



2023
Condensed Interim Stand-alone
Financial Statements
of Bank Handlowy w Warszawie S.A. for
the 6 month period ended 30 June 2023



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Condensed income statement

	For a period	II quarter I half of the year		II quarter I half of the year	
		01.04. - 30.06. 2023	01.01. - 30.06. 2023	01.04. - 30.06. 2022	01.01. - 30.06. 2022
PLN'000	Note				
Interest income		1,109,702	2,181,152	756,076	1,198,500
Similar income		45,914	89,550	27,871	60,390
Interest expense and similar charges		(325,745)	(595,689)	(117,450)	(147,444)
Net interest income		829,871	1,675,013	666,497	1,111,446
Fee and commission income		166,989	335,071	167,525	330,174
Fee and commission expense		(24,832)	(52,134)	(21,931)	(43,413)
Net fee and commission income		142,157	282,937	145,594	286,761
Dividend income		13,385	13,389	35,978	36,031
Net income on trading financial instruments and revaluation		183,436	415,279	186,858	459,289
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	9	(28,179)	(3,923)	-	(35,762)
Net gain/(loss) on equity and other instruments measured at fair value through income statement		14,166	15,474	(1,081)	3,561
Net gain/(loss) on hedge accounting		(2,421)	(5,023)	-	(1,722)
Other operating income		5,901	11,989	6,713	13,114
Other operating expense		(6,734)	(13,180)	(8,324)	(15,908)
Net other operating income and expense		(833)	(1,191)	(1,611)	(2,794)
General administrative expense		(311,633)	(699,899)	(267,545)	(648,253)
Depreciation and amortization		(27,800)	(54,106)	(25,646)	(51,832)
Profit on sale of other assets		(57)	(78)	(481)	2,966
Provision for expected credit losses on financial assets and provisions for contingent commitments	5	5,655	(6,244)	(9,521)	(21,141)
Tax on some financial institutions		(44,540)	(91,584)	(58,495)	(104,464)
Profit before tax		773,207	1,540,044	670,547	1,034,086
Income tax expense		(159,461)	(323,871)	(142,856)	(227,706)
Net profit		613,746	1,216,173	527,691	806,380
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			9.31		6.17
Diluted net earnings per share (in PLN)			9.31		6.17

Explanatory notes are integral part of the condensed interim standalone financial statements.

Financial data presented on quarterly basis for the period of 1 April 2023 to 30 June 2023, as well as comparative data, was not subject to a separate review or audit by an auditor.

Condensed statement of comprehensive income

	II quarter I half of the year		II quarter I half of the year	
	01.04. – 30.06. 2023	01.01. – 30.06. 2023	01.04. – 30.06. 2022	01.01. – 30.06. 2022
For a period				
<i>PLN'000</i>				
Net profit	613,746	1,216,173	527,691	806,380
Other comprehensive income, that is or might be reclassified to the income statement	136,525	360,404	(310,089)	(596,080)
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	113,700	357,226	(310,089)	(625,047)
(Profit)/Loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	22,825	3,178	-	28,967
Other comprehensive income which cannot be reclassified to the profit and loss account:	(4,230)	(4,230)	-	-
Actuarial gains/(losses) from the valuation of a defined benefit plan (net)	(4,230)	(4,230)	-	-
Other comprehensive income net of tax	132,295	356,174	(310,089)	(596,080)
Total comprehensive income	746,041	1,572,347	217,602	210,300

Explanatory notes are integral part of the condensed interim standalone financial statements.

Financial data presented on quarterly basis for the period of 1 April 2023 to 30 June 2023, as well as comparative data, was not subject to a separate review or audit by an auditor.

Condensed statement of financial position

PLN '000	State as at	Note	30.06.2023	31.12.2022
ASSETS				
Cash and balances with the Central Bank			2,576,498	595,969
Amounts due from banks			10,546,967	1,043,968
Financial assets held-for-trading, including:			6,194,357	7,029,163
<i>Assets pledged as collateral</i>			-	60,988
Hedging derivatives			-	623
Debt investment financial assets measured at fair value through other comprehensive income, including:			27,072,579	37,180,808
<i>Assets pledged as collateral</i>			701,317	697,698
Shares in subsidiaries			91,681	91,775
Equity and other instruments measured at fair value through income statement			121,619	106,144
Amounts due from customers		6	22,793,666	21,620,507
Tangible fixed assets			475,848	455,418
Intangible assets		7	1,262,220	1,263,863
Deferred tax asset			230,547	287,368
Other assets			308,356	217,360
Total assets			71,674,338	69,892,966
LIABILITIES				
Amounts due to banks			3,300,275	4,794,671
Financial liabilities held-for-trading			4,622,605	4,896,099
Hedging derivatives			71,319	6,917
Amounts due to customers			52,219,891	50,667,780
Provisions			101,117	111,885
Current income tax liabilities			287,413	245,173
Other liabilities			2,775,704	1,270,837
Total liabilities			63,378,324	61,993,362
EQUITY				
Share capital			522,638	522,638
Supplementary capital			2,944,585	2,944,585
Revaluation reserve			(213,124)	(573,528)
Other reserves			3,200,487	2,811,344
Retained earnings			1,841,428	2,194,565
Total equity			8,296,014	7,899,604
Total liabilities and equity			71,674,338	69,892,966

Explanatory notes are integral part of the condensed interim standalone financial statements.

