Bank separates remuneration being part of interest income and remuneration for provided services connected with the distribution and operation of these products.

Lease liabilities are measured in accordance with note 43.

Provisions due to employee benefits, including provision for retirement payments that are part of a defined benefit plan, are described in detail in note 47.

Financial information:

PLN'000	31.12.2024	31.12.2023
Staff benefits	20,835	24,065
Interbank settlements	198,432	220,412
Inter-branch settlements	2,543	4,580
Settlements related to securities trading	-	10
Settlements related to brokerage activity	90,953	61,621
Liabilities due to leasing assets	121,165	113,096
Sundry creditors	159,403	182,383
Accruals:	385,015	397,869
Provision for employee payments	116,001	161,344
Provision for employee retirement	113,117	95,546
IT services and bank operations support	68,619	49,040
Consultancy services and business support	8,591	7,310
Other	78,687	84,629
Deferred income	38,318	16,805
Settlements with Tax Office and National Insurance (ZUS)	122,812	73,774
Other liabilities, total	**1,139,476**	**1,094,615**
Including financial liabilities*	593,331	606,167

**Financial liabilities include all the positions "Other liabilities", except the positions "Settlements with Tax Office and National Insurance (ZUS)" and "Deferred income".*

33. Financial assets and liabilities by contractual maturity

As at 31 December 2024

PLN'000	Note	Total	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
Cash and cash equivalents	17	**5,794,361**	**5,794,361**	**-**	**-**	**-**	**-**
Amounts due from banks (gross)	18	**8,788,431**	**2,207,277**	**1,909,437**	**4,437,500**	**-**	**234,217**
Financial assets held-for-trading							
Debt securities held-for-trading	19	1,801,904	15,711	3,551	130,147	603,542	1,048,953
Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-
Debt financial assets measured at fair value through other comprehensive income	20	30,088,771	3,044,865	44,569	3,725,093	14,102,723	9,171,521
Amounts due from customers (gross)							
Amounts due from financial sector entities	22	5,110,374	2,034,675	75,699	700,000	2,300,000	-
Amounts due from non-financial sector entities	22	16,802,583	7,108,999	1,503,255	1,804,731	3,803,684	2,581,914
Amounts due to banks	29	**4,435,817**	**3,367,567**	**-**	**-**	**1,068,250**	**-**
Amounts due to customers							
Amounts due to financial sector entities	30	4,033,464	3,983,791	46,770	2,903	-	-
Amounts due to non-financial sector entities	30	49,951,568	43,661,121	4,265,820	2,023,175	1,452	-

As at 31 December 2023

PLN'000	Note	Total	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
Cash and cash equivalents	17	**1,241,873**	**1,241,873**	**-**	**-**	**-**	**-**
Amounts due from banks (gross)	18	**15,372,457**	**13,200,518**	**2,151,939**	**20,000**	**-**	**-**
Financial assets held-for-trading		**-**	**-**	**-**	**-**	**-**	**-**
Debt securities held-for-trading	19	791,112	2,024	-	112,216	564,173	112,699
Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-
Debt financial assets measured at fair value through other comprehensive income	20	29,560,292	5,842,500	2,039,965	213,764	17,118,669	4,345,394
Amounts due from customers (gross)		-	-	-	-	-	-
Amounts due from financial sector entities	22	4,178,206	1,878,206	-	500,000	1,800,000	-
Amounts due from non-financial sector entities	22	16,613,440	6,553,319	2,091,013	1,976,646	3,530,878	2,461,584
Amounts due to banks	29	**3,375,687**	**3,365,687**	**-**	**10,000**	**-**	**-**
Amounts due to customers		-	-	-	-	-	-
Amounts due to financial sector entities	30	3,804,675	3,727,496	36,519	40,660	-	-
Amounts due to non-financial sector entities	30	50,384,140	44,634,301	3,468,856	2,278,024	2,959	-

**Comparative data as at 31 December 2023 have changed in connection with the presentation change in 2024. For additional information, see Note 2 in the Comparative Data section.*

34. Capital and reserves

Capital and reserves are accounted in nominal values except for Reserve for revaluation of financial assets measured at fair value through other comprehensive income that which include deferred taxation effect.

Share capital

Series/ issue	Type of shares	Type of preference	Type of limitation	Number of shares	Par value of series/issue [PLN'000]	Method of issue payment	Date of registration	Eligibility for dividends (from date)
A	bearer	none	-	65,000,000	260,000	paid in	27.03.97	01.01.97
B	bearer	none	-	1,120,000	4,480	paid in	27.10.98	01.01.97
B	bearer	none	-	1,557,500	6,230	paid in	25.06.99	01.01.97
B	bearer	none	-	2,240,000	8,960	paid in	16.11.99	01.01.97
B	bearer	none	-	17,648,500	70,594	paid in	24.05.02	01.01.97
B	bearer	none	-	5,434,000	21,736	paid in	16.06.03	01.01.97
C	bearer	none	-	37,659,600	150,638	transfer of Citibank (Poland) assets to the Bank	28.02.01	01.01.00
				130,659,600	**522,638**			

The par value of 1 share amounts to PLN 4.00

As at 31 December 2024, the Parent entity's share capital amounted to PLN 522,638,400 divided into 130,659,600 common bearer shares with a nominal value of PLN 4 each, which has not changed since 31 December 2023.

The Parent entity has not issued preferred shares.

Both in 2024 and 2023, there was no increase in the share capital by shares issuance.

Principal shareholders

During 2024 and the period from the publication of the previous annual consolidated financial statement for 2023 until the day of the publication of this annual consolidated financial statement for 2024, the structure of major shareholdings of the Bank changed.

The following table presents the shareholders who, as at 31 December 2024, held at least 5% of the total number of votes at the General Meeting or at least 5% of the Parent entity's share capital:

	Number of shares	% Shares	Number of votes at GM	% votes at GM
Citibank Europe PLC, Ireland	97,994,700	75.00	97,994,700	75.00
Other shareholders	32,664,900	25.00	32,664,900	25.00
	130,659,600	**100.00**	**130,659,600**	**100.00**

The following table presents the shareholders who, as at 31 December 2023, held at least 5% of the total number of votes at the General Meeting or at least 5% of the Parent entity's share capital:

	Number of shares	% Shares	Number of votes at GM	% votes at GM
Citibank Europe PLC, Ireland	97,994,700	75,0	97,994,700	75,0
Pension funds managed by Nationale-Nederlanden PTE S.A, including:	6,876,766	5,26	6,876,766	5,26
Nationale Nederlanden OFE	6,539,514	5,01	6,539,514	5,01
Other shareholders	25,788,134	19,74	25,788,134	19,74
	130,659,600	**100**	**130,659,600**	**100**

On 21 November 2024, the Bank received a notification from Nationale – Nederlanden Powszechne Towarzystwo Emerytalne S.A. ("NN PTE") on the decrease of shares in the Bank's share capital and in the total number of votes below 5% in the share capital and in the total number of votes. According to the notification of NN OFE, as a result of the sale of the Bank's shares in transactions on the Warsaw Stock Exchange concluded on 19 November 2024, its shareholding at the Bank decreased. After the transaction settlement, NN OFE holds 6,529,671 shares of the Bank, representing 4.997% of the Bank's share capital, which gives the right to exercise 6,529,671 votes attached to the shares, accounting for 4.997% of the total number of votes.

At the same time, NN PTE informed the Bank that as a result of the same transaction, the funds managed by NN PTE: Nationale Nederlanden Otwarty Fundusz Emerytalny (an open-end pension fund) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (a voluntary pension fund) reduced the total number of shares in the Bank below 5% of votes at the Bank's General Meeting of Shareholders. After the transaction settlement, these funds hold 6,529,838 shares of the Bank, representing 4.998% of the Bank's share capital, which gives the right to exercise 6,529,838 votes attached to the shares, accounting for 4.998% of the total number of votes.

Supplementary capital

As at 31 December 2024, supplementary capital was PLN 3,001,260 thousand (31 December 2023: PLN 3,001,259 thousand). Supplementary capital is designated for offsetting financial losses or for other purposes including payment of dividends to the shareholders. The General Shareholders' Meeting of the Bank decides on the utilization of supplementary capital, but a portion of its balance amounting to one third of the total share capital may be used exclusively for offsetting losses shown in the financial statements.

The supplementary capital includes the amount of PLN 2,485,534 thousand constituting the excess of the fair value of the issued shares over their nominal value in connection with the business combination of the Bank and Citibank (Poland) S.A., which took place on 28 February 2001.

Issue, redemption and repayment of debt and equity securities

Due to implementation of the incentive programs referred to in the resolutions adopted by the Extraordinary General Meeting of the Bank on December 16, 2022. In 2024, the Group converted a specific part of the awards settled in cash into awards settled in equity instruments of Bank Handlowy S.A., which resulted in a change of method of recognizing certain equity awards in accordance with IFRS 2 "Share-based payments". The conversion of awards involved the transfer of part of liabilities to employees previously included in the statement of financial position in the item Other liabilities to the equity item Other reserves. Awards are recognized as costs in the period of acquiring rights by the awarded employees in correspondence with equity. The value of the award is determined according to the fair value of the shares determined on the date of granting and is not subject to revaluation thereafter. In order to implement the program, the Bank started purchasing its own shares, which until they are issued as rewards are presented in the

statement of financial position in the item Own shares and in the statement of cash flows in cash flows from financial activities.

As part of the treasury shares buy-back program referred to above, in 2024 the Bank purchased a total of 335,901 treasury shares with the face value of one purchased share being PLN 4, representing 0.2570810% of the Bank's share capital and authorizing to 335,901 votes at the General Meeting of Shareholders of the Bank, which constitutes 0.2570810% of the total number of votes at the General Meeting of Shareholders of the Bank, provided that in the period when treasury shares are owned by the Bank, the Bank may not exercise its voting rights attached to these shares.

The total price of purchase by the Bank of own shares referred to above amounted to PLN 33,332,962.20.

On 22 July 2024, the Bank issued (i.e. initiated the transfer of), against no consideration, a total of 116,994 treasury shares previously purchased by the Bank, to the eligible employees of the Bank and thus closed the process of transferring treasury shares in 2024. The shares issued represent a total of 0.0895411% of the share capital of the Bank and entitle to 0.0895411% of the total number of votes at the General Meeting of Shareholders of the Bank.

As at the end of December 2024, the Bank retained a total of 218,907 treasury shares representing in total 0.1675399% of the Bank's share capital and entitling to a total of 0.1675399% of the total number of votes at the General Meeting of Shareholders of the Bank.

