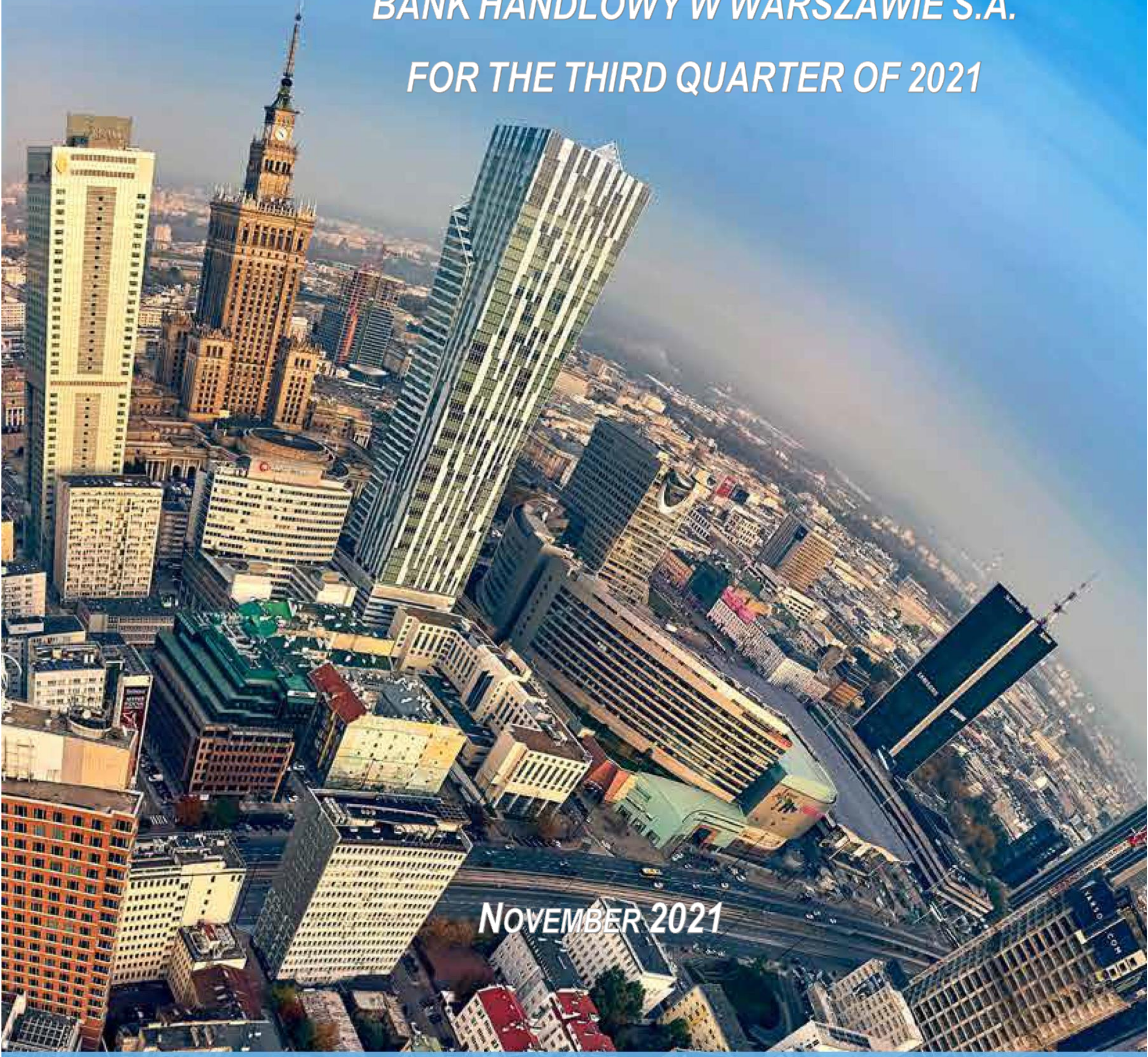
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP OF BANK HANDLOWY W WARSZAWIE S.A. FOR THE THIRD QUARTER OF 2021



NOVEMBER 2021

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SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	Third quarter accruals period from 01.01.21 to 30.09.21	Third quarter accruals period from 01.01.20 to 30.09.20	Third quarter accruals period from 01.01.21 to 30.09.21	Third quarter accruals period from 01.01.20 to 30.09.20
Data related to the interim condensed consolidated financial statements				
Interest income and similar	549,514	862,999	120,547	194,282
Fee and commission income	548,544	463,327	120,334	104,306
Profit before tax	750,038	333,008	164,536	74,968
Net profit	560,980	230,333	123,062	51,853
Comprehensive income	99,377	506,738	21,800	114,079
Net cash flows	10,800,757	(1,212,094)	2,369,366	(272,871)
Total assets*	60,475,992	60,941,538	13,053,593	13,205,673
Amounts due to banks*	1,609,412	5,118,861	347,388	1,109,227
Amounts due to customers*	45,133,040	43,393,906	9,741,855	9,403,204
Equity*	7,523,553	7,580,967	1,623,940	1,642,751
Ordinary shares*	522,638	522,638	112,810	113,253
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)*	57.58	58.02	12.43	12.57
Total capital adequacy ratio (%)*	19.0	22.6	19.0	22.6
Earnings per share (PLN / EUR)	4.29	1.76	0.94	0.39
Diluted earnings per share (PLN / EUR)	4.29	1.76	0.94	0.39
Data related to the interim condensed standalone financial statements				
Interest income and similar	549,664	862,667	120,580	194,207
Fee and commission income	494,046	429,295	108,379	96,645
Profit before tax	746,226	323,656	163,700	72,863
Net profit	562,655	223,322	123,430	50,275
Comprehensive income	101,036	499,426	22,164	112,433
Net cash flows	10,800,805	(1,212,068)	2,369,377	(272,865)
Total assets*	60,169,423	60,632,397	12,987,421	13,138,684
Amounts due to banks*	1,609,252	5,118,749	347,353	1,109,203
Amounts due to customers*	45,083,483	43,411,106	9,731,158	9,406,931
Equity*	7,459,450	7,515,205	1,610,104	1,628,501
Ordinary shares*	522,638	522,638	112,810	113,253
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)*	57.09	57.52	12.32	12.46
Total capital adequacy ratio (%)*	18.7	22.3	18.7	22.3
Earnings per share (PLN/EUR)	4.31	1.71	0.95	0.38
Diluted earnings per share (PLN / EUR)	4.31	1.71	0.95	0.38
Paid dividend per share (PLN/EUR)**	1.20	-	0.26	-

**Comparative data according as at 31 December 2020. Additional information on TCR calculation has been discribed in the note no. 6.*

***The Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. (hereinafter GM) adopted a resolution on distribution of the net profit for 2020 and allocation to dividend to the Shareholders the amount of PLN 156 791 520.*

****The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 30 September 2021 – 4.6329 (as at 31 December 2020: PLN 4.6148 ; as at 30 September 2020 – PLN 4.5268); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the I, II and III quarter of 2021 - PLN 4.5585 (in the I, II and III quarter of 2020: PLN 4.4420).*