Condensed statement of changes in equity

PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2023	522,638	2,944,585	(573,528)	2,811,344	2,194,565	7,899,604
Total comprehensive income, including:	-	-	360,404	(4,230)	1,216,173	1,572,347
Net profit	-	-	-	-	1,216,173	1,216,173
Other comprehensive income	-	-	360,404	(4,230)	-	356,174
Net valuation of financial asset measured at fair value through other comprehensive income	-	-	360,404	-	-	360,404
Net actuarial profits/(losses) or defined benefit program valuation	-	-	-	(4,230)	-	(4,230)
Dividends	-	-	-	-	(1,175,937)	(1,175,937)
Transfer to capital	-	-	-	393,373	(393,373)	-
Balance as at 30 June 2023	522,638	2,944,585	(213,124)	3,200,487	1,841,428	8,296,014

PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	522,638	2,944,585	(312,018)	2,802,781	1,358,054	7,316,040
Total comprehensive income, including:	-	-	(596,080)	-	806,380	210,300
Net profit	-	-	-	-	806,380	806,380
Other comprehensive income	-	-	(596,080)	-	-	(596,080)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(596,080)	-	-	(596,080)
Dividends	-	-	-	-	(714,708)	(714,708)
Transfer to capital	-	-	-	1,264	(1,264)	-
Balance as at 30 June 2022	522,638	2,944,585	(908,098)	2,804,045	1,448,462	6,811,632

PLN '000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	522,638	2,944,585	(312,018)	2,802,781	1,358,054	7,316,040
Total comprehensive income, including:	-	-	(261,510)	7,299	1,569,310	1,315,099
Net profit	-	-	-	-	1,569,310	1,569,310
Other comprehensive income	-	-	(261,510)	7,299	-	(254,211)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(261,510)	-	-	(261,510)
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	7,299	-	7,299
Dividends paid	-	-	-	-	(714,708)	(714,708)
Effect of intragroup transformations	-	-	-	-	(16,827)	(16,827)
Transfer to capital	-	-	-	1,264	(1,264)	-
As at 31 December 2022	522,638	2,944,585	(573,528)	2,811,344	2,194,565	7,899,604

Explanatory notes are integral part of the condensed interim standalone financial statements.

Condensed statement of cash flows

	For a period	01.01.– 30.06. 2023	01.01.– 30.06. 2022
<i>PLN '000</i>			
A. Operating activities			
I. Net profit		1,216,173	806,380
II. Adjustments:		1,265,949	(3,636,734)
Current and deferred income tax recognized in income statement		323,871	227,706
Depreciation and amortization		54,106	51,832
Net impairment due to financial assets value loss		17,828	21,061
Net provisions		(6,594)	4,139
Net interest income		(1,675,013)	(1,111,446)
Dividend income		(13,389)	(36,031)
Profit/loss on sale of fixed assets		78	(2,966)
Net unrealized exchange differences		20,852	(36,502)
Net gain/(loss) on equity and other instruments measured at fair value through income statement		(15,474)	(3,561)
Other adjustments		12,136	13,047
Change in amounts due from banks		(9,360,145)	(1,150,617)
Change in amounts due from customers		(1,196,681)	(724,686)
Change in debt securities measured at fair value through other comprehensive income		10,989,034	(7,933,211)
Change in financial assets held-for-trading		862,650	(379,427)
Change in derivative hedging instruments		623	119,290
Change in other assets		(82,544)	25,830
Change in amounts due to banks		(1,468,911)	(97,478)
Change in amounts due to customers		1,520,367	2,461,421
Change in liabilities held-for-trading		(273,494)	2,889,272
Change in amounts due to hedging derivatives		64,402	-
Change in other liabilities		1,492,247	2,025,593
Interest received		1,814,940	888,629
Interest paid		(591,159)	(125,394)
Income tax paid		(308,357)	(89,063)
III. Net cash flows from operating activities		3,397,546	(2,156,182)
B. Investing activities			
Inflows		5,826	43,571
Disposal of tangible fixed assets		499	5,423
Disposal of fixed assets held-for-sale		-	9,783
Dividends received		5,327	28,365
Outflows		(72,740)	(60,289)
Purchase of tangible fixed assets		(42,810)	(28,845)
Purchase of intangible assets		(29,930)	(31,444)
Net cash flows from investing activities		(66,914)	(16,718)
C. Financing activities			
Outflows		(1,181,954)	(5,803)
Dividends paid		(1,175,937)	-
Outflows from lease payments		(6,017)	(5,803)
Net cash flows from financing activities		(1,181,954)	(5,803)
D. Exchange rates differences resulting from cash and cash equivalent calculation		(23,276)	37,392
E. Net increase/(decrease) in cash and cash equivalent		2,125,402	(2,141,311)
F. Cash and cash equivalent at the beginning of reporting period		658,777	6,566,543
G. Cash and cash equivalent at the end of reporting period (see note 10)		2,784,179	4,425,232

Explanatory notes are integral part of the condensed interim standalone financial statements.

Supplementary notes to the condensed interim standalone financial statement

1. General information about the Bank

Bank Handlowy w Warszawie S.A. ("the Bank") has the registered office in Poland at Senatorska 16, 00-923 Warsaw. The Bank was established on the basis of Certificate of Incorporation of 13 April 1870 and is registered and under entry No. KRS 0000001538 in the Register of Companies by the District Court for the capital city of Warsaw, XII Economic Department of the National Court Register. Bank works as a joint-stock company. During reporting period the name of entity has not changed.