Revaluation reserve

PLN'000	31.12.2024	31.12.2023
Revaluation of financial assets measured at fair value through other comprehensive income	(64,868)	128,406

The revaluation reserve is not distributed. As at the day of derecognition of all or part of the financial assets measured at fair value through other comprehensive income from the statement of financial position, retained earnings that were previously presented in the other comprehensive and accumulated income in "Revaluation reserve" are reclassified to the income statement.

Other reserves

PLN'000	31.12.2023	31.12.2023
Reserve capital	3,461,965	2,660,961
General risk reserve	540,200	540,200
Capital from the valuation of the equity awards program	55,352	-
Net actuarial losses on defined benefit program valuation	(23,025)	(15,111)
Foreign currency translation adjustment	4,535	4,609
Other reserves, total	**4,039,027**	**3,190,659**

Information regarding the distribution of the net income for 2023 is presented below in the "Dividends paid (declared) section.

Reserve capital

Reserve capital is created from the annual distribution of profits or from other sources, independently of the supplementary capital.

Reserve capital is designated for offsetting financial position losses or for other purposes, including payment of dividends to shareholders. The General Shareholders' Meeting of the Bank makes decisions on utilization of reserve capital.

General risk reserve

The general risk reserve is recorded out of net profit against unidentified risk arising from banking activities. The General Shareholders' Meeting of the Bank makes decisions on utilization of the general risk reserve subject to applicable regulations.

Dividends

Dividends are recognized as liabilities on the date at which the General Meeting of the Bank has approved the appropriation of earnings.

Dividends paid (or declared)

On June 19, 2024, the Annual General Meeting of the Bank adopted a resolution on distribution of net profit for 2023. Pursuant to the resolution the net profit for 2023 in the amount of PLN 2,255,190,345.46 was distributed as follows:

- Dividend: PLN 1,454,930,607.50, i.e. PLN 11.15 per share,
- Reserve capital: PLN 800,259,737.96

Dividend day was set for June 27, 2024, and the dividend payment date for July 4, 2024. The number of shares covered by dividend was 130,487,050.

The dividend accounted for 65% of the net profit for 2023, 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 2023.

35. Repurchase and reverse repurchase agreements

The Group enters into purchase and sale transactions under agreements to resell and repurchase the same financial assets, so-called sell-buy-back and buy-sell-back respectively, as well as repo and reverse repo transactions in securities. Securities sold under repurchase agreements continue to be shown as the Group's assets. If the acquirer has the right to sell or pledge the assets, such assets are presented in a separate in the statement of financial positions line. At the same time liabilities arising from the repurchase promise are recognized. In the case of securities purchased under agreements to resell, securities are presented in the statement of financial position as loans and advances. Any differences between sale/purchase prices and repurchase/resale prices are recognized respectively as interest income and expense using the effective interest rate method. In the case of sale of the securities previously purchased in the reverse repo transaction, the Group recognizes liabilities due to the short sale of securities. These liabilities are evaluated at fair value.

Repurchase agreements

Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates.

In repo transactions, all gains and losses on the assets held are on the Group's side.

Assets sold under repo transactions could not be traded by the Group further.

As at 31 December 2024 the Group no had repo liabilities which were offset in the financial statements as described in note 36.

In 2024, the total interest expense on repurchase agreements was PLN 26,558 thousand (in 2023: PLN 61,394 thousand).

Reverse repurchase agreements

Reverse repurchase agreements are entered into as a facility to provide funding to customers.

As at 31 December 2024, assets purchased subject to agreements to resell were as follows:

PLN'000	Carrying amount of receivable*	Fair value of assets held as collateral	Resale date	Resale price
Amounts due from banks	1,840,962	1,894,830	Up to 1 month	1,843,107
	1,914,286	2,160,656	Up to 3 months	1,924,318
	4,462,267	4,464,007	Up to year	4,579,296
Amounts due from other financial sector entities	303,408	301,011	Up to 1 month	303,565
	8,520,923	**8,820,504**		**8,650,286**

**Including interest*

As at 31 December 2023, assets purchased subject to agreements to resell were as follows:

PLN'000	Carrying amount of receivable*	Fair value of assets held as collateral	Resale date	Resale price
Amounts due from banks	1,971,118	1,976,197	Up to 1 week	1,971,695
	10,741,030	10,938,516	Up to 1 month	10,763,031
	2,149,291	2,193,075	Up to 3 months	2,160,169
Amounts due from other financial sector entities	181,616	180,007	Up to 1 week	181,663

PLN'000	Carrying amount of receivable*	Fair value of assets held as collateral	Resale date	Resale price
	15,043,055	**15,287,795**		**15,076,558**

As at 31 December 2024 and 31 December 2023, the Group held the option to pledge or sell the assets acquired through reverse repo.

As at 31 December 2024 the Group had repo receivables which were offset in the financial statements as described in note 36.

In 2024, the total interest income on reverse repurchase agreements was PLN 468,741 thousand (in 2023: PLN 474,421 thousand).

As at 31 December 2024, the liabilities due to short sale of securities purchased in reverse repo transactions amounted to PLN 156,708thousand (as at 31 December 2023: PLN 132,417 thousand).

36. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented in the consolidated statement of financial position on a net basis when there is a legally enforceable right to offset, and their settlement is intended to take place on a net basis or to realize the asset and settle the liability simultaneously.

In the consolidated statement of financial position, the Group offsets financial assets and financial liabilities resulting from derivative contracts, settled by a central counterparty (CCP) - KDPW_CCP S.A.

The Group changed its approach to offsetting of derivative instruments which is presented in Note 2.

The disclosure below additionally presents financial assets and financial liabilities resulting from forward and derivative transactions under master agreements, which constitute market standards developed under the International Swaps and Derivatives Association (ISDA), the Polish Bank Association and other master agreements, , under which, in certain breaches of the contracts' provisions, the contract may be legally terminated and settled in the net amount of receivables and liabilities.

The table below presents the fair values of derivatives (from the trading portfolio and designated as hedging instruments) as well as executable collateral for framework deals enabling lawful compensation in defined situations.

PLN'000	31.12.2024		31.12.2023	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Receivables/liabilities arising from purchased/sold securities with a repurchase agreement received/granted	8,520,923	-	15,056,723	13,668
The effect of offsetting	-	-	(13,668)	(13,668)
The value of receivables and liabilities presented in the statement of financial position	**8,520,923**	**-**	**15,043,055**	**-**
Fair value of derivatives	4,818,938	4,153,965	6,313,560	5,706,585
The effect of offsetting*	(2,140,938)	(1,482,031)	(3,044,194)	(2,225,007)
Valuation of derivatives (net) presented in the statement of financial position	2,678,000	2,671,934	3,269,366	3,481,578
Value of collateral received/placed	(754,135)	(960,760)	(899,433)	(1,244,474)
Assets and liabilities subject to offsetting under the master agreement	**1,923,865**	**1,711,174**	**2,369,933**	**2,237,104**
Maximum amount of potential offset	(1,659,912)	(1,659,912)	(2,042,072)	(2,042,072)
Assets and liabilities subject to offsetting under the master agreement considering the maximum amount of potential offset	**263,953**	**51,262**	**327,861**	**195,032**

**Offsetting effect relates only to derivative instruments presented in the statement of financial position. Offsetting additionally impacts Amounts due to customers, deposit margin.*

37. Hedge accounting

Accounting policy:

The Group hedges against the risk of change in the fair value of fixed interest rate debt securities measured at fair value through other comprehensive income. The hedged risk results from changes in interest rates. In respect of hedge

accounting the Group applies IAS 39.

IRS, denominated in the same currency as the hedged items, is the hedging instrument swapping the fixed interest rate for a variable interest rate.

The gain or loss on the hedged item attributable to the hedged risk is recognized in the result on hedge accounting in the income statement. The remainder of the change in the fair value valuation of debt securities available for sale is recognized in other comprehensive income. Interest income on debt securities is recognized in net interest income.

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognized in the result on hedge accounting in the income statement. Interest income and interest expenses related to the interest measurement component of derivatives concluded as hedging instruments under fair value hedges are presented in the interest result in the position interest income/expense on derivatives in hedge accounting.

***Financial information*:**

As at 31 December 2024 and as at 31 December 2023, the Group had an active hedging relationship. Details are presented below.

As at 31 December 2024:

PLN'000	Notional value	Balance value		Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
		Assets	Liabilities		
Hedge accounting of fair value					
Interest rate risk					
IRS Transactions	7,024,500	54,615	72,737	Hedging derivatives	154,407

Details of the hedged items are presented in the table below.

PLN'000	Balance value		Cumulative amount of hedging fair value in balance value of hedged item corrections	Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
	Assets	Liabilities			
Hedge accounting of fair value					
Interest rate risk					
Treasury bonds	2,836,707	-	(24,366)	Debt investment securities measured at fair value through other comprehensive income	(38,107)
Bonds of financial institution	3,731,148	-	(8,546)	Debt investment securities measured at fair value through other comprehensive income	(107,426)

Cumulated amounts of adjustments related to fair value hedges included in the statement of financial position for all hedged items, with respect for which adjustments for gains and losses on fair value hedging have ceased, amounted to PLN (108,981) thousand as at 31 December 2024.

Information regarding hedge effectiveness is presented below.

	Hedge ineffectiveness recognized in income statement	Listing in the statement of financial position
Hedge accounting of fair value		
Interest rate risk	8,874	Hedge accounting result

As at 31 December 2023:

PLN'000	Notional value	Balance value		Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
		Assets	Liabilities		
Hedge accounting of fair value					
Interest rate risk					
IRS Transactions	3,211 000	6,731	92,869	Hedging derivatives	(90,428)

Details of the hedged items are presented in the table below.

PLN'000	Balance value		Cumulative amount of hedging fair value in balance value of hedged item corrections	Listing in the statement of financial position	Change in fair value used to take hold of hedge ineffectiveness
	Assets	Liabilities			
Hedge accounting of fair value					
Interest rate risk					
Bank bonds	2,831,996	-	87,316	Debt investment securities measured at fair value through other comprehensive income	80,361

Cumulated amounts of adjustments related to fair value hedges included in the statement of financial position for all hedged items, with respect for which adjustments for gains and losses on fair value hedging have ceased, amounted to PLN (105,323) thousand as at 31 December 2024.

Information regarding hedge effectiveness is presented below.

	Hedge ineffectiveness recognized in income statement	Listing in the statement of financial position
Hedge accounting of fair value		
Interest rate risk	(10,067)	Hedge accounting result

38. Fair value information

Fair value of financial assets and liabilities

Fair value is a price that would be received for selling an asset or paid for transferring the liability in a transaction carried out in the conditions between market participants at the measurement date.