Contents

Condensed consolidated income statement

For the period *PLN '000*	III quarter period from 01.07.21 to 30.09.21	III quarter accruals period from 01.01.21 to 30.09.21	III quarter period from 01.07.20 to 30.09.20	III quarter accruals period from 01.01.20 to 30.09.20
Interest income	165,771	514,846	208,789	804,054
Similar income	11,163	34,668	16,267	58,945
Interest expense and similar charges	(8,086)	(15,232)	(11,330)	(82,211)
Net interest income	**168,848**	**534,282**	**213,726**	**780,788**
Fee and commission income	**178,894**	**548,544**	156,357	463,327
Fee and commission expense	(20,992)	(67,489)	(19,136)	(61,336)
Net fee and commission income	**157,902**	**481,055**	**137,221**	**401,991**
Dividend income	**1,703**	**10,800**	**293**	**11,721**
Net gain/(loss) on trading financial instruments and revaluation	**131,544**	**339,131**	**83,648**	**177,990**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	**-**	**459,106**	**1,731**	**175,932**
Net gain/(loss) on equity investments and other at fair value through income statement	**342**	**4,297**	**8,306**	**12,451**
Net gain/(loss) on hedge accounting	**1,343**	**1,364**	**2,512**	**1,049**
Other operating income	**4,477**	**14,038**	4,351	15,227
Other operating expenses	(9,093)	(25,683)	(11,564)	(26,752)
Net other operating income and expense	**(4,616)**	**(11,645)**	**(7,213)**	**(11,525)**
General administrative expenses	**(245,643)**	**(833,040)**	**(245,046)**	**(866,218)**
Depreciation and amortization	**(28,920)**	**(85,289)**	**(25,972)**	**(79,997)**
Profit on sale of other assets	**31**	**(402)**	**(32)**	**(426)**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	**(18,654)**	**(34,428)**	**25,321**	**(178,178)**
Operating income	**163,880**	**865,231**	**194,495**	**425,578**
Tax on certain financial institutions	**(40,300)**	**(115,193)**	**(28,968)**	**(92,570)**
Profit before tax	**123,580**	**750,038**	**165,527**	**333,008**
Income tax expense	**(30,194)**	**(189,058)**	**(50,857)**	**(102,675)**
Net profit	**93,386**	**560,980**	**114,670**	**230,333**
Including:				
Net profit attributable to Bank's shareholders		560,980		230,333
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Earnings per share (in PLN)		4.29		1.76
Diluted net earnings per share (in PLN)		4.29		1.76

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

Condensed consolidated statement of comprehensive income

PLN '000 For a period	III quarter period from 01.07.21 to 30.09.21	III quarter accruals period from 01.01.21 to 30.09.21	III quarter period from 01.07.20 to 30.09.20	III quarter accruals period from 01.01.20 to 30.09.20
Net profit	**93,386**	**560,980**	**114,670**	**230,333**
Other comprehensive income, that is or might be subsequently reclassified to income statement:	**(8,433)**	**(461,603)**	**11,468**	**276,405**
Changes of financial assets measured at fair value through other comprehensive income	(8,545)	(461,619)	11,404	276,104
Currency translation differences	112	16	64	301
Other comprehensive income net of tax	**(8,433)**	**(461,603)**	**11,468**	**276,405**
Total comprehensive income	**84,953**	**99,377**	**126,138**	**506,738**
Including:				
Comprehensive income attributable to Bank's shareholders	84,953	99,377	126,138	506,738

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

Condensed consolidated statement of financial position

PLN '000 as at	30.09.2021	31.12.2020
ASSETS		
Cash and balances with the Central Bank	14,936,806	4,488,332
Amounts due from banks	961,519	570,247
Financial assets held-for-trading	5,325,142	4,350,540
Hedging derivatives	60,588	-
Debt financial assets measured at fair value through other comprehensive income	16,071,731	27,323,571
Equity and other instruments measured at fair value through income statement	82,770	78,473
Amounts due from customers	20,835,929	21,914,223
Tangible fixed assets	458,999	476,909
Intangible assets	1,241,198	1,252,583
Current income tax receivables	20,212	48,714
Deferred tax asset	219,783	174,223
Other assets	255,152	257,560
Non-current assets held-for-sale	6,163	6,163
Total assets	**60,475,992**	**60,941,538**
LIABILITIES		
Amounts due to banks	1,609,412	5,118,861
Financial liabilities held-for-trading	4,915,824	3,656,422
Hedging derivatives	-	98,025
Amounts due to customers	45,133,040	43,393,906
Provisions	81,873	84,775
Current income tax liabilities	5,213	3,666
Other liabilities	1,207,077	1,004,916
Total liabilities	**52,952,439**	**53,360,571**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	3,001,699	3,002,265
Revaluation reserve	(11,602)	450,017
Other reserves	2,810,260	2,793,561
Retained earnings	1,200,558	812,486
Total equity	**7,523,553**	**7,580,967**
Total liabilities and equity	**60,475,992**	**60,941,538**

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

Condensed consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2021	**522,638**	**3,002,265**	**450,017**	**2,793,561**	**812,486**	**7,580,967**
Total comprehensive income, including:	-	-	(461,619)	16	560,980	99,377
Net profit	-	-	-	-	560,980	560,980
Currency translation differences from the foreign operations' conversion	-	-	-	16	-	16
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(461,619)	-	-	(461,619)
Dividends paid	-	-	-	-	(156,791)	(156,791)
Transfer to capital	-	(566)	-	16,683	(16,117)	-
Balance as at 30 September 2021	**522,638**	**3,001,699**	**(11,602)**	**2,810,260**	**1,200,558**	**7,523,553**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2020	**522,638**	**3,003,290**	**114,893**	**2,867,358**	**566,476**	**7,074,655**
Total comprehensive income, including:	-	-	276,104	301	230,333	506,738
Net profit	-	-	-	-	230,333	230,333
Currency translation differences from the foreign operations' conversion	-	-	-	301	-	301
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	276,104	-	-	276,104
Transfer to capital	-	(1,025)	-	(72,590)	73,615	-
Balance as at 30 September 2020	**522,638**	**3,002,265**	**390,997**	**2,795,069**	**870,424**	**7,581,393**

PLN'000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2020	**522,638**	**3,003,290**	**114,893**	**2,867,358**	**566,476**	**7,074,655**
Total comprehensive income, including:	-	-	335,124	(1,207)	172,395	506,312
Net profit	-	-	-	-	172,395	172,395
Currency translation differences from the foreign operations' conversion	-	-	-	392	-	392
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	335,124	-	-	335,124
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	(1,599)	-	(1,599)
Transfer to capital	-	(1,025)	-	(72,590)	73,615	-
Balance as at 31 December 2020	**522,638**	**3,002,265**	**450,017**	**2,793,561**	**812,486**	**7,580,967**

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

Condensed consolidated statement of cash flows

PLN '000	For a peroid	III quarter accruals period from 01.01.21 to 30.09.21	III quarter accruals period from 01.01.20 to 30.09.20
Cash at the beginning of the reporting period		**4,519,640**	**3 796 861**
Cash flows from operating activities		11,011,290	(1 126 206)
Cash flows from investing activities		(44,896)	(74 864)
Cash flows from financing activities		(165,637)	(11 024)
Cash at the end of the reporting period		**15,320,397**	**2 584 767**
Increase/(decrease) in net cash		**10,800,757**	**(1 212 094)**

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

Supplementary notes to the interim condensed consolidated financial statements

1 General information about the Bank and the Capital Group

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

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

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

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

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

The Bank is a universal bank that offers a wide range of banking services for individuals and corporate customers on the domestic and foreign markets. The Bank is also 100% shareholder of Dom Maklerski Banku Handlowego S.A. ("DMBH"), conducting the brokerage activity in the range of wide financial instruments portfolio and services for individual and corporate customers.