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

The Bank was set up for an unspecified period of time.

The share capital of the Bank equals PLN 522,638,400 and is divided into 130,659,600 common bearer shares with a par value of PLN 4.00 per share. Bank is a listed company on the Warsaw Stock Exchange.

The Bank is a member of Citigroup Inc. The parent company of Bank is Citibank Overseas Investments Corporation, with headquarters in New Castle, USA. Citibank Overseas Investments Corporation is a subsidiary of Citibank N.A with headquarters in New York, USA, whereas the ultimate parent company is Citigroup Inc.

The Bank operates on the basis of applicable regulations and its Articles of Association.

The Bank is a universal commercial bank that offers a wide range of banking services for individuals and corporate clients in domestic and foreign trade, and through Brokerage Department provides brokerage services for individual and institutional clients.

2. Declaration of conformity

The interim condensed standalone financial statements of the Bank have been prepared for the period from 1 January 2023 to 30 June 2023 and for the standalone statement of financial position as at 30 June 2023. Comparative financial data are presented for the period from 1 January 2022 to 30 June 2022 and for the standalone statement of financial position as at 31 December 2022.

The interim condensed standalone financial statements are presented in PLN (currency of presentation), rounded to the nearest thousand.

The condensed standalone interim financial statements of Bank Handlowy w Warszawie S.A. ("Bank") has been prepared in accordance with International Accounting Standard IAS 34 '*Interim Financial Reporting*' adopted by European Union and other applicable regulations.

The financial statements do not include all of the information required for full annual financial should be read in conjunction with the condensed standalone annual financial statements of the Bank for the financial statements, and year ended 31 December 2022 and the consolidated interim financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the six-month period ended 30 June 2023.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018 No 757) the Bank is obliged to publish its financial results for the six-month period ended 30 June 2023 which is deemed to be the current interim financial reporting period.

The condensed standalone interim financial statements of the Bank were approved by the Board of Directors on 29 August 2023.

This interim condensed standalone financial statement of the Bank has been prepared with the assumption of going concern in the period of at least 12 months since the date of publication. As of the day of signing the standalone financial statement, the Bank's Management does not establish the existence of facts and circumstances that would indicate threats to the Bank's ability to go concern in the period of 12 months since the date of publication due to omission or significant limitation of the Bank's current activities.

3. Significant accounting policies

The interim condensed standalone financial statements of the Bank for the first half of 2023 has been prepared in accordance with accounting principles adopted and described in the annual standalone financial statements of the Bank for the financial year ended 31 December 2022, except for the burden of income tax that was calculated according to the rules of IAS 34.

The preparation of interim condensed standalone financial statements of the Bank with accordance to International Financial Reporting Standards requires that the management should make certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. The financial statements are based on the same

estimation rules which were used in the annual standalone financial statements of the Bank for the financial year ended 31 December 2022.

The estimations and respective assumptions are made based on historical data available and other multiple factors which under given conditions are considered proper and which form the basis for estimation regarding balance sheet values of assets and liabilities whose value cannot be determined clearly based on other sources. However, actual values may differ from estimates.

The estimations and respective assumptions are subject to recurring reviews. Changes of estimations are recognized in the period in which the estimation was modified if the adjustment concerns only this period or in the period of the change and future periods if the adjustment concerns both this period and the future periods.

The key estimates were presented in the annual standalone financial statements of the Bank for 2022. Additionally, with respect to interim financial statements, the Bank applies the principle of recognizing the financial result income tax charges based on the estimate of the annual effective income tax rate expected by the Bank in the full financial year.

Standards and interpretations awaiting European Union's approval:

- IAS 1 "Presentation of financial statements" amendment – in the area of classification of liabilities as current or non-current, clarifying criteria for classification a liability as long-term, and non-current liabilities with covenants, clarifying 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, applicable from 1 January 2024;
- IFRS 16 "Leases" amendment concerning lease liabilities in the case of sale and leaseback, issued on 22 September 2022, applicable from 1 January 2024;
- IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: disclosures" related to the disclosure of information on supplier financing arrangements, issued on May 25, 2023, applicable from January 1, 2024;
- IAS 12 "Income taxes" introducing international tax reform – model principles of Pillar II, defining the scope and key mechanisms of the system of global minimum tax rules of the second pillar, which includes the principle of income inclusion and the principle of payments below taxation collectively referred to as the "GloBE principles", issued on December 20, 2021, applicable from January 1, 2023

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 January 2023:

- Amendment to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements" with regard to the disclosure of accounting policies. According to new requirements, an entity discloses its material accounting policies, instead of previous requirement to disclose significant accounting policies, issued on 12 February 2021;
- Amendment to IAS 8 "Accounting policies, changes in accounting estimates and errors" introducing the definition of accounting estimates including changes in accounting estimates, instead of the previous definition of changes in accounting estimates, issued on 12 February 2021;
- IFRS 17 "Insurance" replacing IFRS 4 "Insurance contracts" and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities, issued on 25 June 2020;
- Amendments to IFRS 17 "Insurance contracts" - initial application of IFRS 17 and IFRS 9 - comparative information on enabling simplification for entities implementing IFRS 9 and IFRS 17 (arising from the difficult clarification of the requirements to present comparative information from both standard together) in comparative disclosures by recognizing that IFRS 9 was applied to financial assets, issued on 9 December 2021;
- Amendment to IAS 12 "Income taxes" narrowing the scope of deferred tax initial recognition exemption so that it does not apply to transactions in which both deductible and taxable temporary differences arise in equal amounts, issued on 7 May 2021

do not impact the financial statements significantly.

Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the estimated average annual effective income tax rate applied to the pre-tax result of the interim period. The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base.

Foreign currency

The statement of financial position and contingent liabilities received and granted 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 condensed interim consolidated 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 Net income on trading financial instruments and revaluation.

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

PLN	30 June 2023	31 December 2022	30 June 2022
1 USD	4.1066	4.4018	4.4825
1 CHF	4.5562	4.7679	4.6904
1 EUR	4.4503	4.6899	4.6806

4. Segment reporting

Information on operating segments is presented in the Condensed Interim Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the 6 month period ended 30 June 2023.

5. Provision for expected credit losses on assets and provisions for contingent commitments

PLN '000	II quarter I half of the year		II quarter I half of the year	
	01.04. - 30.06. 2023	01.01. - 30.06. 2023	01.04. - 30.06. 2022	01.01. - 30.06. 2022
Provision for expected credit losses on equity investments				
Provision creation	(45)	(94)	(80)	(124)
	(45)	(94)	(80)	(124)
Provision for expected credit losses on amounts due from banks				
Provision creation	(2,092)	(2,860)	(2,051)	(3,417)
Provision reversal	467	1,744	1,152	2,727
	(1,625)	(1,116)	(899)	(690)
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	(14,196)	(30,820)	(21,005)	(33,641)
Provision creation	(66,421)	(134,419)	(70,326)	(150,419)
Provision reversal	55,340	109,611	51,485	120,374
Other	(3,115)	(6,012)	(2,164)	(3,596)
Recoveries from sold debts	11,100	11,107	15,864	15,854
	(3,096)	(19,713)	(5,141)	(17,787)
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(1,439)	(1,780)	(1,154)	(2,541)
Provision reversal	4,265	4,875	39	81
	2,826	3,095	(1,115)	(2,460)
Provision for expected credit losses on financial assets	(1,940)	(17,828)	(7,235)	(21,061)
Created provisions for granted financial and guarantee commitments	(11,023)	(21,458)	(12,677)	(24,096)
Release of provisions for granted financial and guarantee commitments	18,618	33,042	10,391	24,016
Provision for expected credit losses for contingent commitments	7,595	11,584	(2,286)	(80)
Provision for expected credit losses on financial assets and provisions for contingent commitments	5,655	(6,244)	(9,521)	(21,141)

6. Amounts due from customers

PLN '000	30.06.2023	31.12.2022
Amounts due from financial sector entities		
Loans, placements and advances	743,334	766,786
Unlisted debt financial assets	1,143,527	1,227,130
Receivables due to purchased securities with a repurchase agreement	2,554,798	-
Guarantee funds and deposits pledged as collateral	1,896,184	1,820,113
Total gross value	6,337,843	3,814,029
Provision for expected credit losses	(2,755)	(3,517)
Total net value	6,335,088	3,810,512
Amounts due from non-financial sector entities		
Loans and advances	15,468,423	16,558,928
Purchased receivables	1,729,248	2,038,148
Realized guarantees	31,687	33,062
Guarantee funds and deposits pledged as collateral	-	8,269
Other receivables	17,208	22,076
Total gross value	17,246,566	18,660,483
Provision for expected credit losses	(787,988)	(850,488)
Total net value	16,458,578	17,809,995
Total net value of receivables from customers	22,793,666	21,620,507

Movement in amounts due from customers presents as follows:

PLN '000	Stage 1	Stage 2	Stage 3	Originated credit-impaired assets	Total
Provision for expected credit losses - amounts due from customers					
Provision for expected credit losses as at 1 January 2023	(81,235)	(108,385)	(662,627)	(1,758)	(854,005)
Transfer to Stage 1	(10,266)	9,447	570	249	-
Transfer to Stage 2	6,679	(8,036)	1,357	-	-
Transfer to Stage 3	1,052	20,473	(21,525)	-	-
Transfer to Purchased or originated credit-impaired assets	-	-	11,658	(11,658)	-
(Creation)/Releases in the period through the income statement	24,487	(17,782)	(38,970)	1,445	(30,820)
Decrease in provisions due to write-offs	-	-	5,572	-	5,572
Decrease in provisions in connection with the sale of receivables	-	-	96,478	417	96,895
Changes in accrued interest in Stage 3 other than written off and sale of receivables	(3)	-	(25,811)	(1,528)	(27,342)
Decrease in provisions due to derecognition from the balance sheet as a result of significant change	-	-	-	12,382	12,382
Foreign exchange and other movements	498	914	4,894	269	6,575
Provision for expected credit losses as at 30 June 2023	(58,788)	(103,369)	(628,404)	(182)	(790,743)

PLN '000	Stage 1	Stage 2	Stage 3 credit-impaired assets	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2022	(63,474)	(118,147)	(704,888)	(886,509)
Transfer to Stage 1	(19,239)	16,226	3,013	-
Transfer to Stage 2	7,196	(11,352)	4,156	-
Transfer to Stage 3	2,290	23,663	(25,953)	-

