

Current report 12/2025

Subject: Signing of an agreement on the exit from the Consumer Business of Bank Handlowy w Warszawie S.A.

Legal basis: Article 17 Section 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (MAR Regulation).

In reference to current report No. 12/2021 dated 15 April 2021, the Management Board of Bank Handlowy w Warszawie S.A. (the “**Bank**”) announces that on 27th May 2025 the Bank signed with VeloBank S.A. (“**VeloBank**”), Promontoria Holding 418 B.V. (the sole shareholder of VeloBank) (“**Promontoria**”) and Citibank Europe Plc an agreement concerning the demerger of the consumer business of the Bank (the “**Consumer Business**”) to VeloBank (the “**Agreement**”).

The demerger will allow the Bank to focus on the growth of Institutional Banking, the Bank's leading business area, which accounted for 72% of the Bank's revenues in 2024. The dynamic growth of this business, based on competitive advantages and scale, will enable the Bank to achieve higher returns as measured by return-on-equity (ROE) and return-on-assets (ROA) ratios.

The exit from the Consumer Business is in line with the Bank's Strategy and is part of Citigroup's global strategy.

Transaction

The transaction of the exit by the Bank from the Consumer Business (the “**Transaction**”) will take place in two related stages.

The first stage will be the demerger of the Bank, resulting in the transfer of the Consumer Business to VeloBank, in exchange for which the Bank will receive newly issued shares in the share capital of VeloBank (the “**Demerger**”). The second stage, which shall take place as soon as possible and no later than on the day after the registration of the Demerger by the relevant registry court, is the repurchase by Promontoria of all of the shares in the share capital of VeloBank that the Bank will subscribe as a result of the Demerger.

Demerger

On the date of registration of the Demerger by the registry court, VeloBank will acquire the Consumer Business comprising consumer banking including credit cards business, retail loans and credit (including PLN mortgages), deposits, wealth management (including retail brokerage services) and the servicing of businesses classified by the Bank as micro-clients, as well as branches of the Bank and other assets and liabilities of the Bank related to the Consumer Business, with the exception of certain assets and liabilities related to the above activities that will not be transferred to VeloBank, including, in particular, loans in foreign currencies.

The Consumer Business that is to be separated under the Demerger into VeloBank on the basis of balance sheet data as at 31 March 2025 comprises a portfolio of approximately PLN 6 billion of loans, approximately PLN 22.1 billion of deposits, and approximately PLN 8.9 billion of assets under management, with corresponding equity of approximately PLN 0.9 billion. The difference between the liabilities and the assets of the Consumer Business will be supplemented by short-term financial assets. The Consumer Business comprises approximately 1,650 employees (including those representing support functions) and branches servicing Consumer Business clients to ensure the continuity of services provided to customers of the Consumer Business.

The portfolio of mortgage loans in foreign currencies, amounting to approximately PLN 24 million (based on balance sheet data as at 31 March 2025) and the corresponding provisions, will remain within the Bank's structures.

The Demerger Plan is expected to be signed within 30 business days following signing of the Agreement.

VeloBank share repurchase price

The number of shares that Bank will acquire as a result of the Demerger will be determined in accordance with the mechanism set out in the Demerger plan, and will be less than 25% of the total number of shares in VeloBank's share capital.

The above shares will be repurchased by Promontoria from the Bank for an estimated price of PLN 532 million consisting of two components based on the financial metrics set out in the Agreement:

1. the fixed price component payable in connection with the closing of the Transaction, the amount of which is estimated at approximately PLN 432 million, based on net assets transferred by Bank to VeloBank at closing of the Transaction and subject to a standard price adjustment taking place after the closing of the Transaction; and
2. the variable price component, payable depending on the achieved business volumes of the Consumer Business, of a maximum of PLN 100 million.

The Bank will announce the final price in a separate current report.

In connection with the Agreement, the Bank will recognize a net loss on the Transaction of c. PLN 380 million in Q2 2025.

In addition, the Transaction will release approximately PLN 400 million of excess capital resulting from the deconsolidation of the assets and liabilities subject to the Transaction, which will be used to accelerate growth in Institutional Banking.

Consumer Business profits generated until closing date will be recognized in Bank's financial results.

Given its strong capital position, the Bank has started preparations for amending the Bank's Articles of Association and subsequently obtaining the approval of the Polish Financial Supervision Authority for the payment of the Bank's undistributed profit. In the event of a positive decision from the regulator, the dividend payout ratio in 2025-2026 is planned at 75%-100%. In addition, the Bank intends to seek the regulatory approval required for payment in the form of dividend in 2026 of the consideration received by the Bank under the Transaction.

The Bank will announce the regulator's decision in a separate current report.

Conditions precedent to the Transaction

The completion of the Transaction is subject to the following actions and the fulfilment of certain conditions precedent indicated in the Agreement, comprising, among others:

1. obtaining the relevant approvals or decisions of the Polish Financial Supervision Authority by the Bank, VeloBank and their dominant entities;
2. obtaining the approval of the relevant antimonopoly authority and other relevant authorities;
3. obtaining the tax interpretations specified in the Agreement;
4. the adoption of resolutions on the approval of the Demerger by the general meetings of the shareholders of the Bank and VeloBank; and

5. achieving the readiness of the parties to the Agreement to perform the technical and operational activities concerning migration of systems specified in the Agreement in connection with the Demerger.

Contractual liability

The Agreement has been structured on the basis of the principles of liability typical in transactions of this type and scale. In particular, the Agreement provides for liability in respect of the warranties made by the Bank in respect of the Consumer Business and the commitments entered into by Bank in respect of the operation of the Consumer Business in the interim period (i.e. from the signing of the Agreement until the date of the Demerger). In addition, the Agreement contains provisions for the granting of indemnities, up to specified caps, by the Bank in respect of certain identified risks.

Independent assessment of the Transaction

The Management Board of the Bank informs that it has received from Ernst & Young Sp. spółka z ograniczoną odpowiedzialnością Corporate Finance sp.k. ("**EY**") an independent opinion (the so-called "Fairness Opinion") on the fairness of the financial effects of the Transaction.

EY made an independent assessment of the estimated value of the Consumer Business, taking into account the data received and using standard valuation methods. In the opinion of EY, presented to the Management Board of the Bank, the proposed pricing terms are fair from the point of view of all existing shareholders of the Bank.

A similar opinion confirming the fairness of the financial effects of the Transaction was also obtained from another reputable financial advisor.

Attachment: Presentation – Consumer Bank Exit