This interim condensed consolidated financial statements present financial data of the Capital Group of Bank Handlowy w Warszawie S.A. ('the Group'), that is composed of Bank Handlowy w Warszawie S.A. ('the Bank') as the parent company and its subsidiaries entities.

The Group consists of the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2021	31.12.2020
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o. *(including indirect shareholding via Handlowy-Inwestycje Sp. z o.o.)*	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	-	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	100.00

**With effect from 30 April 2021 the liquidation of PPH Spomasz Sp. z o.o. was completed and application for removal of the company from the trade register has been submitted. As a result of the proceedings, the company was removed from the National Court Register on July 26, 2021.*

2 Declaration of conformity

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2021 to 30 September 2021 and for the consolidated statement of financial position as at 30 September 2021. Comparative financial data are presented for the period from 1 January 2020 to 30 September 2020 and for the consolidated statement of financial position as at 31 December 2020.

The interim condensed consolidated financial statements are presented in PLN (currency of presentation), rounded to the nearest thousand. These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* adopted by European Union and with other applicable regulations.

The financial statements does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 December 2020.

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, as amended) the Bank is obliged to publish its financial results for the 9 month period ended 30 September 2021 which is deemed to be the current interim financial reporting period.

3 Significant accounting policies

The interim condensed consolidated financial statement of the Group for the third quarter of 2021 has been prepared in accordance with accounting principles adopted and described in the annual consolidated financial statements of the Group for the financial year ended 31 December 2020, except for the burden of income tax that was calculated according to the rules of IAS 34.

The preparation of interim condensed consolidated financial statements of the Group 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. This financial statement are based on the same estimation rules which were used in the annual consolidated financial statements of the Group for the financial year ended 31 December 2020.

The estimations and respective assumptions are made based on historical data available and multiple other 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. Real values may differ from estimation values.

The estimations and respective assumptions are subject recurring to 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 Consolidated Financial Statements of the Group for 2020. Additionally, with respect to interim financial statements, the Group 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 Group in the full financial year.

Standards and interpretations approved but not obligatory as at 30 September 2021 that may have an impact on financial statements of the Group:

- Amendments to IFRS 3 updating reference to conceptual framework,
- Amendments to IAS 16 prohibiting from deduction from fixed assets production costs of any proceeds from selling items produced while the entity is preparing the assets for its intended use. Instead, an entity recognizes those proceeds, together with the costs of producing them, in profit and loss. Effective date - an annual period beginning on January 1, 2022 or after that date,
- Amendments to IAS 37 specifying that „costs of fulfilling" an onerous contract include „costs that relate directly to the contract". Those costs can be both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Effective date - an annual period beginning on January 1, 2022 or after that date.
- Annual improvements (2018-2020) including changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in IFRS 1 first-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The above mentioned changes are applicable from 1 January 2022 and will not impact the financial statements significantly.

Standards and interpretations awaiting European Union's approval:

- IFRS 17 „Insurance" replacing IFRS 4 „Insurance contracts" and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities. Standard eliminates differences in accounting of insurance contracts depending on local jurisdictions, allowed by IFRS 4,
- 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,
- 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,
- 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,
- Amendment to IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates" („Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The European Commission decided to postpone the endorsement process indefinitely. The amendment clarifies that, in transaction with an associate or joint venture resulting in loss of control, the extent of recognition of profit or loss should be considered from the point of view of a definition of „business" in IFRS 3:

  - a full gain or loss should be recognised on the loss of control of business (regardless of whether the transaction is between an investor and its associate or joint venture),
  - a partial gain or loss should be recognised in accounting for the sale or contributions of assets or subsidiaries that do not constitute a business between an investor and its associate or joint venture.

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 January 2021:
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 providing practical expedient not to recognize immediate gain or loss from modification of a financial instrument or right-of-use, applying to the extent it is only a result of the benchmark rates reform, and the new rate is economically equivalent to the previous one. The amendments introduce also additional practical expedients in the area of hedge accounting, as well as new obligatory disclosures related to transition management and risks,
- IFRS 4 'Insurance contracts' amendment issued on 25 June 2020 in relation to deferral of effective date of IFRS 17, regarding obligation to adopt IFRS 9.

not impact the financial statement 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 tax rate that would be applicable to expected total annual result, that is, 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 statement of financial position.

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

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

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

PLN		30 September 2021	31 December 2020	30 September 2020
1	USD	3.9925	3.7584	3.8658
1	CHF	4.2725	4.2641	4.1878
1	EUR	4.6329	4.6148	4.5268

4 Macroeconomic conditions and the situation in money, foreign exchange and capital markets

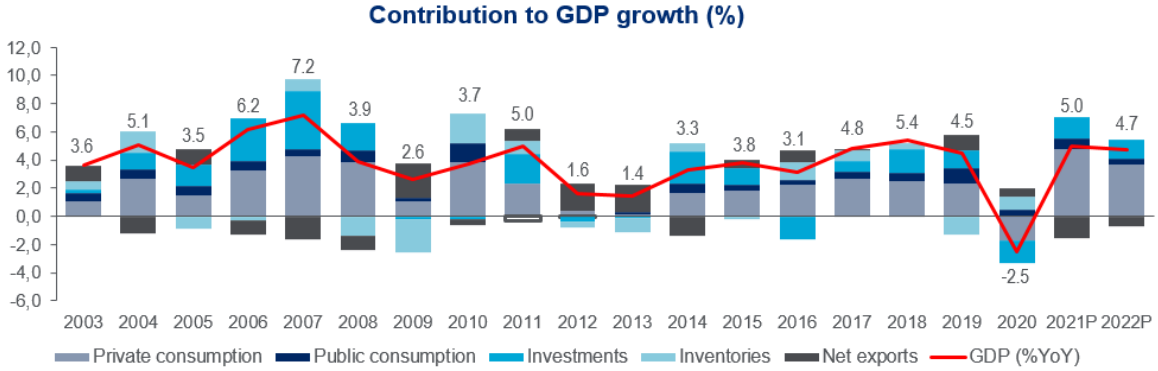
1. Macroeconomic conditions and the situation in money and foreign exchange markets

It is most probable that in the third quarter of 2021 GDP growth slowed down significantly from 11.1% YoY in the second quarter of 2021 to around 4.8% YoY. This visible drop in the growth rate was mainly caused by the base effect, triggered by the opening of the economy in the third quarter of 2020. Poland's economy was affected by world-wide disruptions in supply chains and the limited availability of raw materials and components contributed to an increase in producer and consumer prices and exerted an adverse impact on both output and sales. Nonetheless, the supply-side problems in the manufacturing and construction sectors in Poland are still less troublesome than in other countries in the region.