PLN '000	Stage 1	Stage 2	Stage 3 credit-	Originated impaired assets	Total
Provision for expected credit losses - amounts due from customers					
Transfer to impaired assets	-	-	17,273	(17,273)	-
(Creation)/Releases in the period though the income statement	(10,159)	(16,455)	(79,463)	943	(105,134)
Net changes due to update of estimating method (net)	2,509	(1,967)	(790)	-	(248)
Decrease in provisions due to write-offs	-	-	12,282	-	12,282
Decrease in provisions in connection with the sale of receival	-	-	127,488	-	127,488
Changes in accrued interest in Stage 3 other than written off sale of receivables	(1)	(11)	(21,644)	(1,138)	(22,794)
Reduction of impairment losses due to de-balance sheet as a result of a material change	-	-	-	15,600	15,600
Foreign exchange and other movements	(357)	(342)	5,899	110	5,310
Provision for expected credit losses as at 31 December 2022	(81,235)	(108,385)	(662,627)	(1,758)	(854,005)

7. Intangible assets

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. At the end of 2020, the Management Board of Bank made a write-off reducing goodwill by PLN 214,707 thousand in the part attributable to the Consumer Banking segment.

Intangible assets in the amount of PLN 1,262,220 thousand as at 30 June 2023 (as at 31 December 2022: PLN 1,263,863 thousand) include goodwill in the amount of PLN 1,031,269 thousand, which has not changed since 31 December 2020.

8. Financial instruments disclosures

Fair value of financial assets and liabilities

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

PLN '000	30.06.2023		31.12.2022	
	Balance value	Fair value	Balance value	Fair value
Assets				
Amounts due from banks	10,546,967	10,546,985	1,043,968	1,043,991
Amounts due from customers	22,793,666	22,857,269	21,620,507	21,643,547
Amounts due from institutional customers	16,921,564	17,015,622	15,505,659	15,566,995
Amounts due from individual customers*	5,872,102	5,841,647	6,114,848	6,076,552
Liabilities				
Amounts due to banks	3,300,275	3,300,384	4,794,671	4,793,332
Amounts due to customers	52,219,891	52,193,535	50,667,780	50,647,801

Valuation methods and assumptions used for the purposes of fair value

Fair value of assets and financial liabilities are estimated as follows:

- 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 Banks's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.

The Bank applies the following methods of measurement of particular types of derivative instruments:

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

- For valuation of securities' transactions - current quotations are used. In case of lack of quotations, adequate models based on discount and forward curves including decrease of credit spread if needed, are used for valuation.
- The fair value of other assets and financial liabilities (excluding described above) are estimated in accordance to commonly accepted models of valuation based on discounted cash flow analysis taking into account fluctuations in market interest rates and changes in margins during the financial period.

Fair value included in stand-alone statement of financial position

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 quoted in an active market, where regular quotations are available and turnover is sufficient.
The active market includes stock and brokerage quotes and quotes in pricing services type systems, such as Reuters and Bloomberg, which represent the actual market transactions concluded on the market conditions. Level I mainly include debt securities held-for-trading or measured at fair value through other comprehensive income;
- Level II: financial assets / liabilities valued on the basis of models based on input data from the active market, presented in Reuters and Bloomberg systems. Depending on financial instruments, the following specific valuation techniques are used:
 - listed prices for a given instrument or listed 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, non-market parameters.

The tables below present values of financial assets and liabilities in the standalone statement of financial position, in accordance with a fair value, classified by above levels.

As at 30 June 2023

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	1,606,383	4,587,974	-	6,194,357
derivatives	17,298	4,587,974	-	4,605,272
debt securities	1,512,283	-	-	1,512,283
equity instruments	76,802	-	-	76,802
Debt financial assets measured at fair value through other comprehensive income	26,074,452	998,127	-	27,072,579
Equity and other investments measured at fair value through income statement	18,541	-	103,078	121,619
Financial liabilities				
Financial liabilities held-for-trading	523,570	4,099,035	-	4,622,605
short sale of securities	492,983	-	-	492,983
derivatives	30,587	4,099,035	-	4,129,622
hedging derivatives	-	71,319	-	71,319

As at 31 December 2022

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	2,318,895	4,710,268	-	7,029,163
derivatives	20,484	4,710,268	-	4,730,752
debt securities	2,272,515	-	-	2,272,515
equity instruments	25,896	-	-	25,896
Hedging derivatives	-	623	-	623
Debt financial assets measured at fair value through other comprehensive income	23,229,370	13,951,438	-	37,180,808
Equity and other investments measured at fair value through income statement	17,660	-	88,484	106,144
Financial liabilities				
Financial liabilities held-for-trading	286,719	4,609,380	-	4,896,099

PLN '000	Level I	Level II	Level III	Total
short sale of securities	234,203	-	-	234,203
derivatives	52,516	4,609,380	-	4,661,896
hedging derivatives	-	6,917	-	6,917

As at June 30, 2023, the amount of financial assets classified to level III includes the value of the share in Visa Inc. (preference series C) in the amount of PLN 14,731 thousand and the value of other minority shareholding in the amount of PLN 88,347 thousand (as at December 31. 2022 respectively PLN 14,039 thousand and PLN 74,445 thousand).

The sensitivity analysis for equity instruments classified to level III as at 30 June 2023 is presented in the table below:

PLN '000	Fair value	Scenario	Fair value in positive scenario	Fair value in negative scenario
Capital instruments compulsorily measured at fair value through profit or loss	103,078	Change of the key parameter (cost of capital by - 10% / + 10% or conversion rate by + 10% / - 10%)	117,126	91,798

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 shareholding in infrastructure companies 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 in, measured at a fair value that was defined by using relevant parameters not-market based are presented below:

PLN '000	Equity and other investments measured at fair value through income statement	
	01.01.-30.06. 2023	01.01.-31.12. 2022
As at the beginning of period	88,484	96,156
Conversion of shares	-	(10,466)
Sale	-	(184)
Revaluation	14,594	2,978
As at the end of period	103,078	88,484

In the first half of 2023, the Bank 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).

