

Report of the Risk and Capital Committee
of Bank Handlowy w Warszawie S.A.
for the year 2022

The Risk and Capital Committee of Bank Handlowy w Warszawie S.A. is a standing committee of the Bank's Supervisory Board. The Risk and Capital Committee is composed of the Supervisory Board members appointed by the Supervisory Board. The Committee shall consist of at least three Supervisory Board members, one of whom acts as the Committee's Chairperson. Most members of the Committee, including its Chairman, meet the independence criterion set out in § 14(4) of the Articles of Association of Bank Handlowy w Warszawie S.A. The Committee operates in accordance with its regulations as set forth in Article 390 of the Commercial Companies Code.

The Committee's Regulations are displayed on the Bank's website www.citibank.pl. Under these regulations, the competencies of the Committee include in particular supervision over introduction of the risk management system by the Management Board in the Bank and assessment of adequacy and effectiveness of the risk management system. Within the framework of its competencies related to the supervision over the functioning of the risk management system, the Committee, in particular, verifies the consistency of the Bank's risk taking policy with the strategy and financial plan of the Bank, examines the periodic information presenting the types and sizes of risks surrounding the Bank's operations as well as verifies and presents to the Supervisory Board the recommendations concerning the overall risk level of the Bank.

The Risk and Capital Committee also supervises the process of internal capital estimation and capital management. The Committee's competencies as related to the supervision of functioning of internal capital estimation, capital management and capital planning processes, involve examination, approval or recommendation (to the extent that requires a resolution of the Supervisory Board) for approval of policies and procedures applicable to the process of internal capital estimation, capital management and capital planning.

In connection with the implementation by Poland of Capital Requirements Directive (CRD) IV and the harmonization of Polish law with the solutions provided for in the Capital Requirements Regulation (CRR), the Committee's authority encompasses supervision over the functioning of the risk management system, such authority consisting in:

- 1) issuing opinions concerning the Bank's overall current and future willingness to take risk;
- 2) issuing opinions concerning a risk management strategy developed by the Management Board of the Bank and an update to be presented by the Management Board on the implementation of the strategy;
- 3) supporting the Supervisory Board of the Bank in overseeing the implementation of the risk management strategy by senior management;
- 4) reviewing the pricing of assets and liabilities offered to the clients to gain assurance that they reflect in full the Bank's business model and its risk strategy, and if the pricing fails to properly reflect types of risk according to such model and strategy, then presenting a proposal to the Management Board of the Bank aimed at ensuring the adequacy of the pricing of assets and liabilities given such types of risk.

In 2022, the Risk and Capital Committee was composed of the following members: Marek Kapuściński – Chairman, Frank Mannion – Vice Chairman (until March 31, 2022), Kristine

Braden – Vice Chairperson (from April 1, 2022), Barbara Smalska – Member of the Committee.

The current composition of the Risk and Capital Committee is as follows:

- 1) Marek Kapuściński – Chairman (independent member);
- 2) Kristine Braden – Vice Chairperson;
- 3) Barbara Smalska – Member of the Committee (independent member).

In accordance with its Regulations, during the discussed reporting period covering the calendar year, the Risk and Capital Committee met four times on the following dates:

No.	Date of the meeting	Attendance
1.	23 March 2022	100%
2.	10 May 2022	100%
3.	28 September 2022	100%
4.	01 December 2022	100%

The Risk and Capital Committee is in frequent contact with the Bank’s Supervisory Board as well as with the Bank’s Management.

In the reporting period, at its meetings, the Risk and Capital Committee discussed in detail the information on the current economic situation and presented macroeconomic forecast. The Committee also monitored the indicators included in the Recovery Plan and approved its periodic updates. Moreover, the Committee monitored the risks connected with the impact of the war in Ukraine on the Bank’s operations.

The issues subject to analyses of the Committee included information about regulatory capital and internal capital as well as about the Bank’s internal capital estimation process, covering in particular material risk identification process, provided at each meeting.

The Risk and Capital Committee, at its every meeting, discussed the issues concerning credit, market, liquidity and price risk as well as non-compliance or operational risk, including the events that took place within the Capital Group of Bank Handlowy w Warszawie S.A. Specifically, the Committee reviewed the detailed information provided by the Fundamental Credit Risk Team regarding results of the assessment of credit processes at the Bank. The permanent items of the agenda considered by the Committee also include an update concerning a pricing policy applicable to liabilities and assets offered to the Bank’s clients.

At the meeting on March 23, 2022, the Committee adopted the “Report on the activities of the Risk and Capital Committee in 2021”. Then, the Committee recommended that the Supervisory Board approve the total acceptable risk level of the Bank and amendments to the “Principles of prudent and stable risk management at the Capital Group of Bank Handlowy w Warszawie S.A.” Next, the Committee recommended that the Supervisory Board assess the risk management system as effective and adequate to the nature, scale and complexity of operations of the Bank and acknowledge the results of assessment of implementation of certain risk management policies. The Committee was presented the report on the risks related to the retail credit exposure portfolio, the reports on the mortgage-secured credit exposure portfolio and the report on the level of concentration risk and the utilization of limits. The Committee acknowledged the Annual Report of the IT System and Information Security Commission.

The Committee also received current information on the situation related to the war in Ukraine, aid organized for Citi employees who were evacuated from Ukraine and the current

challenges faced by the Bank due to the tense geopolitical situation (ongoing crisis management, portfolio management, reviews of COB plans, high cybersecurity risk, interrupted supply chains).

At the next meeting held on May 10, 2022, the Risk and Capital Committee recommended that the Supervisory Board approve the document "Policy for new and modified products, services, distribution channels, markets and structured transactions." The Committee acknowledged the report on retail credit exposures (secured and unsecured) for Q1 2022, and recommended that the Supervisory Board acknowledge this report. Next, the Committee positively evaluated the functioning of the Remuneration Policy in 2021 and recommended that the Supervisory Board accept this assessment.

At the meeting on September 29, 2022, the Committee acknowledged the report on the results of the historical verification of the level of expected credit losses and decided to recommend that the Supervisory Board acknowledge those results.

The Committee also recommended that the Supervisory Board acknowledge the report on risk management policy for portfolio of retail credit exposures (unsecured and mortgage secured) for the first half of 2022 and the report on the level of concentration risk and the utilization of the limits.

At the next meeting held on December 1, 2022, the Committee recommended that the Supervisory Board acknowledge the report on the results of historical verification of the level of expected credit losses and the report on the level of risk incurred by the Bank with respect to retail credit exposures for Q3 2022. In addition, the Committee accepted a recommendation for the Supervisory Board concerning the proposed changes in the risk management processes used at the Bank.

The Risk and Capital Committee has found that, in the reporting year, the Bank's risk management system was effective and adequate to the size of the Bank's operations. The Committee positively assessed the process of internal capital estimation and capital management in the Bank.

In view of the above, the Committee declares that in the year ended December 31, 2022, it performed its mandate properly and had a proper composition.

Marek Kapuściński
Chairman of the Risk and Capital Committee