By sector, the best performer was still the industry as its output was maintained above the pre-pandemic trend, even if the annual growth of industrial output slowed down from 30.7% YoY in the second quarter of 2021 to 10.5% YoY in the third quarter of 2021. Retail sales were above the pre-pandemic level, however its growth slowed down to 4.8% YoY in the third quarter of 2021 from 14.5%. Construction output, in turn, stayed below the pre-pandemic level, but it slightly accelerated to 5.9% YoY from 1.6%. On the other hand, the services sector experienced a clear-cut recovery.

The wage growth rate declined only marginally in the third quarter of 2021, from 9.9% YoY in the second quarter of 2021 to 9.0% YoY. In turn, the employment growth rate slowed down from 2.1% YoY to 1.1% YoY, with the statistical base effect as a main contributor. In addition, a reason behind the slower employment growth rate could be a slowdown in the economy, a lower supply of skilled employees and lay-offs after the anti-crisis measures were phased out. A good situation in the labor market is also confirmed by a further decline in the registered unemployment rate to 5.6% in September 2021 from 5.9% as at the end of the second quarter. In the months to come, we expect that the favorable trends in the labor market will be continued. Nonetheless, more time may be required to return to the pre-pandemic employment level if restrictions are imposed in connection with the fourth wave of COVID-19.

We expect that the growth rate in the economy will reach 5% YoY in 2021 with a slight decline to 4.7% YoY in 2022. Even if the vaccination program is progressing relatively slowly as compared to, both, world leaders and European Union, it may result in less stringent restrictions as compared to previous waves of the pandemic and, as a result, reduce the impact of the pandemic on economic activity. A relatively weak Polish zloty supports Poland's exports, while consumption benefits from accumulated savings and a still high increase in wages, boosted by the next raise of the minimum wage. The key GDP growth detractors, both in this and next year, include the worsening of prospects of the global economy that emerged in the third quarter of 2021, supply-side shortages and the delayed inflow of EU funds from the recovery fund.



Source: Chief Statistical Office, Citi Handlowy forecasts

In the third quarter of 2021, a further increase in price pressure occurred in the economy. In the third quarter of 2021, consumer price inflation rose, on average, to about 5.5% YoY from 4.5% in the second quarter of 2021. In September, inflation reached 5.9% YoY – the highest level for more than 20 years. Such a significant inflation increase results from gradual acceleration of increases in prices of food, oil, gas and electricity, from disruptions in supply chains and from accumulated postponed demand coupled with rising manufacturing and operating costs of companies. The demand pressure that is currently observed in the economy is reflected, among other things, by high core inflation, which amounted to 3.9% YoY in the third quarter of 2021 as compared to 3.8% YoY in the second quarter of 2021, and reached 4.2% YoY in September – the highest level in this year. Taking into account further increases in electricity and natural gas prices, an increase in excise duty and the continued imbalance between supply and demand, we expect that inflation will continue to grow and exceed 7% YoY in January 2022. Even if inflation starts to decline gradually over the next months of 2022, we expect that in 2022, on an annual-average basis, inflation will rise to 5% YoY from 4.8% in 2021 with core inflation going up to 4.4% YoY.

After months of very mild rhetoric, the Monetary Policy Council suddenly decided to increase interest rates in October 2021. The reference rate was raised from 0.1% to 0.5% and the mandatory reserve rate was increased to 2%. This hike may be just the beginning of a monetary policy tightening cycle and the reference rate can ultimately exceed 2% in 2023.

The Polish zloty was weakening during the third quarter of 2021, as a result, among other things, of U.S. dollar appreciation in global markets and an increase in yields in the main markets, which triggered an adverse impact on assets of emerging economies. It is likely that the zloty was also adversely affected by a deteriorating current account balance. In turn, the interest rate hike in October supported the Polish currency.

In the interest rate market, the third quarter of 2021 saw an increase in market rates. It was caused, to a large extent, by higher-than-expected inflation. Despite some attempts of the Monetary Policy Council to cool down market expectations, market rates continued to go higher and higher. In addition, inflation came as a surprise also in main markets, which, together with a further increase in electricity and raw material prices and good macroeconomic data, translated into higher yields offered by bonds in the U.S.A. and Germany. And this, in turn, supported the yield increase in Poland. Further increase in inflation, next hikes by the Monetary Policy Council and the continued weakening of debt in main markets may also contribute to an increase in bond yields in the future.

2. Capital market situation

In the third quarter of 2021, the positive sentiments observed in the first half of 2021 were continued. Stock market prices were positively affected by the dynamic rebound of companies profits for the second quarter of 2021, which, to a considerable extent, was a result of the low base in the prior year (an effect of global restrictions imposed to stop the progress of the pandemic) and of the accelerating recovery in the global economy, as well as the continuation of accommodative monetary policy pursued by the largest central banks. Additionally, rising inflation expectations supported the prices of shares in cyclical sectors and translated into a higher risk appetite among investors. The positive trends were also supported by continued record-high inflows to investment funds, especially those with exposures in the stock market.

Positive sentiments on global stock exchanges supported the local stock market.

In the third quarter of 2021, all the main indices went higher. After an increase by 6.5% QoQ, the broadest market index, i.e. WIG, crossed the barrier of 70,000 pints and reached its all-time high. WIG20, the index of the largest companies listed on the Warsaw Stock Exchange, rose by 4.1% versus the second quarter level. The highest growth was achieved by medium-sized companies, for which the mWIG40 index rose by nearly 9% QoQ. In turn, SWIG80, the low-cap stock index, increased by 2.6% from the previous quarter.

Among sectoral sub-indices, the sub-index of telecom companies (WIG-Telekomunikacja) deserves a special mention as it gained over 21% QoQ. The increasing bond yields and high inflation supported the banking sector, whose index (WIG-Banks) gained 17% QoQ in the last quarter.

On the other hand, the chemical companies subindex declined by 12% as compared to the second quarter of 2021, mainly as a result of rapid growth of natural gas prices (which is one of the key raw materials used for chemical production). The WIG-Mining index also declined (by -10.2%), in connection with pressure on KGHM stocks (which are the dominant component of the index) in connection with copper prices going down.

In the last quarter, activity in the IPO market was moderate. Three companies entered the main floor of the stock market and the IPOs totaled PLN 995 million (in 2021 to date, shares of 11 companies were introduced into trading, totaling PLN 6.8 billion). At the same time, 4 companies (and 19 in 2021 to date) were withdrawn from the WSE. As at the end of September 2021, 426 companies were listed on the main floor, which means a decline by 10 as compared to the prior year period. The aggregate capitalization of the companies listed on the WSE was PLN 1,304 billion (including PLN 683 billion for domestic companies), which means an increase by 6% QoQ and 62% YoY.