During the same period, the Bank has not made any changes in financial assets classification that could result from asset's purpose or usage change.

9. Net gain/ (loss) on derecognition of asset from balance sheet

The net gain/(loss) on derecognition of financial assets in Bank relates to the gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income and amounted to PLN (3,923) thousand in the first half of 2023 (PLN (35,762) thousands in the first half of 2022).

PLN '000	II quarter I half of the year		II quarter I half of the year	
	01.04. - 30.06. 2023	01.01. - 30.06. 2023	01.04. - 30.06. 2022	01.01. - 30.06. 2022
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income				
Polish treasury bonds	110	24,294	-	(7,063)
EBI securities	(28,289)	(28,289)	-	(28,699)
Other	-	72	-	-
	(28,179)	(3,923)	-	(35,762)

Due to specific activity of the Bank, changes in debt investment financial assets measured at fair value through other comprehensive income are presented in operating activities in cash flow statement.

10. Additional information to the statement of cash flows

PLN'000	30.06.2023	31.12.2022	30.06.2022
Cash related items:			
Cash in hand	547,296	562,217	615,002
Nostro current account in Central Bank	2,029,202	22,079	3,472,074
Current accounts in other banks (nostro, overdrafts on loro accounts)	207,681	74,481	338,156
	2,784,179	658,777	4,425,232

11. Seasonality or periodicity of business activity

The business activity of the Bank does not involve significant events that would be subject to seasonal or cyclical variations.

12. Issue, redemption and repayment of debt and equity securities

In the first half of 2023 no issue, pay back or repurchase of debt or equity securities took place.

13. Paid or declared dividends

On March 17, 2023, the Bank's Management Board adopted a resolution on the proposed distribution of 2022 profit and this proposal was accepted by the Supervisory Board on March 24, 2023.

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

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

Dividend day was set for May 8, 2022, and the dividend payment date for May 15, 2023. The number of shares covered by dividend was 130,659,600.

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

14. Changes in the Bank's structure

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

15. Changes in granted and received financial and guarantee commitments

The detailed specification of granted and received financial and guarantee commitments as at 30 June 2023 and changes in comparison with the end of 2022 are as follows:

PLN '000	State as at		Change	
	30.06.2023	31.12.2022	PLN '000	%
Contingent liabilities and guarantees granted				
Letters of credit	119,031	262,110	(143,079)	(54.6%)
Guarantees granted	2,729,330	2,352,867	376,463	16.0%
Credit lines granted	13,998,609	13,683,181	315,428	2.3%
Other financial liabilities	105,182	-	105,182	-
Other guaranteed liabilities	19,893	22,349	(2,456)	(11.0%)
	16,972,045	16,320,507	651,538	4.0%
Letters of credit				
Import letters of credit issued	119,031	262,110	(143,079)	(54.6%)
	119,031	262,110	(143,079)	(54.6%)

The provisions of contingent liabilities and guarantees granted by the Bank are established. As at 30 June, 2023 the amount of provisions of granted contingent liabilities and guarantees was PLN 32 885 thousand (31 December 2022: PLN 44,969 thousand).

Guarantees granted include guarantees of credit repayment for payer, other guarantees of payment, guarantees on advance payments, guarantees on properly performance, tender guarantees and endorsements on bills.

PLN '000	State as at		Change	
	30.06.2023	31.12.2022	PLN '000	%
Contingent liabilities and guarantees received				
Guarantees	24,089,791	28,600,496	(4,510,705)	(15.8%)
	24,089,791	28,600,496	(4,510,705)	(15.8%)

16. Information about shareholders

In the period from the publication of the previous interim report, i.e. from 11 May 2023 to the date of publication of this half-year report for the first half of 2023, the ownership structure of significant blocks of the Bank's shares changed.

As a result of the acquisition of the Bank's shares in transactions on the Warsaw Stock Exchange, concluded on 31 May 2023, Nationale – Nederlanden Powszechnie Towarzystwo Emerytalne S.A. increased the total ownership of the Bank's shares above 5% of votes at the General Meeting of Shareholders of the Bank.

As a result of the acquisition of the Bank's shares in transactions on the Warsaw Stock Exchange concluded on 11 August 2023, Nationale-Nederlanden Otwarty Fundusz Emerytalny increased its shareholding above 5% in the share capital and in the total number of votes.

The table below present the list of shareholders that hold at both 30 June 2023 and the day of publishing the consolidated financial statements for the first half of 2023 directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital:

	Number of shares	% Shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	97,994,700	75,0	97,994,700	75,0
Nationale – Nederlanden General Pension Company S.A.	6,838,385	5,23	6,838,385	5,23
Other shareholders	25,826,515	19,77	25,826,515	19,77
	130,659,600	100	130,659,600	100

*Based on current report no. 15/2023 from June 2, 2023

As at the date of publication of this consolidated half-year report for the first half of 2023, in accordance with the information held by the Bank on shareholders holding, directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital, the following entities were:

	Number of shares	% Shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	97,994,700	75,0	97,994,700	75,0
Pension funds manager 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

*Based on current report no.16/2023 from August 16, 2023

Citigroup Inc. with its registered office in Wilmington - United States, through Citibank Europe plc. with its registered office in Dublin - Ireland ("CEP") plans to acquire the Bank's shares in a number exceeding 50% of the total number of votes at the General Meeting and a share in the share capital of the Bank. The transaction is to be carried out within the Citi Group in order to fulfil the obligations of domestic banks belonging to the third country group, i.e. from outside the European Union (in this case the United States), to hold an intermediate EU parent undertaking ("IPU"). As part of this transaction, the Bank's shares are to be transferred to CEP as the Bank's IPU.