The summary below provides a statement of financial position (by category) and fair value information for each category of financial assets and liabilities.

As at 31 December 2024

PLN'000	Note	Held-for-trading	Loans, advances and other receivables	Measured at fair value through other comprehensive income	Other financial assets/liabilities	Total carrying value	Fair value*	Fair value disclosure**
Financial assets								
Amounts due from banks measured at amortized cost	18	-	8,787,780	-	-	8,787,780	n/a	8,787,781
Financial assets held-for-trading measured at fair value	19	4,436,319	-	-	-	4,436,319	4,436,319	n/a

PLN'000	Note	Held-for-trading	Loans, advances and other receivables	Measured at fair value through other comprehensive income	Other financial assets/liabilities	Total carrying value	Fair value*	Fair value disclosure**
Debt investment financial assets measured at fair value through other comprehensive income	20	-	-	30,088,771	-	30,088,771	30,088,771	n/a
Equity and other instruments measured at fair value through income statement	21	-	-	-	172,948	172,948	172,948	n/a
Amounts due from customers measured at amortized cost	22	-	21,367,246	-	-	21,367,246	n/a	21,381,622
Amounts due from institutional customers		-	15,329,548	-	-	15,329,548	n/a	15,321,332
Amounts due from individual customers		-	6,037,698	-	-	6,037,698	n/a	6,060,290
		4,436,319	**30,155,026**	**30,088,771**	**172,948**	**64,853,064**	**34,698,038**	**30,169,403**
Financial liabilities								
Amounts due to banks	29	-	-	-	4,435,817	4,435,817	n/a	4,435,873
Financial liabilities held-for-trading	19	2,755,905	-	-	-	2,755,905	2,755,905	n/a
Amounts due to customers	30	-	-	-	53,985,032	53,985,032	n/a	53,963,225
		2,755,905	**-**	**-**	**58,420,849**	**61,176,754**	**2,755,905**	**58,399,098**

**Fair value of assets and liabilities that are recognized and measured in the statement of financial position at fair value.*
***Fair value of assets and liabilities that are not recognized and measured in the statement of financial position at fair value, but for which fair value is additionally disclosed in accordance with the requirements of IFRS 13.*

As at 31 December 2023

PLN'000	Note	Held-for-trading	Loans, advances and other receivables	Measured at fair value through other comprehensive income	Other financial assets/liabilities	Total carrying value	Fair value*	Fair value disclosure**
Financial assets								
Amounts due from banks measured at amortized cost	18	-	15,371,552	-	-	15,371,552	n/a	15,371,619
Financial assets held-for-trading measured at fair value	19	4,061,146	-	-	-	4,061,146	4,061,146	n/a
Debt investment financial assets measured at fair value through other comprehensive income	20	-	-	29,560,292	-	29,560,292	29,560,292	n/a
Equity and other instruments measured at fair value through income statement	21	-	-	-	141,495	141,495	141,495	n/a
Amounts due from customers measured at amortized cost	22	-	20,054,454	-	-	20,054,454	n/a	n/a
Amounts due from		-	14,126,464	-	-	14,126,464	n/a	n/a

PLN'000	Note	Held-for-trading	Loans, advances and other receivables	Measured at fair value through other comprehensive income	Other financial assets/liabilities	Total carrying value	Fair value*	Fair value disclosure**
institutional customers								
Amounts due from individual customers		-	5,927,990	-	-	5,927,990	n/a	5,894,973
		4,061,146	**35,426,006**	**29,560,292**	**141,495**	**69,188,939**	**33,762,933**	**35,397,659**
Financial liabilities								
Amounts due to banks	29	-	-	-	3,375,687	3,375,687	n/a	3,375,960
Financial liabilities held-for-trading	19	3,522,203	-	-	n/a	3,522,203	3,522,203	n/a
Amounts due to customers	30	-	-	-	54,188,815	55,008,001	n/a	54,980,883
		3,522,203	**-**	**-**	**57,564,502**	**61,905,891**	**3,522,203**	**58,356,843**

**Fair value of assets and liabilities that are recognized and measured in the statement of financial position at fair value.*
***Fair value of assets and liabilities that are not recognized and measured in the statement of financial position at fair value, but for which fair value is additionally disclosed in accordance with the requirements of IFRS 13.*
Comparative fair value data as at 31 December 2023 for receivables from institutional and retail clients have been adjusted in relation to the disclosures in the financial statements for 2023.

Depending on the method of determining fair value, individual financial assets or liabilities are classified into the following categories:

- Level I: financial assets/liabilities valued directly on the basis of prices from an active market where the regular quotations and turnover are available.

  The active market includes stock and brokerage quotes and quotes in systems as pricing services, such as Reuters and Bloomberg, which represent the actual market transactions concluded on market conditions. Level I mainly include securities held-for-trading or available-for-sale.
- Level II: financial assets/liabilities valued on the basis of models based on input data from the active market and presented in Reuters and Bloomberg systems; depending on financial instruments, the following specific valuation techniques are used:
  - listed market prices for a given instrument or listed market prices for an alternative instrument;
  - fair value of interest rate swaps and forward foreign exchange contracts is calculated as the current value of future cash flows based on the market yield curves and current NBP fixing exchange rate in case of foreign currency instruments;
  - other techniques, such as yield curves based on alternative prices for a given financial instrument.
- Level III: financial assets/liabilities valued on the basis of valuation techniques using relevant parameters not market based.

The tables below present carrying amounts of financial instruments presented in the consolidated statement of financial position measured at fair value, arranged according to the above categories:

As at 31 December 2024

PLN'000	Note	Level I	Level II	Level III	Total
Financial assets					
Financial assets held-for-trading	19	1,847,453	2,588,866	-	4,436,319
derivatives		34,994	2,588,866	-	2,623,860
debt securities		1,801,904	-	-	1,801,904
equity instruments		10,555	-	-	10,555
Hedging derivatives	37	-	54,140	-	54,140
Debt investment financial assets measured at fair value through other comprehensive income	20	29,089,569	999,202	-	30,088,771
Equity and other instruments measured at fair value through income statement	21	38,117	-	134,831	172,948
Financial liabilities		-	-	-	-
Financial liabilities held-for-trading	18	156,708	2,599,197	-	2,755,905
short sale of securities		156,708	-	-	156,708

PLN'000	Note	Level I	Level II	Level III	Total
derivatives		-	2,599,197	-	2,599,197
Hedging derivatives		-	72,737	-	72,737

As at 31 December 2023

PLN'000	Note	Level I	Level II	Level III	Total
Financial assets					
Financial assets held-for-trading	19	844,480	3,216,666	-	4,061,146
derivatives		45,970	3,216,666	-	3,262,636
debt securities		791,112	-	-	791,112
equity instruments		7,398	-	-	7,398
Hedging derivatives	37	-	6,731	-	6,731
Debt investment financial assets measured at fair value through other comprehensive income	20	24,564,280	4,996,012	-	29,560,292
Equity and other instruments measured at fair value through income statement	21	19,739	-	121,756	141,495
Financial liabilities		-	-	-	-
Financial liabilities held-for-trading	18	140,524	3,381,679	-	3,522,203
short sale of securities		133,495	-	-	133,495
derivatives		7,029	3,381,679	-	3,388,708
Hedging derivatives		-	92,869	-	92,869

As at 31 December 2024, the structure of Visa Inc shares held by the Bank changed compared to 31 December 2023. As an outcome of the transaction in the third quarter of 2024, the Bank acquired 104 privileged Visa Inc series A shares worth PLN 10,894 thousand; simultaneously the conversion ratio of C series to A series change as well, which resulted in a reduction in the valuation of series C shares by PLN 7,999 thousand as of the day of conversion. The positive result on operation amounted to PLN 2,895 thousand and was in the Net gain/(loss) on equity investments and other at fair value through income statement.

As at 31 December 2024, the amount of financial assets classified to level III includes the value of the share in Visa Inc. in the amount of PLN 10,949 thousand (privileged series C) and also the value of other minority shareholding in the amount of PLN 123,882 thousand (as at 31 December 2023: PLN 15,669 thousand and PLN 106,087 thousand, respectively).

The sensitivity analysis for equity instruments classified to Level III is presented in the table below:

PLN'000	Fair value	Scenario	Fair value in the positive scenario	Fair value in the negative scenario
Equity and other instruments measured at fair value through income statement	134,831	Change of the key parameter (cost of capital by - 10% / + 10% or conversion rate by + 10% / - 10%)	152,893	120,528

The method of estimating the fair value of series C Visa Inc preference shares takes into account the value of Visa Inc. shares and corrections resulting from disputes (current or potential) to which Visa or the Bank would be a party. Minority shareholdings in structured companies are measured at fair value taking into account, inter alia, the expected discounted dividends using an assumed cost of capital and the history of profit distribution in the particular companies. Changes in the valuation are taken to the Income statement and presented in the Net gain/(loss) on equity and other instruments measured at fair value through income statement.

Changes in financial assets and liabilities measured at a fair value that was defined by using relevant parameters that are not market-based are presented below:

PLN'000	01.01.-31.12.2024	01.01.-31.12.2023
	Equity and other investments measured at fair value through income statement	
As at 1 January	**121,756**	**88,484**
Conversion of shares - transfer to Level I	(8,346)	-
Revaluation	21,421	33,272

PLN'000	01.01.-31.12.2024 Equity and other investments measured at fair value through income statement	01.01.-31.12.2023
As at 31 December	**134,831**	**121,756**

Revaluation is recognized in the Net gain/(loss) on equity and other instruments measured at fair value through income statement.

In 2024 the Group has not made any changes in classification criteria of financial instruments (presented in the consolidated statement of financial position at fair value) to each category reflecting the fair value (level I, level II, level III).

In the same period the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

Fair value measurement

In the case of short-term financial assets and liabilities, it is assumed that their carrying amount is practically equal to their fair value. In the case of other instruments, the following methods and assumptions have been adopted.

Amounts due from customers and banks

The carrying amount of loans is presented at amortized cost less impairment. The fair value of loans and advances is calculated as the discounted value of expected future principal payments and takes into account fluctuations in market interest rates as well as changes in margins during the financial period. Changes in margins on loans are based on concluded transactions. It is assumed that loans and advances will be paid on the contractual date. In the case of loans for which repayment dates are not fixed (e.g., overdrafts), the fair value is the repayment that would be required if the amount were due on the balance sheet date.

The methods of valuation mentioned above are classifies to the third level of the fair value financial hierarchy: assets valued on the basis of valuation techniques using relevant parameters not market based.