Equity market indices as of 30 September 2021

Index	30.09.2021	30.06.2021	Change (%) QoQ	31.03.2020	Change (%) YoY
WIG	70,340.86	66,067.21	6.5%	49,411.53	42.4%
WIG-PL	71,692.96	67,395.78	6.4%	50,517.08	41.9%
WIG-div	1,350.93	1,305.80	3.5%	982.04	37.6%
WIG20	2,310.29	2,218.41	4.1%	1,712.73	34.9%
WIG20TR	4,323.98	4,075.41	6.1%	3,131.53	38.1%
WIG30	2,800.54	2,655.71	5.5%	1,959.16	42.9%
mWIG40	5,255.82	4,825.09	8.9%	3,562.00	47.6%
sWIG80	21,107.68	20,581.88	2.6%	14,222.02	48.4%
WIG-Banks	7,657.84	6,547.82	17.0%	3,698.72	107.0%
WIG-Construction	4,295.18	4,212.95	2.0%	2,991.16	43.6%
WIG-Chemicals	8,955.44	10,232.21	(12.5%)	6,785.02	32.0%
WIG- Energy	2,702.00	2,694.54	0.3%	1,857.90	45.4%
WIG-Games	23,918.03	23,725.64	0.8%	33,510.60	(28.6%)
WIG- Mining	5,336.43	5,940.09	(10.2%)	3,746.50	42.4%
WIG-IT	4,656.34	4,509.26	3.3%	3,837.18	21.3%
WIG-Medicines	6,240.07	6,332.77	(1.5%)	6,061.14	3.0%
WIG-Media	8,524.46	7,770.02	9.7%	4,992.09	70.8%
WIG-Motorisation	6,686.28	5,851.97	14.3%	3,765.10	77.6%
WIG- Developers	3,165.54	3,014.43	5.0%	2,148.94	47.3%
WIG-Clothing	8,697.20	7,539.69	15.4%	3,830.05	127.1%
WIG- Fuel	6,902.42	6,357.84	8.6%	4,134.41	67.0%
WIG- Food	4,662.86	4,357.72	7.0%	3,003.79	55.2%
WIG-Telecoms	1,199.19	987.40	21.4%	897.09	33.7%

Source: WSE, DMBH.

Equity and bond trading value and derivatives trading volumes on WSE in thethird quarter of 2021

	Q3 2021	Q2 2021	Change (%) QoQ.[2)]	Q3 2020	Change (%) YoY.[2)]
Shares (PLN million) [1)]	124,893	242,886	(48.6%)	127,096	(1.7%)
Bonds (PLN million)	848	1,487	(43.0%)	777	9.1%
Futures (in thousand contracts)	5,228	8,423	(37.9%)	4,498	16.2%

	Q3 2021	Q2 2021	Change (%) QoQ.2)	Q3 2020	Change (%) YoY.2)
Options (in thousand contracts)	99	199	(50.0%)	168	(40.8%)

1) excluding calls
2) differences may result from rounding

Source: WSE, DMBH.

5 Banking sector

Data published by the National Bank of Poland show that, as at the end of September 2021, the volume of loans granted to non-financial companies was virtually flat, amounting to PLN 359 billion (i.e. +0.7% YoY, or PLN 2.7 billion). PLN loans returned to their path of growth (+3.1% YoY, or PLN 7.6 billion), however their volume is still significantly below the pre-pandemic level. Small recovery is also visible on the side of foreign-currency loans, which, however, is mainly a result of PLN depreciation. In terms of maturity dates, the highest volume growth occurred for loans up to 1 year and overdrafts (+8,1% YoY.), while loans repayable within 1 to 5 years and over 5 years were still on the decline (-4.0% YoY and -1.6% YoY, respectively).

The structure by type shows the same trends as the maturity structure does. The only segment with volume growth was current loans (+3.0% YoY), while investment loans declined by 1.2% YoY and real property loans dropped by as much as 5.8% YoY. However, it should be noted that PLN loans were growing considerably faster than foreign currency loans in each of the above mentioned categories. The above data indicated that, on the one hand, companies still maintain high liquidity and, on the other hand, some investment projects are stopped due to the uncertainty about the further development of the macroeconomic situation, leading to a low demand for credit.

The available data on the loan portfolio quality indicate a significant improvement in the timely debt servicing after the turmoil related to the COVID-19 pandemic. In the case of non-financial companies, as at the end of August 2021, the share of loans with recognized impairment declined by 0.7 p.p. YoY to 8.2%, i.e. below the pre-pandemic level (February 2020). NPL represented also 11.6% of the entire loan portfolio gross for SME and 4.8% of the loans for big enterprises. The share of stage 3 loans declined in both segments, however large companies were more successful in improving on-time loan servicing – the NPL ratio declined by 0.8 p.p. YoY in that group, while in the SME segment by only 0.2 p.p. YoY.

Total net receivables from households was near to PLN 813 billion as at the end of the third quarter of 2021, which means they increased on an annual basis by 4.3% YoY, i.e. PLN 33 billion. The main growth driver is still a high increase in demand for housing loans, i.e. +7.0% YoY, despite the continued two-digit growth of the PLN loan volume in that category (+12.0% YoY). And consumer loans left the pandemic low behind and reached the record-high level of nearly PLN 200 billion after an increase by only 1.4% YoY, slowed down significantly by a decline in foreign-currency loans. The situation is different in the segment of loans to individual entrepreneurs and individual farmers (-0.1% YoY) and investment loans (-4.5% YoY), which are still under the pressure of trends that developed during the pandemic.

The share of loans with recognized impairment declined to the all-time low level of 5.5%, i.e. by 0.6 p.p. YoY, which means, as in the case of corporate loans, that the difficulties to service loans that occurred during the COVID-19 pandemic have been overcome. A significant deterioration in the portfolio quality is visible in the category of Swiss franc loans by 1.2 pp YoY to a record level of 5.1%, which is related to pending lawsuits. In turn, PLN mortgage loans reached another record high level, along with a decline of the NPL rate to 1.9%. In the category of consumer loans, a decrease in loans with defaults was recorded (1.0 pp YoY to the level of 10.5%).

After a temporary decline in the second quarter of 2021, the volume of corporate deposits returned to the path of dynamic growth and exceeded the record-high level of PLN 400 billion (+7.0% YoY, or PLN 26 billion). There is a continued strong outflow trend for term deposits (-18.1% YoY), and new available funds are invested in current deposits (+12.2% YoY).

Similar trends are visible in the household segment, where, as at the end of September 2021, the total volume of liabilities of banks reached another record-high level of nearly PLN 1,023 billion (+6.4% YoY). In this segment the outflow of time deposits to current accounts is even more visible than in the segment of corporate clients. The time deposit volume declined by 24.4% YoY, which translated into an increase in the current deposit volume by 23.3% YoY.

In the first eight months of 2021, the banking sector managed to generate PLN 9.0 billion in net profit, i.e. 59.1% more than in the same period of last year. As regards revenues, the negative impact of interest rate cuts in 2020 is still observed. Those cuts resulted in a decline in net interest income by 8.1% YoY. In turn, measures implemented to adapt the fees led to an improvement in net fees and commission income by 17.3% YoY and one-off events contributed to an increase in other income by 28.1% YoY. As a result, the total revenues of the banking sector for the period of January-August 2021 amounted to PLN 45.7 billion, which is similar to the prior year period (+0.3% YoY).

Lower fees to the Bank Guarantee Fund translated into a decline in operating expenses and depreciation & amortization expenses, by 2.4% YoY in total. However, the factor that had the largest impact on the net income of the sector was a decline in net impairment write-offs and provisions by 35.6% YoY, as a result of improving macroeconomic conditions. Along with the dynamic growth of the balance sheet total, the estimates of paid banking tax also increased. Income tax paid also increased significantly (+24,4% YoY) in the wake of a considerable improvement of operating profits.