The transaction results from the obligations arising from Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC Text with EEA relevance and the Act of 29 August 1997 Banking Law.

The planned transaction is subject to the approval of the relevant regulators. On May 31, 2023, the Polish Financial

Supervision Authority found no grounds for objecting to the planned transaction.

17. Information on pending court proceedings

No proceedings regarding receivables or liabilities of the Bank conducted in the first half of 2023 in court, public administration authorities or an arbitration authority is of significant value. In Bank's opinion no proceedings conducted in court, public administration authority or an arbitration authority, pose a threat to the Bank's financial liquidity, individually or in total.

In the case of legal proceedings involving the risk of cash outflow as a result of meeting the Bank's commitments, the appropriate provisions are created. The value of provisions for disputes as at 30 June 2023 is PLN 36.2 million, of which the provisions for cases related to derivative products is PLN 14.2 million and provisions for individual cases relating to the judgments of the CJEU is PLN 19.8million, including PLN 18.4 million for cases related to CHF-indexed loans and PLN 1.4 million for cases related to the return of a part of the commission for granting consumer loan. As at December 31, 2022: PLN 33.4 million, of which the provisions for cases related to derivative products is PLN 12.9 million and provisions for individual cases relating to the judgments of the CJEU is PLN 19.0 million, including PLN 17.1 million for cases related to CHF-indexed loans and PLN 1.9 million for cases related to the return of a part of the commission for granting consumer loan.

This value does not include portfolio provisions created in connection with the judgments of the CJEU.

No significant settlements occurred in the first half of 2023 due to court cases concluded with a 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 amount 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 June 30, 2023, the Bank was among others a party to 18 court proceedings associated with derivative transactions. Among these, 11 proceedings have not been terminated with a legally binding conclusion, and 7 have been terminated with a legally binding conclusion, seven of these proceedings are pending in the Supreme Court cassation proceeding, and in the case of all seven will be decided in the near future whether a cassation appeal will be lodged. In 11 proceedings the Bank acted as a defendant and in 7 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 has 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, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Bank has identified a number of doubts as regards interpretation of the above-mentioned judgment. Despite the still unresolved issues as at the day of these financial statements, most courts have ruled against banks on indexed loan cases. The expected resolution of the Civil Law Division of the Supreme Court to rule again on issues on which courts are still inconsistent has been postponed to an indefinite date. The Supreme Court formulated the question of the CJEU as to whether the current composition of the Civil Law Division of the Supreme Court is competent to pass a resolution, taking into account doubts as to the correctness of appointment of some of its judges.

It should be noted, however, that apart from the doubts in court cases, the measures of the Polish Financial Supervision Authority set out the direction of possible settlements between banks and the Swiss franc borrowers.

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

When estimating the risk resulting from court litigations regarding indexation clauses in mortgage loan agreements, Bank Handlowy w Warszawie S.A. 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 CJEU's opinion.

As at June 30, 2023, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 38.4 million. The Bank maintains a collective provision in the amount of PLN 10.5 million. Estimation of the provision assumed the expected level of customer complaints based on the trend observed by the Bank, which is different for active loans and for loans repaid before the balance sheet date, as well as the probability of a settlement or court solution and the Bank's loss estimate in the event of a dispute in court. This value, as well as provisions for individual disputes, are included in the Bank's condensed consolidated statement of financial position under item: Provisions.

As at June 30, 2023, the Bank was sued in 58 cases for a total amount of approximately PLN 21.9 million. Twelve cases were legally lost, and the Bank decided to file two cassation appeals (one appeal was rejected on formal grounds). Most of the cases are in the first instance.

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

As of June 30, 2023, the Bank was sued in 923 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 4.2 million.

18. Transactions with the key management personnel

PLN '000	30.06.2023		31.12.2022	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted	72	18	87	72
Deposits				
Current accounts	7,947	8,370	6,914	14,030
Term deposits	1,119	36,080	1,261	29,788
Total Deposits	9,066	44,450	8,175	43,818

As at 30 June 2023 and 31 December 2022, no guarantees were granted to members of the Management Board and the Supervisory Board.

All transactions of the Bank with members of the Management Board and the Supervisory Board are at arm's length.

Staff expenses for the first half of 2023 include costs of remuneration and awards for current and former members of the Management Board amounting to PLN 15,367 thousand (for the first half of 2022: PLN 10,904 thousand).

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.

19. Related parties

The Bank is a member of Citigroup Inc. The parent company of Bank is Citibank Overseas Investments Corporation, with headquarters in New Castle, USA. Citibank Overseas Investments Corporation is a subsidiary of Citibank N.A., with headquarters in New York, USA, whereas the ultimate parent company is Citigroup Inc.

Within its normal course of business activities, the Bank enters into transactions with related entities, in particular with entities of Citigroup Inc. and subsidiaries.

The transactions with related entities result from present Bank's activity 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 subsidiaries

The receivables and liabilities towards subsidiaries are as follows.