Amounts due to banks and customers

In the case of on-demand deposits, as well as deposits without a pre-determined maturity date, the fair value is the amount that would be paid out if demanded on the balance date. The fair value of fixed maturity deposits is estimated on the basis of cash flows discounted with current interest rates taking into account current margins in a similar way as adopted for the valuation of loans.

For overnight placements, the fair value is equal to their carrying amount. For fixed interest rate placements, the fair value is assessed on the basis of discounted cash flows using current money market interest rates for receivables with similar credit risk, time to maturity, and currency.

As described above, the models used to determine the fair value of assets and liabilities to banks and customers, recognized in the consolidated statement of financial position at amortized cost, involve valuation techniques based on non-market parameters. Therefore, the Group classifies the valuation of financial instruments for the purpose of disclosure to the third level of the fair value hierarchy. For all other financial instruments not at fair value, the Group believes that the fair value generally approximates the carrying value

39. Derecognition of financial assets

The net gain/(loss) on derecognition of financial assets in Group relates to the gain on debt investment financial assets measured at fair value through other comprehensive income and amounted to PLN (147 758) thousand in 2024 (in 2023: PLN (323,054) thousand).

PLN '000	01.01.-31.12.2024	01.01.-31.12.2023
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		
Polish treasury bonds	30,176	(25,492)
Securities of international financial institutions	18,064	(122,338)
Others	2,412	72
	50,652	**(147,758)**

Due to specific activity of the Group, changes in debt investment financial assets measured at fair value through other comprehensive income are presented in operating activities in the statement of cash-flows.

40. Contingent liabilities and litigation proceedings

Information on pending proceedings

No proceedings regarding receivables or liabilities of the Group conducted in 2024 in court, public administration authorities or an arbitration authority is of significant value. In Group's opinion no proceedings conducted before in court, public administration authority or an arbitration authority, pose a threat to the Group's financial liquidity, individually or in total.

In the case of legal proceedings involving the risk of cash outflow, the appropriate provisions are created.

In accordance with applicable regulations, the Group recognizes impairment losses for receivables subject to legal proceedings.

The value of provisions for disputes as at 31 December 2024 and 31 December 2023 is presented in the table below:

PLN '000	31.12.2024	31.12.2023
Provisions for disputes, including:	**53,046**	**47,028**
provisions for option cases on derivative instruments	16,718	15,880
provisions for individual cases relating, including:	25,446	23,512
provisions for cases related to CHF-indexed loans	24,858	22,625
provisions for cases related to the return of a part of the commission for granting consumer loan	588	887
Provisions for disputes	**53,046**	**47,028**

The above values do not include portfolio provision created in connection with the CJEU judgments presented in Note 31 under "Other".

In 2024 the Group did not make any significant settlement resulting from court's final judgment.

- On 27 May 2019 the Bank received a statement of claim submitted by Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. for the payment of PLN 386,139,180.89 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 50,017,463.89 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014. The Court has referred the matter to mediation proceedings, which have not resulted in a mutual agreement, so the case is pending before the court of first instance.

  On 10 February 2020 the Bank received a statement of claim submitted by Rotsa Sales Direct sp. z o.o. for the payment of PLN 419,712.468.48 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 33,047,245.20 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014. The court referred the matter to mediation proceedings, so the case is pending before the court of first instance.

  In the Bank's opinion, the number of claims filed by the companies is not justified. The Bank's position is confirmed by legally binding resolutions of legal actions taken by the companies against the Bank, which are beneficial for the Bank, as well as by the judgement expressed in the proceedings with reference number C-64/21 pending before the Court of Justice of the European Union in connection with preliminary ruling from the Supreme Court of October 13, 2022.

- As at 31 December 2024, the Bank was among others a party to 12 court proceedings associated with derivative transactions. Among these, 7 proceedings have not been terminated with a legally binding conclusion, and 3 have been terminated with a legally binding conclusion, but 2 of these proceedings are pending in the Supreme Court cassation proceeding, and the one case was awaiting the justification of the judgment and the potential filing of a cassation appeal. In 6 proceedings the Bank acted as a defendant and in 4 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those

derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.

- The Bank was a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The Bank was one of the addressees of the President of UOKiK's decision in the case. The proceedings have concerned alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/Eurocard/Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. The President of UOKiK's decision was the subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. On October 6, 2015, the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. As the Bank submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict, and the case has been returned to the Appeal Court for a second review. The appeals proceedings have begun again. In the first quarter of 2018, the Bank received the reimbursed. By the judgment of November 23, 2020, the Appeal Court set aside the judgment of November 21, 2013, and remitted the case to the court of first instance for reconsideration.

- 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. 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.

  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 31 December 2024, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 27.2 million. The Bank maintained a collective provision in the amount of PLN 22.8 million (compared to PLN 10.2 million as at 31 December 2023). Estimation of the provision assumes the expected level of probability of settlement or litigation resolution and an estimate of the Bank's loss should a dispute be settled in court. This value, as well as provisions for individual litigation cases, is included in the consolidated financial statement under Provisions.

  As at 31 December 2024, the Bank was sued in 85 cases relating to a CHF-indexed loan for a total amount of approximately PLN 40,2 million. 42 cases were legally lost, and the Bank decided to file two cassation appeals (one appeal was rejected on formal grounds, as to the second the Supreme Court refused to accept the cassation appeals for consideration). Most of the cases are in the first instance.

- 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 prepayment.

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.

Until 31 December 2024, the Bank was sued in 978 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4.4 million. At that date, there were 85 pending cases with a total value of PLN 0.4 million.

- On 22 June 2021, the President of the Office of Competition and Consumer Protection initiated explanatory proceedings to initially determine whether the Bank's actions taken after consumers reported unauthorized payment transactions may justify the initiation of proceedings regarding practices violating the collective interests of consumers or proceedings regarding to recognize the provisions of the standard contract as prohibited. On 8 February 2024, the President of the Office of Competition and Consumer Protection initiated proceedings (decision delivered on 13 February 2024) regarding practices violating the collective interests of consumers regarding unauthorized payment transactions. The charges brought are:
    - failure to refund the amount of an unauthorized payment transaction to the customer within the D+1 deadline despite the lack of premises for such refusal,
    - misleading consumers as to the Bank's obligations and the distribution of the burden of proving the authorization of a payment transaction.

  The proceedings are the result of the explanatory proceedings of the President of the Office of Competition and Consumer Protection initiated in June 2021. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

- On 22 November 2023, the Polish Financial Supervision Authority ("KNF") started administrative proceedings against the Bank that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, it is not possible to reliably estimate its potential outcome.

- As of 31 December 2024, the Bank was the defendant in a total of 183 court cases concerning claims arising from the free credit sanction related to consumer loans offered by the Bank. The total value of the dispute in these cases as of the above date was PLN 3,6 MM
  The Bank noted the preliminary questions submitted by Polish courts in cases concerning Polish financial market entities, which concern issues related to the free credit sanction, and is closely following the course of proceedings in which these questions are to be resolved.
  In particular, the Bank noted the judgment of the CJEU of February 13, 2025 in case C-472/23, in which the CJEU found that

  1) providing in a consumer credit agreement the APR taking into account the costs resulting from a contractual provision subsequently deemed unlawful does not in itself constitute a breach of the information obligation;
  2) modification clauses included in consumer credit agreements should give the consumer the opportunity to discern the scope of the charges awaiting him;
  3) the sanction of a free credit is not disproportionate, even if it is not differentiated depending on the seriousness of the breach, if it is imposed in connection with a breach that may undermine the consumer's ability to assess the scope of his obligation.

  The Bank closely monitors court decisions in cases concerning the free credit sanction. Currently, the rulings in the Bank's cases are overwhelmingly favorable to the Bank.

Commitments due to granted and received financial and guarantee liabilities

The amount of financial and guarantee commitments granted and received, by product category, is as follows:

PLN '000	State as at 31.12.2024	31.12.2023
Contingent liabilities and guarantees granted		
Letters of credit	245,189	157,836
Guarantees granted	4,035,116	2,999,009
Credit lines granted	16,261,305	14,165,469
Other financial liabilities	160,607	-
Underwriting other issuers' securities issues	22,433	19,988
	20,724,650	**17,342,302**

PLN '000	31.12.2024	31.12.2023
Letters of credit		
Import letters of credit issued	245,189	157,836
	245,189	**157,836**

Guarantees issued include credit principal repayment guarantees, other repayment guarantees, advance repayment guarantees, performance guarantees, tender guarantees, and bill of exchange guarantees.

The provisions for expected credit losses for contingent liabilities and guarantees granted by the Group are established. As at 31 December 2024 the amount of provisions of granted contingent liabilities and guarantees was PLN 33,256 thousand (31 December 2023: 34,960 thousand).

Movement in provision for expected credit losses – contingent liabilities and guarantees granted presented as follows:

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Provision for expected credit losses - contingent liabilities and guarantees granted					
Provision for expected credit losses as at 1 January 2024	**12,512**	**18,057**	**3,686**	**705**	**34,960**
Transfer to Stage 1	3,799	(3,515)	(284)	-	-
Transfer to Stage 2	(702)	1,049	(347)	-	-
Transfer to Stage 3	(33)	(1,024)	1,057	-	-
Transfer to purchased or originated credit-impaired assets	-	-	-	-	-
(Creation) / Releases in the period though the income statement	(485)	(1,290)	(659)	746	(1,688)
Foreign exchange and other movements	732	(739)	176	(185)	(16)
Provision for expected credit losses as at 31 December 2024	**15,823**	**12,538**	**3,629**	**1,266**	**33,256**

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Provision for expected credit losses - contingent liabilities and guarantees granted					
Provision for expected credit losses as at 1 January 2023	**26,313**	**13,522**	**4,189**	**945**	**44,969**
Transfer to Stage 1	3,094	(2,613)	(236)	(245)	-
Transfer to Stage 2	(1,212)	1,586	(374)	-	-
Transfer to Stage 3	(34)	(922)	956	-	-
Transfer to purchased or originated credit-impaired assets	-	-	(931)	931	-
(Creation) / Releases in the period though	(15,291)	6,947	(888)	(139)	(9,371)

PLN '000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
the income statement					
Foreign exchange and other movements	(358)	(463)	970	(787)	(638)
Provision for expected credit losses as at 31 December 2023	**12,512**	**18,057**	**3,686**	**705**	**34,960**

Movements in contingent liabilities granted that contribute to movements in provision for expected credit losses presented as follows:

PLN'000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Gross amount of contingent liabilities granted					
Gross amount of contingent liabilities granted as at 1 January 2024	**14,798,876**	**2,517,837**	**7,868**	**17,721**	**17,342,302**
Transfer to Stage 1	342,481	(342,465)	(16)	-	-
Transfer to Stage 2	(614,155)	614,198	(43)	-	-
Transfer to Stage 3	(7)	(104)	111	-	-
(Creation)/Releases in the period though the income statement	645,797	(197,926)	24	8,257	456,152
Foreign exchange and other movements	2,902,280	23,394	(13)	535	2,926,196
Net amount of contingent liabilities granted as at 31 December 2024	**18,075,272**	**2,614,934**	**7,931**	**26,513**	**20,724,650**

PLN'000	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired assets	Total
Gross amount of contingent liabilities granted					
Gross amount of contingent liabilities granted as at 1 January 2023	**14,098,650**	**2,189,944**	**12,888**	**19,025**	**16,320,507**
Transfer to Stage 1	311,564	(311,552)	(12)	-	-
Transfer to Stage 2	(446,308)	446,664	(356)	-	-
Transfer to Stage 3	(22)	(111)	133	-	-
Transfer to purchased or originated credit-impaired assets	-	-	(3,441)	3,441	-
(Creation)/Releases in the period though the income statement	1,108,791	215,407	(1,275)	(1,187)	1,321,736
Foreign exchange and other movements	(273,799)	(22,515)	(69)	(3,558)	(299,941)
Net amount of contingent liabilities granted as at 31 December 2023	**14,798,876**	**2,517,837**	**7,868**	**17,721**	**17,342,302**

PLN'000	31.12.2023	31.12.2023
Financial and guarantees liabilities received		
Guarantees	12,910,800	9,442,297
	12,910,800	**9,442,297**

41. Assets pledged as collateral

Details of the carrying amounts of assets pledged as collateral are as follows:

PLN'000	31.12.2024	31.12.2023
Assets pledged		
Debt investment financial assets measured at fair value through other comprehensive income, including:	322,449	822,373
Assets pledged as collateral	*200,309*	*697,771*
Amounts due from banks		
Settlements related to operations in derivative instruments and stock market trading	324,170	475,119
Amounts due from customers		
Stock market trading guarantee funds and settlements	1,613,484	1,585,567
	2,260,103	**2,883,059**

As at 31 December 2024, the debt securities measured at fair value through other comprehensive income presented in the table constituted a reserve against the funds guaranteed to the Bank Guarantee Fund in the amount of PLN 122,140 thousand and debt securities that serve as collateral for the settlement of derivative instruments in the Euroclear clearing house in the amount of PLN 200,309 thousand (31 December 2023 accordingly: PLN 124,602 thousand and PLN 697,771 thousand).

In the statement of financial positions, the Bank presents separately non-cash assets pledged as collateral for liabilities, where the acquirer has the right to sell or pledged the collateral.

Other assets disclosed above secure settlement of derivatives transactions and stock market transactions. The terms and conditions of the transactions executed to date are standard and typical for such dealings.

Restricted assets, apart from the instruments presented in this note, also include the value of the obligatory reserve that the Group is required to maintain in its current account with the NBP. More information on the required reserve is provided in Note 17 Cash and cash equivalents.

42. Custodian activities

The Bank offers both custodian services connected with securities accounts for foreign institutional investors and custodian services for Polish financial institutions, including pension, investment and equity insurance funds. As at 31 December 2024, the Bank maintained above 16,8.thousand securities accounts (including consolidated accounts).

43. Leases

Accounting policy:

At the commencement date, the Group as a lessee measures the lease liability at the present value (discounted) of the lease payments that are not paid at that date. A right-of-use assets are measured at cost.

Right of use of assets due to perpetual usufruct of land are presented as tangible fixed assets in the statement of financial position, while lease liabilities are presented in other liabilities.

In the profit and loss account, the depreciation of the right to use assets is included in the depreciation tangible fixed and intangible assets, interest costs on lease liabilities - in interest costs, and the costs of short-term contracts, leasing low-value assets and leasing variables - in general administrative expenses.

In the statement of cash flows, interest flows are recognized in cash flows from operating activities, while the equity component is included in cash flows from financing activities.

Leases where the Group is the lessee

Financial information:

The Group leases office space and has the right of perpetual usufruct of land:

	2024			2023		
PLN'000	Rights to perpetual usufruct	Real estate and other	Total	Rights to perpetual usufruct	Real estate and other	Total
ROU - Opening	**76,667**	**28,601**	**105,268**	**77,771**	**34,801**	**112,572**
ROU - Added	-	21,688	21,688	-	5,791	5,791

PLN'000	2024			2023		
	Rights to perpetual usufruct	Real estate and other	Total	Rights to perpetual usufruct	Real estate and other	Total
ROU - Amortization	(1,104)	(12,999)	(14,103)	(1,104)	(11,991)	(13,095)
ROU - Closing	**75,563**	**37,290**	**112,853**	**76,667**	**28,601**	**105,268**
Liability Balance as at reporting date	**81,141**	**40,024**	**121,165**	**81,328**	**31,768**	**113,096**

PLN'000	2024			2023		
	Rights to perpetual usufruct	Real estate and other	Total	Rights to perpetual usufruct	Real estate and other	Total
Lease Cost	**4,512**	**13,917**	**18,429**	**4,510**	**12,610**	**17,120**
- Depreciation of right-of-use Assets	1,104	12,999	14,103	1,104	11,991	13,095
- Interest on Lease Liabilities	3,408	918	4,326	3,406	619	4,025
Reporting Exceptions Cost Short-term Leases	**-**	**320**	**320**	**-**	**420**	**420**
Reporting Exceptions Cost Low-value Leases	**-**	**2,256**	**2,256**	**-**	**1,537**	**1,537**
Variable Lease Cost	**-**	**19,549**	**19,549**	**-**	**5,772**	**5,772**
Result on lease modification	**-**	**(87)**	**(87)**	**-**	**(16)**	**(16)**
Total Lease Cost	**4,512**	**35,955**	**40,467**	**4,510**	**20,323**	**24,833**

PLN'000	2024			2023		
	Rights to perpetual usufruct	Real estate and other	Total	Rights to perpetual usufruct	Real estate and other	Total
Cash Flows - Total	**3,595**	**13,590**	**17,185**	**3,595**	**12,300**	**15,895**
Cash Flows - Interest	3,408	918	4,326	*3,406*	*619*	*4,025*
Cash Flows - Principle Repayment	187	12,672	12,859	*189*	*11,681*	*11,870*
Weighted-average Remaining Lease Term (in years)	**68,7**	**4,2**	**62,1**	**69,7**	**4,8**	**62,1**
Weighted-average Incremental Borrowing Rate	**4,3%**	**2,6%**	**4,1%**	**4,3%**	**1,9%**	**4,1%**
Total Lease Cost	**3,595**	**13,590**	**17,185**	**3,595**	**12,300**	**15,895**

44. Transactions with key management personnel

PLN'000	31.12.2024		31.12.2023	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted	**3,537**	**56**	**69**	**-**
Deposits				
Current accounts	11,062	8,810	8,456	3,949
Term deposits	1,074	26,730	1,566	32,916
	12,136	**35,540**	**10,022**	**36,865**

As at 31 December 2024 and 31 December 2023, no loans or guarantees were granted to members of the Management Board or the Supervisory Board.

All transactions of the Group with members of the Management Board and the Supervisory Board are concluded on market terms and conditions.

Staff expenses for current and former members of the Management Board are presented in note 11.

In 2024, the total amount of remuneration paid to the Bank's Supervisory Board was PLN 1,437 thousand (2023: PLN 1,279 thousand). In 2024 and 2023, the Members of the Bank's Supervisory Board did not receive any salaries or any fringe benefits from Subsidiaries.

In 2024 there were changes in the composition of the Bank's Management Board and the Bank's Supervisory Board, as listed below.

Changes in the composition of the Bank's Management Board

On November 16, 2023, Ms. Natalia Bożek resigned from the role of Member of the Management Board effective January 31st, 2024, due to the acceptance of the role of Europe Cluster Chief Financial Officer (CFO) for Citi.

On January 25, 2024, the Supervisory Board of the Bank decided to appoint Mr. Patrycjusz Wójcik to the Management Board of Bank Handlowy w Warszawie S.A. with the position of the Vice President of the Management Board as of 1 February 2024 for a three-year term of office. As part of the internal division of powers in the Management Board, Mr. Patrycjusz Wójcik will be a Vice President of the Bank's Management Board responsible for finance.

Changes in the composition of the Bank's Supervisory Board

On June 19, 2024, the Ordinary General Meeting of Bank Handlowy w Warszawie S.A. decided to appoint as members of the Bank's Supervisory Board:

- for the joint, current term of office of the Bank's Supervisory Board - Natalia Monika Bożek, Ignacio Gutierrez – Orrantia and Fabio Lisanti,
- for a further joint term of office of the Bank's Supervisory Board starting on January 1, 2025 - Natalia Monika Bożek, Ignacio Gutierrez – Orrantia, Marek Kapuściński, Fabio Lisanti, Andras Reiniger, Anna Ewa Rulkiewicz, Sławomir Stefan Sikora and Barbara Karolina Smalska.

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.

A separate non-competition agreement conducted with the Bank applies to each member of the Bank's Management Board. According to its provisions, in case of termination of employment in the Bank, in the period of 12 months (in case of one member of the Management Board – of 6 months) from the date of employment termination, the member of the Management Board is obligated to refrain from competitive activities against the Bank. Due to limitations mentioned above, the Bank will be obliged to pay the compensation to the member of the Management Board.

45. Related parties

The Bank is a member of Citigroup Inc., which is the ultimate controlling party. The parent entity of the Bank is Citibank Europe PLC based in Ireland.

Within its normal course of business activities, the Group enters into transactions with related entities, in particular with entities of Citigroup Inc.

The transactions with related entities result from current activity of the Group, and mainly include deposits, guarantees and derivatives transactions.

Apart from the transactions described in this section, in the presented period neither the Bank nor the Bank's subsidiaries conducted any transactions with related entities, which would be individually or jointly significant. No transaction with related entities was concluded on terms other than market terms.