As in 2020, judgements relating to CHF loans, if any, or decisions of particular banks connected with that matter, may have a decisive influence on the banking sector performance in both the fourth quarter and whole 2021. There is still a serious risk associated with the COVID-19 pandemic and possible restrictions in the economy. A factor that will positively affect the financial results of banks is the decision of the Monetary Policy Council to increase the main interest rates, which is likely to be only the first step that has started a cycle of hikes, taking into account the global trends and high inflation.

6 Financial analysis of the results of the Capital Group of the Bank

1. Consolidated statement of financial position

As at the end of the third quarter of 2021 **total assets** stood at PLN 60.5 billion, down by PLN 0.5 billion (or 0.8%) compared to the end of 2020.

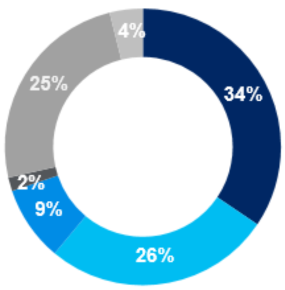
In terms of assets, the biggest nominal changes in the balance sheet took place in two lines: **debt investment financial assets** and **cash, operations with Central Bank.** The debt investment financial assets balance decreased by PLN 11.3 billion (or 41.2%) compared to the end of 2020 as a result of the sale of Polish treasury bonds, which in turn contributed to an increase in the balance in cash, operations with Central Bank by PLN 10.4 billion.

In turn, the largest share in the structure of the Group's assets as at the end of September 2021 was occupied by **net amounts due from customers**, they accounted for 34.5% of total assets. The value of net amounts due from customers as at the end of September 2021 amounted to PLN 20.8 billion, down by PLN 1.1 billion (or 4.9%) compared to the end of 2020, on the other hand, this value increased by 1.2% compared to the second quarter of 2021, thanks to higher loan volumes in the Institutional Banking segment.

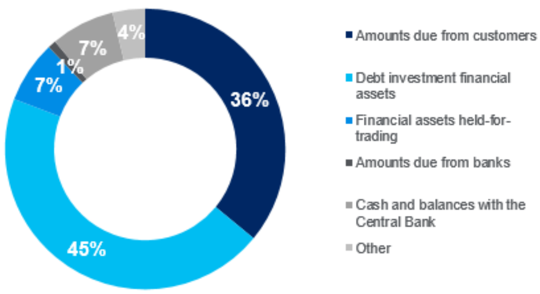
The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities – corporate clients, amounted to PLN 13.8 billion, up by PLN 238,1 million (or 1.8%) compared to the second quarter of 2020. The increase in loan volumes was due to commercial bank and global bank clients. A detailed breakdown of assets by individual segments in the management view is provided in Note 8.

The volume of net loans made to individual customers remain almost unchanged compared to the second quarter of 2021 and amounted to PLN 7.1 billion.

Group's asset structure as at 30.09.2021



Group's asset structure as at 31.12.2020



Amounts due from customers

PLN '000	30.09.2021	31.12.2020	Change PLN '000	Change %
Amounts due from financial sector entities, including:	**3,477,444**	**3,735,746**	**(258,302)**	**(6.9%)**
Loans	3,475,708	3,735,746	(260,038)	(7.0%)
Receivables related to reverse repo transactions	1,736	-	1,736	-
Amounts due from non-financial sector entities, including:	**17,358,485**	**18,178,477**	**(819,992)**	**(4.5%)**
Institutional clients* including:	10,292,771	10,963,662	(670,891)	(6.1%)
public sector units	4,159	9,678	(5,519)	(57.0%)
Individual clients, including:	7,065,714	7,214,815	(149,101)	(2.1%)
unsecured receivables	4,683,873	5,015,003	(331,130)	(6.6%)
credit cards	2,779,151	2,954,641	(175,490)	(5.9%)
cash loans to private individuals	1,863,898	2,013,026	(149,128)	(7.4%)
mortgage loans	**2,381,841**	2,199,812	182,029	8.3%
Total receivables from customers	**20,835,929**	**21,914,223**	**(1,078,294)**	**(4.9%)**

**Institutional clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*

Amounts due from customers as per credit risk classification

PLN '000	30.09.2021	31.12.2020	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	**18,939,745**	**20,619,102**	**(1,679,357)**	**(8.1%)**
financial institutions	3,480,949	3,739,156	(258,207)	(6.9%)
non-financial sector entities	15,458,796	16,879,946	(1,421,150)	(8.4%)
institutional clients*	9,134,550	10,412,915	(1,278,365)	(12.3%)
individual customers	6,324,246	6,467,031	(142,785)	(2.2%)
Receivables not impaired (Stage 2), including	**1,877,907**	**1,309,795**	**568,112**	**43.4%**
financial institutions	3	-	3	-
non-financial sector entities	1,877,904	1,309,795	568,109	43.4%
institutional clients*	1,105,882	507,135	598,747	118.1%
individual customers	772,022	802,660	(30,638)	(3.8%)
Receivables impaired (Stage 3), including:	**809,292**	**827,072**	**(17,780)**	**(2.1%)**
non-financial sector entities	809,292	827,072	(17,780)	(2.1%)
institutional clients*	461,405	475,043	(13,638)	(2.9%)
individual customers	347,887	352,029	(4,142)	(1.2%)
Total gross loans to customers, including:	**21,626,944**	**22,755,969**	**(1,129,025)**	**(5.0%)**
financial institutions	3,480,952	3,739,156	(258,204)	(6.9%)
non-financial sector entities	18,145,992	19,016,813	(870,821)	(4.6%)
institutional clients*	10,701,837	11,395,093	(693,256)	(6.1%)
individual customers	7,444,155	7,621,720	(177,565)	(2.3%)
Provisions for expected credit losses	**(791,015)**	**(841,746)**	**50,731**	**(6.0%)**
Total net amounts due from customers	**20,835,929**	**21,914,223**	**(1,078,294)**	**(4.9%)**
Provisions coverage ratio* **	**75.1%**	**77.2%**		
institutional clients*	73.1%	75.6%		
individual customers	77.9%	79.3%		
Non-performing loans ratio (NPL)	**3.7%**	**3.6%**		

**Institutional clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*
***The ratio of non-performing loans is defined as the ratio of Receivables impaired (Stage 3) to total gross loans to customers.*

****The Group has made changes in presentation to include Amounts due from matured transactions in derivative instruments to Loans with recognized impairment. The earlier presentation was intended to highlight a specific type of receivables, unrelated to the core lending activities of the Group. As a result of the actions taken, the amount of these receivables became insignificant and the Group decided not to separate it.*

The value of gross receivables as of the end of the first quarter of 2021 does not include contractual interest in the amount of PLN 139 453 thousand accrued from the moment of transferring the exposure to Stage 3 (as at the end of 2020, PLN 155,923 thousand). This does not affect the net value of the receivables qualified for Stage 3 because including them in gross value, in accordance to the guidelines of the Transition Resource Group for Impairment of Financial Instruments would also lead to an increase in expected credit losses by the same value.