PLN '000	30.06.2023	31.12.2022
Receivables		
Overdraft facilities	-	-

Condensed interim stand-alone financial statement of Bank Handlowy w Warszawie S.A
for the 6 month period ended 30 June 2023

PLN '000	30.06.2023	31.12.2022
Receivables		
Balance at the beginning of period	-	27,837
Balance at the end of period	-	-
Deposits		
Current accounts	323	353
Term deposits	36 068	35,586
	36 391	35,939
Deposits		
Balance at the beginning of period	35 939	467,704
Balance at the end of period	36 391	35,939
Contingent liabilities granted		
Credit lines granted	-	-
PLN '000	01.01. - 30.06. 2023	01.01. - 30.06. 2022
Interest and commission income	6	1,074
Interest and commission expense	906	206
Other operating income	24	1,294

On 30 June 2023 and 31 December 2022 there were no write-offs due to value loss of receivables and contingent liabilities granted.

Transactions with other Citigroup Inc. subsidiaries

The receivables and liabilities towards Citigroup Inc. companies are as follows:

PLN '000	30.06.2023	31.12.2022
Receivables	965 005	718,063
Liabilities, including:	2,611,894	2,449,657
Deposits*	195,639	559,617
Balance-sheet valuation of derivative transactions		
Assets held-for-trading	1,148,334	963,376
Liabilities held-for-trading	1,855,173	1,589,866
Contingent liabilities granted	272,277	283,686
Contingent liabilities received	206,176	201,873
Contingent derivative transactions (liabilities granted/received), including:	116,086,266	76,227,497
Interest rate instruments	40,908,526	17,824,346
Currency instruments	73,831,715	57,877,530
Securities transactions	1,124,190	40,855
Commodity transactions	221,835	484,766

*Including deposits of parent undertaking in amount of PLN 12 thousand as of 30 June 2023 (31 December 2022: PLN 12 thousand)

PLN '000	01.01. - 30.06. 2023	01.01. - 30.06. 2022
Interest and commission income*	40,973	22,301
Interest and commission expense*	8,648	8,661
General administrative expenses	95,349	99,339
Other operating income	4,379	4,382

*Interest and commission income in amount of PLN 800 thousand for the first half of 2023 (for the first half of 2022: PLN 603 thousand) refer to parent undertaking

The Bank receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge market risk. These are back to back derivative transactions, opposite to transactions with Group's other clients and closing Bank's own position. On 30 June 2023 net balance valuation of transactions on derivatives amounted to PLN (706,839) thousand (31 December 2022: PLN (626,490) thousand).

Furthermore, the Bank incurs costs and receives income from agreements between Citigroup Inc. entities and the Bank, regarding the provision of mutual services.

The costs incurred and accrued (including VAT reflected in the Bank's costs) in the first half of 2023 and also in the first half of 2022, due to the concluded agreements were concerned, in particular, with costs of services regarding maintenance of the Bank's information systems and advisory support. The income was related to data processing and other services rendered by the Bank.

In the first half of 2023, capitalization of capital expenditures related to work on modifying the functionality of the Bank's IT systems took place. The total amount of payments to Citigroup Inc. entities in this respect amounted to PLN 61,445 thousand (in the first half of 2022 there was no capitalization of capital expenditures).

20. 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 Bank operates.

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

21. Major events after the balance sheet date

In reference to current report no. 14/2023 of Bank Handlowy w Warszawie S.A. ("the Bank") on setting the TLAC requirement for the Bank of May 26, 2023, the Management Board of the Bank announces that on August 29, 2023 the Bank will file a motion to the Polish Financial Supervision Authority ("KNF") on the consent for recognition part of the net profit generated by the Bank for period from 1 January 2023 to 30 June 2023 in the Bank's Tier 1 capital on a stand alone and consolidated basis.

For this purpose, the Management Board of the Bank recommends to the Ordinary General Meeting of the Bank approving the financial statements of the Bank for 2023 to:

1. allocate the amount of at least PLN 800 million from the net profit of the Bank for 2023 to the Common Equity capital of the Bank;
2. allocate for the payment of dividend an amount not higher than the net profit of the Bank for 2023, reduced by the amount indicated in point 1, taking into account the required regulatory approvals and individual recommendation of KNF on meeting the criteria for dividend payment.

The filing of the motion to KNF on the consent for recognition part of first half of 2023 net profit in the Bank's Tier 1 capital is due to the fact that, the Bank is a resolution entity that is a part of a global systemically important institution (G-SII) in accordance with the definition contained in Art. 4 (136) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("CRR") and is obliged to meet TLAC requirement. In accordance with provisions of the CRR, the amount of TLAC requirement for the Bank is 20.8%, while the Bank's Total Capital Ratio (TCR) as of the end of June 2023 was 20.3%.

In accordance with the dividend policy of the Bank, the Bank aims to allocate the majority of its profits to the payment of dividends. The Management Board will specify the amount of the dividend in the form of a separate resolution adopted after determining the amount of the Bank's net profit for the year 2023.

The part of net profit recommended by the Management Board of the Bank, which is to be allocated to the Bank's Common Equity capital was estimated taking into account the Bank's financial plans and strategy, among others, in terms of increasing capital requirements for credit and operational risk.

Additional information can be found in the Risk Management Note in the capital adequacy section of the Condensed Interim Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the 6-month period ending 30 June 2023.

After the balance sheet date, there were no other material events that should be additionally included in these financial statements.

Members of Management Board

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