Transactions with Citigroup Inc. entities

The receivables and liabilities toward Citigroup Inc. entities are as follows:

PLN'000	31.12.2024	31.12.2023
Receivables, including:	7,304,663	6,579,273
Placements	-	-
Liabilities, including*:	3,197,334	2,878,689
Deposits	2,096,072	529,486
Balance-sheet valuation of derivative transactions:		
Assets held-for-trading	1,595,239	1,471,839
Liabilities held-for-trading	942,136	1,308,037
Contingent liabilities granted	269,064	276,572
Contingent liabilities received	220,724	216,832
Contingent transactions in derivative instruments (nominal value), including:	119,673,376	107,160,447

PLN'000	31.12.2024	31.12.2023
Interest rate instruments	44,035,640	37,795,253
Interest rate swaps (IRS)	869,446	855,319
Interest rate options	565,912	604,336
Futures contracts	42,600,282	36,335,598
Currency instruments	75,382,595	68,813,986
FX forward/spot	711,140	2,172,051
Currency – interest rate swaps (CIRS)	30,706,330	20,596,473
FX swap	41,688,289	38,467,705
Foreign exchange options	2,276,836	7,577,757
Securities transactions	244,219	305,992
Securities purchased pending delivery	60,961	25,616
Securities sold pending delivery	183,258	280,376
Commodity transactions	10,922	245,216
Swaps	10,922	245,216

**On 31 December 2024 the Bank's liabilities from the parent company and its branches amounted to millions 1,333 PLN (31 December 2023: PLN 1,333 thousand).*
***To draw funds from subordinated loan under the Framework Loan Facility Agreement, concluded by the Bank and Parent Entity.*

PLN'000	2024	2023
Interest and commission income*	255,328	128,888
Interest and commission expense*	53,708	22,968
General administrative expenses	192,201	173,764
Other operating income	8,832	10,913

**Including interest and commission income in amount of PLN 16 296 thousand (2023: PLN 13,846 thousand) and interest and commission expense in amount of PLN 7,452 thousand (2023: PL2,596 thousand) refer to the parent company*

The Group incurs costs and receives income on derivative transactions with Citigroup Inc. entities to hedge the Bank's position in market risk. These derivative transactions are opposite (back-to-back) to derivative transactions with other Group clients or close the proprietary position of the Group. The net carrying amount of financial derivative transactions with related entities as at 31 December 2023 amounted to PLN 653,103 thousand (as at 31 December 2023: PLN 163,802 thousand).

Furthermore, the Group incurs costs and receives income from agreements concluded between Citigroup Inc. entities and the Group for the mutual provision of services.

The costs arising and accrued (including VAT, reflected in the Group's costs) under concluded agreements in 2024 and 2023 mainly related to the cost of services provided to the Group for the maintenance of the banking IT systems and advisory support and are included in general administrative expenses; income was mainly related to the provision of data processing services by the Group to such entities and is presented in other operating income.

In 2024, the capitalization of investments regarding functionality modification of Retail Banking IT systems took place. Total payments for Citigroup Inc. entities amounted to PLN 130,517 thousand (In 2023: PLN 130,517 thousand). Information on transactions with key management personnel is presented in note 44.

46. Employee benefits

Employee benefits are divided into the following categories:

- short-term benefits, which include salaries, awards, social insurance contributions, paid leave and benefits in kind (such as medical care, company cars and other free or subsidized benefits).

  Depending on their individual grade, employees may receive an award from the incentive fund, a discretionary annual bonus under the internal employee compensation regulations. The costs of short-term benefits are expensed in the income statement in the period to which they relate. At the end of a given reporting period, if there is a balance payable which equals the expected undiscounted value of short-term benefits for that period, the Group will record it as an accrued expense presented under Other liabilities in the statement of financial position.

- Long-term employee benefits

Under its compensation scheme, the Group guarantees its employees retirement and pension allowances, constituting defined benefit plans. Their amount depends on years worked in the Bank, falling directly before gaining rights to payment. For the future payments of retirement and pension allowances there is a reserve made, shown in liabilities in "Other liabilities" in the statement of financial position and in "Activities costs and general and administrative expenses" of the profit and loss account in part resulting from costs of current employment and time. Part of the provision resulting from a change of actuarial assumptions (economics and demographic) taken to valuation is shown in other total income.

- Employee Pension Plan

  The Group conducts for its employees the Employee Pension Plan ("PPE", "Plan"), registered by the Supervisory Authority under numbers ZM RPPE 178/02/12/19 and 993/02/12/19. Collective agreement is based on records of payment of employee contributions to the investment fund by the employer. The Plan is conducted and managed by Goldman Sachs TFI S. A. (previously NN Investment Partners TFI S.A.).

  The Group's pension plan is a defined contribution program in accordance with IAS 19. The Group pays contributions for its staff to a separate organization and, after they are paid, has no other payment liabilities. Premiums are shown as employee benefit expenses in the period they concern.

  The basic contribution paid by the employer is defined as a percentage of salary of the Plan member. The basic contribution rate amounts to 7%. The additional contribution – voluntary, is paid by the employee – the Plan participant. The basic contribution is the income of the Program participant, from whom he is obliged to pay personal income tax (articles 12 and 13 of the Act on the income tax from individuals of 26 July 1991, Official Journal from 2019, item 1387 with amendments).

  Payments from the Plan are paid after the participant's or entitled person's motion and under conditions specified in the program.

  The Plan participant may quit the Plan. The employer stops charging and paying basic and additional contributions for the Plan participant, and the funds that have accumulated on the Plan participant's registers are left there till the time of payment, transfer payment, transfer or refund. In connection with the operation of the PPE in the Bank, the Bank has not implemented the Employee Capital Plan (PPK)

- other long-term employee benefits – jubilee and other long service awards and until 2021 - deferred cash awards granted to the Management Board and people, whose professional operating has a significant impact on the Bank's risk profile. Based on the agreement signed with trade unions in 2023, since 1 January 2024 instead of rewards in kind Bank introduced additional day offs subject to years of service – for every 5 years, starting from 5th anniversary. Starting with the annual bonus for 2022, the granting of bonuses in the form of a deferred cash bonus has been discontinued. Since then, the Bank has been granting deferred variable remuneration conditionally only in a financial instrument.

- employee equity benefits – in the form of existing shares in the capital of Bank Handlowy w Warszawie S.A. or phantom shares (including under the Transaction Reward) and also in the form of common stock under deferred stock award programs based on shares of Citigroup (capital accumulation plan – CAP). In first half of 2024, the Group converted a specific part of the awards settled in cash into awards settled in equity instruments of Bank Handlowy S.A., which resulted in a change of method of recognizing certain equity awards in accordance with IFRS 2 "Share-based payments". The conversion of awards involved the transfer of part of liabilities to employees previously included in the statement of financial position in the item Other liabilities to the equity item Other reserves. Awards are recognized as costs in the period of acquiring rights by the awarded employees in correspondence with equity. The value of the award is determined according to the fair value of the shares determined on the date of granting and is not subject to revaluation thereafter. Awards that have not been converted are treated as cash-settled programs. A provision is created for future payments is shown in the "consolidated statement of financial position" and "General administrative expenses" in the income statement. The costs of the program are determined on the basis of the Bank's shares price or Citigroup share price. According to IFRS, the fair value is measured at grant date and, subsequently, at each reporting date until the final settlement. Total expenses recorded in a given period are based on the fair value deferred shares at the reporting date times the part of the rights that were deemed acquired in that period. Detailed information concerning the employee equity benefits are presented further in this note.

Provisions/accruals for the above employee benefits are as follows:

PLN'000	31.12.2024	31.12.2023
Provision for remuneration	93,503	87,662
Previsions for unused leave	17,458	15,848
Provision for employee retirement and pension benefits	113,117	95,546

PLN'000	31.12.2024	31.12.2023
Provision for employee equity compensation	5,013	57,834
	229,091	**256,890**

The provision for retirement and pension benefits is created individually on the basis of an actuarial valuation performed periodically by an external independent actuary. The valuation of the employee benefit provisions is performed using actuarial techniques and assumptions. The calculation of the provision includes all retirement and pension benefits expected to be paid in the future. The Group performed a reassessment of its estimates as at 31 December 20233, on the basis of calculation conducted by an independent external actuary. The provisions calculated equate to discounted future payments, taking into account staff turnover, and relate to the period ending on the balance sheet date. The discount rate was set at 5.4% and wage growth rate at 5.8% in 2025 and 4.5% in next years.

Change in provisions/accruals for employee retirement allowances and jubilee payments:

PLN'000	2024	2023
As at 1 January	**95,546**	**71,911**
Increases (due to):	20,186	25,262
Actuarial profit/loss on revaluation	9,769	15,767
Including those resulting from:		
Change of economic assumptions	(772)	4,749
Change of demographic assumptions	4,584	6,909
Experience adjustment	5,957	4,109
Remuneration cost	5,587	4,650
Interest cost	4,830	4,845
Decreases (due to):	(2,615)	(1,627)
Provisions utilization	(2,615)	(1,627)
As at 31 December	**113,117**	**95,546**

Analysis of sensitivity for significant actuarial assumptions

PLN'000	2023	2023
Central value	(2,615)	95,546
Decrease of growth salary to 1 p.p.	101,255	85,320
Increase of growth salary to 1 p.p.	127,014	107,315
Decrease of rotation by 10%	117,104	98,946
Increase of rotation by 10%	109,640	92,378
Decrease of discount rate by 0.5 p.p., including:	116,258	98,129
Falling to benefits paid within 1 year	9,321	8,130
Increase of discount rate by 0.5 p.p., including:	110,443	93,152
Falling to benefits paid within 1 year	9,321	8,130

More information about defined benefit programs in the Bank's financial report can be found in note 2.

In 2024, the Group's expenses in respect of premiums for the Employee Pension Plan amounted to PLN 31,122 thousand (in 2023: PLN 31,638 thousand).

Employment in the Group*:

FTEs	2024	2023
Average employment during the year	3,038	3,002
Employment at the end of the year	3,050	3,023

**In 2024, the Bank changed the methodology for calculating average employment and employment at the end of the period. In previous periodic reports, both average employment and employment at the end of the period were calculated excluding employees absent due to illness, parenthood or unpaid leave. Currently, the Bank does not apply this exclusion. Comparative data has been changed accordingly.*

Description and principles of employee stock benefit schemes

Under the employee stock benefit program, the shares of Bank Handlowy w Warszawie S.A. and may be awarded in the form of Citigroup stock (the so-called Capital Accumulation Program, or CAP) are offered to selected employees. Bank has amended remuneration policies by introducing a possibility to payout financial instrument in form of existing shares in the capital of the Bank to employees whose professional activities have material impact on risk profile of the Bank (the "Identified Staff") and to employees without such status, indicated in above-mentioned policies. On November, the 7th, 2022 the Management Board by way of resolution amended remuneration policies, and on November, 14 2022 Supervisory Board adopted them. On December, the 16th, 2022 the Extraordinary General Assembly of Shareholders decided to implement motivation programs that are based on the existing shares in capital of the Bank. In case Bank will not be able to deliver to employees required number of real shares, adopted changes to policies enable Bank to payout a part of remuneration as phantom share award or in case of the decision of the Bank, in form of phantom or real shares of the Bank. Remuneration policies allow for 1:1 conversion of phantom shares granted before the adoption of amendments, provided that an appropriate agreement is signed with employees concerned. On December 29, 2023 the Polish Financial Supervision Authority granted the Bank its permission to buy-back Bank's shares referred to in Article 77 and Article 78 section 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012. The buy-back of Bank's shares started in January 2024.

