

Report of the Risk and Capital Committee  
of Bank Handlowy w Warszawie S.A.  
for the year 2023

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](http://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 2023, the Risk and Capital Committee was composed of the following members: Marek Kapuściński – Chairman, Andras Reiniger – Vice Chairman (from December 5, 2023),

Kristine Braden – Vice Chairperson (until November 16, 2023), 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) Andras Reiniger – Vice Chairman;
- 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.	24 March 2023	100%
2.	24 May 2023	100%
3.	27 September 2023	100%
4.	05 December 2023	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. 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, a report on the level of concentration risk and the utilization of limits, results of historical verification of the level of expected credit losses and an assessment of implementation of the Risk Management Policy for the Retail Credit Exposure Portfolio.

At the meeting on March 24, 2023, the Committee adopted the "Report on the activities of the Risk and Capital Committee in 2022", and then discussed in detail the significant risks in the banking sector, such as economic slowdown and the macroeconomic environment, the impact of the reduced valuation of the treasury bond portfolio on the Bank's result, CHF-denominated mortgage loans, WIBOR challenging, and the impact of the so-called "credit holidays". Later in the meeting 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. The Bank implemented processes for identification, assessment, acceptance, control and monitoring of the risks taken, together with a risk management

structure that reflects the complexity of the Risk Profile. The annual review of policies regarding the management of model risk, retail credit exposure risk, mortgage loan exposure risk and concentration risk confirmed that the risk does not exceed the accepted framework and the loan portfolio is stable. Then, the Committee issued a positive opinion and recommended that the Supervisory Board accept the assessment of the functioning of the Remuneration Policy in 2022.

During the next meeting, held on May 24, 2023, the Risk and Capital Committee discussed a presentation on crisis scenarios and key threats to the banking sector. Seven areas carrying such risk were identified. These are: economic slowdown/market environment, impact of the decline in the valuation of the bond portfolio on equity, cases of challenging WIBOR benchmarks, credit holidays, CHF loans, counterparty risk and risks related to financial market intermediaries (FMI). The Committee was informed of model risk management based on the KNF guidelines, Citi good practices and audit guidelines. The Committee adopted a resolution to recommend that the Supervisory Board modify the Risk Appetite Statement in the area of model management, by updating the provisions regarding the procedure and escalation if the measures established for model risk are exceeded.

At the meeting on September 27, 2023, the Committee reviewed information containing current information on the reform of the WIRON benchmark and information on the quality of the corporate bank and commercial bank client portfolio, as well as an updated analysis of the main risks of the banking sector. Later in the meeting, information was presented on changes to the Remuneration Policy for persons whose professional activities have a significant impact on the Bank's risk profile.

During the next meeting on December 5, 2023, the Committee was presented the results of a review of exporters to Germany, France and Italy, which was carried out in connection with the deteriorating situation in the EU and the global economy, and the Committee was presented a motion to approve the "Business Activity Management Policy at Bank Handlowy w Warszawie S.A." After that, the Committee decided to recommend that the Supervisory Board adopt the "Policy specifying Risk Appetite Statement for the Capital Group of Bank Handlowy w Warszawie S.A."

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, 2023, it performed its mandate properly and had a proper composition.

Marek Kapuściński  
Chairman of the Risk and Capital Committee