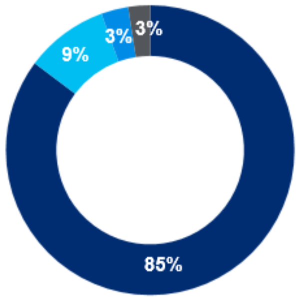
As of the end of the third quarter of 2021 **total liabilities** amounted to PLN 53.0 billion, slightly down by PLN 0.4 billion (or 0.8%) compared to the end of 2020.

In the third quarter of 2021 **amounts due to customers** were the dominant source of financing of the Group's activity and as at September 30, 2021 they accounted for 74,6% of the Group's liabilities and equity. At the same time, funds in current accounts were the dominant item in amounts due to customers, they accounted for 84.8% (increase by 4 pp compared to the end of 2020).

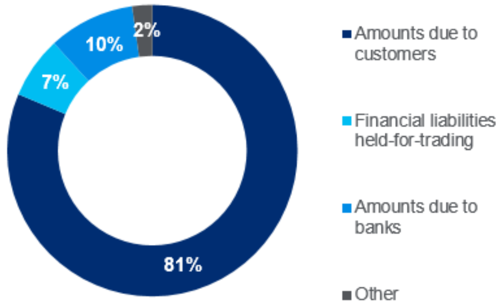
Total amounts due to customers as of the end of the third quarter of 2021 amounted to PLN 45.1 billion, up by PLN 1.7 billion (or 4.0%) compared to the end of 2020 and up by PLN 1.8 million (or 4.3%) compared to the second quarter of 2021. The largest share in the quarterly increase was due to **amounts due to institutional clients**, which were higher by PLN 1.5 billion (i.e. 5.5%) and concerned funds in current accounts of corporate clients (non-financial sector), thus emphasizing the Bank's strategic focus on servicing operational accounts. A detailed breakdown of liabilities by segments in the management view is provided in Note 8.

At the same time, as at the end of the third quarter of 2021, **amounts due to individual clients** increased by PLN 357 million (or 2.2%) compared to the end of the previous year and amounted to PLN 16.2 billion and resulted from a higher volume of funds in current accounts, thanks to a higher number of personal accounts QoQ.

Group's liabilities structure as at 30.09.2021



Group's liabilities structure as at 31.12.2020



Loan-to-deposit ratio dropped to 46% as at the end of September 2021 compared to 50% as at September 30, 2020 and 51% as at December 31, 2020.

Amounts due to customers

PLN '000	30.09.2021	31.12.2020	Change	
			PLN '000	%
Current accounts, including:	**38,374,310**	**36,242,776**	**2,131,534**	**5.9%**
financial sector entities	1,189,504	1,640,351	(450,847)	(27.5%)
non-financial sector entities, including:	37,184,806	34,602,425	2,582,381	7.5%
institutional clients*, including:	22,231,292	20,631,117	1,600,175	7.8%
public sector units	2,709,364	3,335,108	(625,744)	(18.8%)
individual clients	14,953,514	13,971,308	982,206	7.0%
Term deposits, including:	**6,504,812**	**6,929,242**	**(424,430)**	**(6.1%)**
financial sector entities	2,820,462	2,931,313	(110,851)	(3.8%)
non-financial sector entities, including:	3,684,350	3,997,929	(313,579)	(7.8%)
institutional clients*, including:	2,401,546	2,472,391	(70,845)	(2.9%)
public sector units	40,181	17,585	22,596	128.5%
individual customers	1,282,804	1,525,538	(242,734)	(15.9%)
Total customers deposits	**44,879,122**	**43,172,018**	**1,707,104**	**4.0%**
Other amounts due to customers	**253,918**	**221,888**	**32,030**	**14.4%**
Total amounts due to customers	**45,133,040**	**43,393,906**	**1,739,134**	**4.0%**

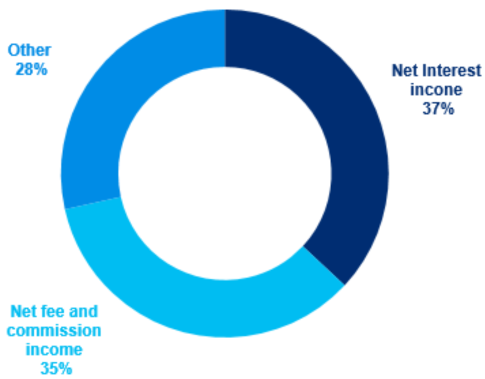
**Institutional clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*

2. Consolidated income statement

In the third quarter 2021 the Group delivered a **consolidated net profit** of PLN 93.4 million, which means a decrease by PLN 21.3 million or 18.6% compared to the third quarter of 2020. The lower net profit was mainly due to lower net interest income as a result of the decline in the balance of debt investment financial assets portfolio and the increase in provisions for expected credit losses. On the other hand, the net profit increased by PLN 20.7 million (i.e. 28.4%) in the third quarter of 2021 thanks to an increase in customer revenues in the FX area and the net fee and commission income.

The main determinants of the Group's results in the third quarter of 2021 when compared to the first quarter of the previous year were the following:

Group's revenue structure as at 30.09.2021



Net interest income

- **Net interest income** amounted to PLN 168.8 million and was lower by 44.9 (or 21.0%) compared to the third quarter of 2020.

  Interest income in the third quarter of 2021 declined by PLN 48.1 million (or 21.4%) compared to the corresponding period of 2020 and amounted to PLN 176.9 million. The largest nominal decrease was recorded by interest income on debt investment financial assets due to the decline in the balance of this portfolio by 38% YoY. Interest from amounts due from customers, constituting the main source of interest income, amounted to PLN 134.2 million and were at a similar level compared to the third quarter of 2020 (increase by 1.5% YoY). It was mainly due to lower interest income in the Institutional Banking segment mainly due to lower loan volumes. The decrease mentioned abobe was partially offset by higher interest income in the Consumer Banking Segment (in the third quarter of 2020, the provision for prepaid loans and expected future prepayments was booked and the income was one time charged with 17.1 million).

  Interest expenses of the Group in the third quarter of 2021 declined by PLN 3.2 million (or 28.6%) comparing to the corresponding period od 2020 and amounted to PLN 8.1 million – due to decrese in amounts due from customers.