Within the framework of the CAP, eligible employees could receive so-called "deferred shares" of Citigroup which are granted at the NYSE average closing price as at the 5 days prior to the grant date. "Deferred shares" give the right to equivalents of dividends, but without voting rights, and must not be sold prior to their conversion into stocks. "Deferred shares" are converted into stocks after the end of a period that is determined in the Program Rules. As a general rule, the employee has a right to options revoked at the moment of employment termination in the Citigroup, provided the termination of separate contract for granted options. Deferred shares granted in previous years will be transferred partially in 25% every year for the next four years, starting from the first anniversary of the option to acquire. In 2024, there were no awards granted under this Program.

The employee share program is subject to internal controls in the Compensation and Benefits Unit.

As of 22 December 2017, the Bank implemented the employee remuneration Policy of Bank Handlowy w Warszawie S.A., replacing the prior policy for the remuneration of key persons in Bank Handlowy w Warszawie S.A. Since then, the aforementioned Policy has been subject to reviews and amendments. The last change was implemented by decision of the Bank's Supervisory Board on December 5, 2024.

According to the above-mentioned policy, the Management Board of the Bank and other managerial staff having a significant influence on the Bank's risk profile receive variable remuneration in relation to individual performance and the Bank's financial results.

Employees will acquire entitlements to the part of variable remuneration granted conditionally in 2024 to persons covered by the Policy in tranches over the next 4 or 5 years for the Members of the Bank's Management Board. Payment is made after the end of the relevant Retention Period.

Under motivational program dedicated for employees not being Identified Staff, a portion of the variable remuneration granted conditionally will be paid out in tranches during 4 years after the grant date. In 2024, one employee was granted with awards under this program.

Variable Remuneration in form of financial instruments – Phantom shares and/or real shares of the Bank	
Transaction as per IFRS	Transactions share-based payments settled in cash in accordance with IFRS 2
Financial instruments grant date	15 of January 2018 14 of January 2019 14 of January 2020 11 of January 2021 13 of January 2022 (in case employees excluding the members of the Management Board) 10 of February 2022 (in case of the members of the Management Board) 11 of January 2023 (in case employees excluding the members of the Management Board) 16 of February 2023 (in case of the members of the Management Board) 11 of January 2024 (in case employees excluding the members of the Management Board) 15 of February 2024 (in case of the members of the Management Board)

Variable Remuneration in form of financial instruments – Phantom shares and/or real shares of the Bank	
Number Shares granted Date of maturity	The number of shares was set on grant date • Financial instruments for the President of the Management Board financial instruments granted in 2018-2024 - at least 12, 24, 36, 48, 60, 72 months after grant date • Financial instruments granted in 2020-2021 for other employees Including Members of the Management Board) – at least 6, 18, 30, 42 months after grant date • Financial instruments for the Members of the Management Board financial instruments granted in 2022-2024 - at least 12, 24, 36, 48, 60, 72 months after grant date • Financial instruments granted in 2022-2024 for other employees – at least 6, 18, 30, 42, 54 months after grant date

Vesting date	• Financial instruments for the President of the Management Board
	  ○ in 2018 –2024 – for short-term financial instruments at grant date, for long-term financial instruments at least 12, 24, 36, 48, 60 months after grant
	• Financial instruments for the members of the Management Board excluding the President of the Management Board
	  ○ in 2020 –2021 – for short-term financial instruments at grant date, for long-term financial instruments at least 12, 24, 36 months after grant
	  ○ in 2022-2024 - for short-term financial instruments at grant date, for long-term financial instruments at least 12, 24, 36, 48, 60 months after grant
	• Financial instruments granted for other employees
	  ○ in 2020-2021 - at least 6, 12, 24 and 36 months after grant date
	  ○ in 2022-2024– for short-term financial instruments at grant date, for long-term financial instruments at least 12, 24, 36, 48 months after grant date

Terms and conditions for acquiring rights to the award	Satisfying the conditions on the Bank's results, individual performance of the employee and employment in the Bank in
	• 2018:
	  ○ For the President of the Management Board in relation to the award from 2018-2023
	• 2019:
	  ○ For the President of the Management Board in relation to the award from 2019-2024
	• 2020:
	  ○ For the President of the Management Board in relation to the award from 2020-2025
	  ○ For other employee in relation to the award from 2020-2023
	• 2021:
	  ○ For the President of the Management Board in relation to the award from 2021-2026
	  ○ For other employee in relation to the award from 2021-2024
	• 2022:
	  ○ For the members of the Management Board (including the President of the Management Board) in relation to the award from 2022-2027
	  ○ For other employee in relation to the award from 2022-2026
	• 2023:
	  ○ For the members of the Management Board (including the President of the Management Board) in relation to the award from 2023-2028

Variable Remuneration in form of financial instruments – Phantom shares and/or real shares of the Bank	
	○ For other employee in relation to the award from 2023-2027 • 2024: ○ For the members of the Management Board (including the President of the Management Board) Senior Management from 2024-2029 ○ For other employee from 2024-2028
Program settlement	In the case of the Bank's own shares, employees are presented with an offer to purchase the shares and if accepted, the transfer of the shares to brokerage accounts takes place immediately after the maturity date. In the case of phantom shares. At the settlement date the participants will get an amount of cash being the product held by a participant phantom shares and the arithmetic mean of the lowest and highest prices of shares of the Bank notified on WSE at the maturity date. Acquisition of rights to every tranche will be confirmed by a decision of the Supervisory Board of the Bank in relation to the member of the Management Board and by a decision of the Management Board in relation to other employees covered by the Policy. According to a decision of the above-mentioned Bank Management the amount of payment may be partially or fully reduced according to conditions given in the Policy. These terms and conditions relate to Bank's results, individual performance and employment status and will relate to the vesting period of each tranche.

Another component of Variable Remuneration granted until 2022 under the Policy is the Deferred Cash Award.

Variable Remuneration – Deferred Cash Award	
Transaction as per IFRS	Other long-term employee benefits in accordance with IAS 19
Grant date of the Deferred Cash Award	15 of January 2018 15 of January 2019 14 of January 2020 11 of January 2021 13 of January 2022 (in case employees excluding the Members of the Management Board) 10 of February 2022 (in case of the members of the Management Board)
Granted amount	The amount was settled on the Deferred Cash Award grant date
Date of maturity	• Deferred Cash Award for the President of the Management Board in 2018-2021 - at least 18, 30, 42, 54, 66 months after grant date • Deferred Cash Award granted in 2018-2021 for other employees – at least 18, 30, 42 months after grant date • Deferred Cash Award for the members of the Management Board (including the President of the Management Board) in 2022 - at least 12, 24, 36, 48, 60 months after grant date • Deferred Cash Award granted in 2022 for other employees – at least 12, 24, 36, 48 months after grant date
Vesting date	• Deferred Cash Award for the President of the Management Board in 2018-2021 - at least 12, 24, 36, 48, 60 months after grant date • Deferred Cash Award granted in 2020-2021 for other employees – at least 12, 24 and 36 months after grant date • Deferred Cash Award for the members of the Management Board (including the President of the Management Board) in 2022 - at least 12, 24, 36, 48, 60 months after grant date • Deferred Cash Award granted in 2022 for other employees – at least 12, 24, 36,48 months after grant date

Variable Remuneration – Deferred Cash Award	

Terms and conditions for acquiring rights to the award	Satisfying the conditions on the Bank's results, individual performance of the employee and employment in the Group
	• 2018:
	  ○ For the President of the Management Board in relation to the award from 2018-2023
	• 2019:
	  ○ For the President of the Management Board in relation to the award from 2019-2024
	• 2020:
	  ○ For the President of the Management Board in relation to the award from 2020-2025
	  ○ For other employee in relation to the award from 2020-2023
	• 2021:
	  ○ For the President of the Management Board in relation to the award from 2021-2026
	  ○ For other employee in relation to the award from 2021-2024
	• 2022:
	  ○ For the members of the Management Board (including the President of the Management Board) in relation to the award from 2022-2027
	  ○ For other employee in relation to the award from 2022-2026

Program settlement	At the settlement date the participants will get an amount of Deferred Cash Award increased by the amount of interest for the period of deferral and retention until the date of the pay-out. The amount of the interest was set up in January 2018, 2019, 2020, 2021 and 2022 by the resolution of the Supervisory Board of the Bank in relation to the member of the Management Board and by a decision of the Management Board in relation to other employees covered by the Policy. Acquisition of rights to every tranche will be confirmed by a decision of the Supervisory Board of the Bank in relation to the member of the Management Board and by a decision of the Management Board in relation to other employees covered by the Policy. According to a decision of the above-mentioned Bank Management the amount of payment may be partially or fully reduced according to conditions given in the Policy. These terms and conditions relate to Bank's results, individual performance and employment status and will relate to the vesting period of each tranche.

Due to information shared by Citigroup on April 15 2021 concerning amendment to strategy towards Consumer Bank ("GCB"), the Management Board of the Bank adopted the policy enabling to grant the award in order to recognize the effort of employees, whose support in strategy implementation towards the part of the Bank Handlowy w Warszawie S.A. (consumer banking segment) is crucial – Transaction Award Policy.

In 2022 the Supervisory of the Bank Handlowy w Warszawie S.A. made a decision to amend the Transaction Award Policy by e.g., moving away from deferred cash award and introducing existing shares in capital of the Bank as new form of pay-out of the financial instruments. Awards for 2023 are granted based on new rules in 2023. Amended remuneration policies allow for 1:1 conversion of phantom shares granted before the adoption of amendments, provided that appropriate agreements are signed with employees concerned.

Variable Remuneration in form of financial instruments – Phantom shares and/or real shares of the Bank – granted in years 2021-2022 under Transaction Award	
Transaction as per IFRS	Transactions share-based payments settled in cash in accordance with IFRS 2
Phantom Shares grant date	July, 1 2021 and December, 3 2021 July, 1 2022 and November, 1 2022 July, 1 2023 July, 1 2024
Number of Financial Instruments granted	The number of shares was set on grant date

Variable Remuneration in form of financial instruments – Phantom shares and/or real shares of the Bank – granted in years 2021-2022 under Transaction Award	
Date of maturity	• For awards granted to Vice-President of Management Board responsible for the Retail area. in 2022– depending on the type of the award not sooner June, 30 2025 or the completion of Transaction if earlier and not sooner than 24, 36, 48, 60, 72 months after grant date. • For awards granted to Vice-President of Management Board responsible for the Retail area in 2021 and other employees, who have material impact on risk profile of the Bank – depending on the type of the award, (June, 30 2025 or after completion of Transaction if earlier and not sooner than 18, 30, 42, 54 months after grant
Vesting date	• For awards granted to the Vice-President of the Management Board responsible for the Retail area in 2022– depending on the type of the award, and at least 12, 24, 36, 48, 60 months after grant • For awards granted to responsible for the Retail area in 2021 and other employees, who have material impact on risk profile of the Bank – depending on the award, immediately after satisfying criteria (including these related to Transaction) and not sooner than 12, 24, 36, 48 months after grant
Terms and conditions for acquiring rights to the award	The completion of Transaction until defined date and fulfillment of the criteria related to Bank's financial results, individual employees' performance and employment in the Group: For 2021 - 2021-2025 For 2022 o For the Vice-President of the Management Board responsible for the Retail area, in relation to the award from 2022-2027 o For other employee in relation to the award from 2022-2026 For 2023 – 2023-2027 For 2024 – 2024-2028 In the case of the Bank's own shares, employees are presented with an offer to purchase the shares and if the offer is accepted, the shares are transferred to brokerage accounts immediately after the maturity date.
Program settlement	At the settlement date the participants will get an amount of cash being the product held by a participant phantom shares and the arithmetic mean of the lowest and highest prices of shares of the Bank notified on WSE at the maturity date. Acquisition of rights to every tranche will be confirmed by a decision of the Supervisory Board of the Bank in relation to the Vice-President of the Management Board responsible for the Retail area and by a decision of the Management Board in relation to other employees covered by the Transaction Award Policy. According to a decision of the above-mentioned Bank Management the amount of payment may be partially or fully reduced according to conditions given in the Policy. These terms and conditions relate to Bank's results, individual performance and employment status and will relate to the vesting period of each tranche.

Another component of Variable Remuneration granted according to the Transaction Award Policy is the Deferred Cash Award granted in 2021.

Variable Remuneration – Deferred Cash Award	
Transaction as per IFRS	Other long-term employee benefits in accordance with IAS 19
Grant date of the Deferred Cash Award	July, 1 2021 and December, 3 2021
Granted amount	The amount was settled on the Deferred Cash Award grant date
Date of maturity	• depending on the type of the award, immediately after criteria fulfillment (including these related to Transaction) or not sooner than 6 months after completion of Transaction and not sooner than 18, 30, 42, 54 months after grant date
Vesting date	• depending on the award, immediately after satisfying the criteria (including these related to Transaction) or not sooner than 6 months after completion of Transaction and not sooner than 12, 24, 36, 48 months after grant date •
Terms and conditions for acquiring rights to the award	The completion of Transaction until defined date and fulfillment of the criteria related to Bank's financial results, individual employees' performance and employment in the Group:

Variable Remuneration – Deferred Cash Award	
	○ 2021-2025
Program settlement	At the settlement date the participants will get an amount of Deferred Cash Award. Acquisition of rights to every tranche will be confirmed by a decision of the Management Board in relation to other employees covered by the Transaction Award Policy. According to a decision of the above-mentioned Bank Management the amount of payment may be partially or fully reduced according to conditions given in the Policy. These terms and conditions relate to Bank's results, individual performance and employment status and will relate to the vesting period of each tranche.

Assumptions of valuation of the employee equity benefit schemes

The fair value of particular awards and the assumptions used in their measurement is shown below:

CAP Program	Grant date	Exercise price/stock price at grant date [USD]	Number of eligible employees	Number of options/shares
1	10.02.2022	66.53	1	187
Phantom Shares Program	**Grant Date**	**Exercise price/stock price at grant date [PLN]**	**Number of eligible employees**	**Number of options/shares**
1	01.07.2021	47.85	2	.3.099
2	13.01.2022	61.96	2	1.837
3	10.02.2022	65.86	5	12.011
	01.07.2022	61.56	8	45.653
Financial Instruments Program	**Grant Date**	**Exercise price/stock price at grant date [PLN]**	**Number of eligible employees**	**Number of options/shares**
1	14.01.2019	101.00	1	1.931
2	14.01.2020	101.00	1	5.365
3	11.01.2021	101.00	1	12.915
4	01.07.2021	99.00-109.40	2	8.326
5	13.01.2022	92.30-113.60	15	14.353
6	10.02.2022	99.00-105.80	2	15.378
7	01.07.2022	100.40	1	3.808
8	01.11.2022	100.40	2	7.388
9	11.01.2023	100.40	27	71.036
10	16.02.2023	100.40	6	70.328
11	11.01.2024	100.40	27	88.973
12	15.02.2024	104.84	7	87.663
13	01.05.2024	112.40	1	939

**Varies depending on the date of exercise*

The number and weighted-average price of shares (CAP Program) are presented below:

CAP Program	Phantom Shares Program / Financial Instruments Program
Vesting period (years)	25% after each additional year	In 2019: 40% after one year and 12% eac for the next 5 years, or 60% after one yea and 8% each for the next 5 years. From 2020: 40% on the grant date an 20% each for the next three years, 40 on the grant date and 12% each for th next 5 years, or 60% on the grant dat and 13.33% each for the next 3 years 60% on the grant date and 8% each fo the next 5 years. For a transactiona award, no earlier than June 30, 2025 o prior to the closing of the transactio within 4 consecutive years. From 2022*: 40% on the grant date an 15% each over the next four years, 40

CAP Program		Phantom Shares Program / Financial Instruments Program
		on the grant date and 12% each over th next 5 years, or 60% on the grant dat and 10% each over the next 4 years, 60 on the grant date and 8% each over th next 5 years. For a transactional award no earlier than June 30, 2025 or prior t the closing of the transaction within th next 5 years.
Average expected duration of the instrument	Vesting date	Vesting date
Likelihood of premature termination of employment (annual turnover rate of awarded employees)	0,00%	5.77%
Weighted average fair value of one instrument as at the balance sheet date	71.12 (USD)	88.40/101.99 (PLN)

**From 2023, prizes are awarded in the form of financial instruments*

As of 31 December 2024, the value of the equity component resulting from the equity-settled program (Equity awards program) unpaid mounted to PLN 58 472 thousand and the costs recognized in this respect in 2024 amounted to PLN 23 790 thousand. On 31 December 2024, the book value of liabilities from the phantom share and CAP programs amounted to PLN 5,013 thousand (31 December 2023: PLN 57,834 thousand). The costs recognized in this respect in 2024 amounted to PLN 199 thousand (in 2023: PLN 38,934 thousand including the costs of CAP programs).

47. WIBOR Reform

Over the past few years, in developed foreign markets, activities involving the introduction of alternatives to the existing benchmarks such as IBOR (Interbank Offered Rate), could have been observed.

Benchmark reform was also launched in Poland, including the introduction of a new interest rate benchmark ultimately replacing the WIBOR benchmark. In 2022, the National Working Group on Benchmark Reform (NGR) was established. Representatives of the Minister of Finance, the National Bank of Poland, the Office of the Polish Financial Supervision Authority, the Bank Guarantee Fund, the Warsaw Stock Exchange, the National Depository for Securities, BPW Benchmark, as well as commercial banks, banks associating cooperative banks, investment fund companies, insurance companies and industry organizations associating financial market entities participate in the work of the NGR. The work of NGR is supervised and coordinated by the Steering Committee, which includes representatives of the Ministry of Finance, the Office of the Polish Financial Supervision Authority, GPW Benchmark, the Bank Guarantee Fund, BondSpot and the Polish Bank Association.

The NGR work is conducted based on the Road Map specifying the schedule and scope of detailed actions necessary to implement the reform. According to the timetable, the reform introducing the new interest rate benchmark replacing WIBOR will be implemented by the end of 2027. The ongoing reform also applies to the WIBID benchmark. As part of the work, the WIRON (Warsaw Interest Rate Overnight) benchmark was originally indicated as an alternative to WIBOR, however, in 2024, in connection with the additional verification and public consultations carried out, the NGR Steering Committee indicated the WIRF index as the target alternative benchmark, technically named WIRF- (based on unsecured deposits made by credit and financial institutions), for which the chosen official name is POLSTR (Polish Short Term Rate). Detailed information on the work of NGR and the decisions of the NGR Steering Committee is published by the Polish Financial Supervision Authority on its official website in the "benchmarks" tab.

From the first days of the reform, the Bank has been actively involved in all NGR works and, in order to prepare itself for the efficient and safe implementation of the new benchmark and the planned conversion, it has been conducting the key internal project in which all members of the Bank's Management Board, senior management of the Bank and representatives of the Bank's organizational units relevant to the efficient implementation of the project participate.

48. The impact of the 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 Group operates.

The Group'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.

49. Subsequent events

On February 14, 2025, the Bank received a decision of the Polish Financial Supervision Authority dated February 13, 2025, in which the PFSA granted the Bank permission to buy-back own shares in 2025 for the purpose of offering them by the Bank to eligible employees under the incentive program. Under the above permission issued for the period until December 16, 2025, the Bank may acquire a maximum of 477,450 own shares, and the price of the own shares purchased by the Bank may not exceed PLN 16,667,000 in total.

After 31 December 2024 there were no other major events undisclosed in these financial statements that could have a significant influence on the net result of the Group.

Signatures of Management Board Members

11.03.2025	Elżbieta Światopełk-Czetwertyńska	President of the Management Board
.....	.....	.....
Date	Name	Position/function
11.03.2025	Maciej Kropidłowski	Vice-President of the Management Board
.....	.....	.....
Date	Name	Position/function
11.03.2025	Katarzyna Majewska	Vice-President of the Management Board
.....	.....	.....
Date	Name	Position/function
11.03.2025	Barbara Sobala	Vice-President of the Management Board
.....	.....	.....
Date	Name	Position/function
11.03.2025	Andrzej Wilk	Vice-President of the Management Board
.....	.....	.....
Date	Name	Position/function
11.03.2025	Patrycjusz Wójcik	Vice-President of the Management Board
.....	.....	.....
Date	Name	Position/function
11.03.2025	Ivan Vrhel	Member of the Management Board
.....	.....	.....
Date	Name	Position/function