PLN '000	01.07 – 30.09.2021	01.07 – 30.09.2020	Change PLN '000	Change %
Interest income	**165,771**	**208,789**	**(43,018)**	**(20.6%)**
Financial assets measured at amortized cost	**134,915**	**132,670**	**2,245**	**1.7%**
Balances with the Central Bank	61	61	-	-
Amounts due from banks	682	451	231	51.2%
Amounts due from customers, in respect of:	134,172	132,158	2,014	1.5%
financial sector	6,401	7,566	(1,165)	(15.4%)
non-financial sector, including:	127,771	124,592	3,179	2.6%
credit cards	34,539	26,944	7,595	28.2%
Financial assets measured at fair value through comprehensive income	**30,856**	**76,119**	**(45,263)**	**(59.5%)**
Debt investment financial assets measured at fair value through comprehensive income	30,856	76,119	(45,263)	(59.5%)
Similar income	**11,163**	**16,267**	**(5,104)**	**(31.4%)**
Debt securities held-for-trading	1,927	3,203	(1,276)	(39.8%)
Liabilities with negative interest rate	9,236	8,448	788	9.3%
Derivative instruments in hedge accounting	-	4,616	(4,616)	(100.0%)
	176,934	**225,056**	**(48,122)**	**(21.4%)**
Interest expense and similar charges for				
Financial liabilities measured at amortized cost	**(2,279)**	**(6,831)**	**4,552**	**(66.6%)**
Amounts due to banks	(414)	(594)	180	(30.3%)
Amounts due to customers	(855)	(5,187)	4,332	(83.5%)
Amounts due to financial sector entities	(125)	(1,562)	1,437	(92.0%)
Amounts due to non-financial sector entities	(730)	(3,625)	2,895	(79.9%)
Amounts due to leasing	(1,010)	(1,050)	40	(3.8%)
Assets with negative interest rate	**(959)**	**(450)**	**(509)**	**113.1%**
Derivatives in hedge accounting	**(4,848)**	**(4,049)**	**(799)**	**19.7%**
	(8,086)	**(11,330)**	**3,244**	**(28.6%)**
Net interest income	**168,848**	**213,726**	**(44,878)**	**(21.0%)**

Net fee and commission income

- **Net fee and commission income** in the amount of PLN 157.9 million vs. PLN 137.2 million in the third quarter of 2020 – up by PLN 15.1 million YoY. The highest nominal increase was recorded in income for servicing bank accounts by PLN 15.0 million (i.e. 78.8% YoY). At the same time, income related to custody services recorded an increase, up by PLN 7.2 million YoY (i.e. 29.9%). In the Consumer Banking segment, commissions for insurance and investment products distribution recorded the highest nominal increase – up by PLN 1.8 million (i.e. 11.8% YoY) and commissions for payment services (+10.8 % YoY). On the other hand, commissions for brokerage activities decreased in the third quarter of 2021 by PLN 1.4 million, i.e. 11.1% YoY and the income from credit activities decreased by PLN 1.1 million, i.e. 7.5% YoY.

  Fee and commission expenses in the third quarter of 2021 amounted to PLN 21.0 million, up by PLN 1.9 million YoY (or 9.7%), mainly due to higher KDPW charges.

PLN '000	01.07 – 30.09.2021	01.07 – 30.07.2020	Change	
			PLN '000	%
Fee and commission income				
Credit activities (other than income covered by the calculation of the effective interest rate process)	14,189	15,338	(1,149)	(7.5%)
Servicing bank accounts	34,135	19,096	15,039	78.8%
Insurance and investment products distribution	16,765	14,999	1,766	11.8%
Payment and credit cards	34,627	35,288	(661)	(1.9%)
Payment services	23,820	21,494	2,326	10.8%
Custody services	31,244	24,058	7,186	29.9%
Brokerage operations	10,819	12,171	(1,352)	(11.1%)
Clients' cash on account management services	4,544	4,458	86	1.9%
Financial liabilities granted	5,908	6,080	(172)	(2.8%)
Other	2,843	3,375	(532)	(15.8%)
	178,894	**156,357**	**22,537**	**14.4%**
Fee and commission expense				
Payment and credit cards	(4,593)	(5,974)	1,381	(23.1%)
Brokerage activity	(3,015)	(2,449)	(566)	23.1%
Fees paid to the National Depository for Securities (KDPW)	(7,379)	(5,283)	(2,096)	39.7%
Brokerage fees	(1,044)	(1,009)	(35)	3.5%
Other	(4,961)	(4,421)	(540)	12.2%
	(20,992)	**(19,136)**	**(1,856)**	**9.7%**
Net fee and commission income	**157,902**	**137,221**	**20,681**	**15.1%**

**the presented items have been reviewed by the Group and the following items: "Fee and commission income from credit activities" and "Fee and commission income from servicing bank accounts" have been separated. Simultaneously "Fee and commission income from guarantees granted" and "Fee and commission income from financial liabilities granted" have been presented together. The comparative data has been appropriately transformed in both cases.*

- **Other operating income** (i.e. non-interest and non-commission income) of PLN 130.3 million vs. PLN 89.3 million in the third quarter of 2020 – up by PLN 41.0 million (or 46,0% YoY) due to significantly better results in the area of treasury activities. The result on trading financial instruments and revaluation increased by PLN 47.9 million (or 57,3% YoY) thanks to higher FX income.

General administrative expenses and depreciation expense

- **General administrative and depreciation expenses** of PLN 274.6 million vs. PLN 271,0 million in the third quarter of 2020 – up by PLN 3.5 million (or 1.3%) due to increase in staff expenses (remuneration costs increased by PLN 7.5 million (or 8.3% YoY) and increase in depreciation by PLN 2.9 million (or 11.4%) due to increase in investment outlays on solutions supporting, among others, cybersecurity of institutional clients. The increase mentioned above was offset by lower general and administrative expenses (a decrease by 3.8% YoY).

In the reporting period the headcount in the Group dropped by 87 FTEs.

PLN '000	01.07 – 30.09.2021	01.07 – 30.09.2020	Change	
			PLN '000	%
Staff expenses	**(125,155)**	**(119,792)**	**(5,363)**	**4.5%**
Remuneration costs	(98,396)	(90,894)	(7,502)	8.3%
Bonuses and rewards	(13,284)	(15,120)	1,836	(12.1%)
Social security costs	(13,475)	(13,778)	303	(2.2%)
Administrative expenses	**(120,488)**	**(125,254)**	**4,766**	**(3.8%)**
Telecommunication fees and hardware purchase costs	(53,801)	(53,088)	(713)	1.3%
Costs of external services, including advisory, audit, consulting services	(11,914)	(12,335)	421	(3.4%)
Real estates maintenance and rent costs	(12,062)	(13,486)	1,424	(10.6%)
Advertising and marketing costs	(9,598)	(8,367)	(1,231)	14.7%
Costs of cash management services, costs of clearing services and other transaction costs	(10,130)	(9,329)	(801)	8.6%
Costs of external services related to distribution of banking products	(10,772)	(11,769)	997	(8.5%)
Postal services, office supplies and printmaking costs	(1,306)	(1,494)	188	(12.6%)
Training and education costs	(253)	(130)	(123)	94.6%
Banking and capital supervision costs	(175)	(34)	(141)	414.7%
Bank Guarantee Funds costs	(3,084)	(4,789)	1,705	(35.6%)

PLN '000	01.07 – 30.09.2021	01.07 – 30.09.2020	Change PLN '000	Change %
Other expenses	(7,393)	(10,433)	3,040	(29.1%)
Depreciation	**(28,920)**	**(25,972)**	**(2,948)**	**11.4%**
General administrative expenses and depreciation expense, total	**(274,563)**	**(271,018)**	**(3,545)**	**1.3%**

Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments

- **Provision for expected credit losses** on financial assets and provisions for off-balance sheet commitments of PLN -18.7 million (negative impact) compared to PLN 25.3 million (positive impact) in the third quarter of 2020, due to release of write-offs in the Institutional Banking segment in the third quarter of 2020 (inter alia, due to the reduction of credit receivables exposure classified at stage 3). Provision for expected credit losses in Consumer Banking segment recorded an increase by PLN 5.4 million YoY (or 34.9%) due to improvement of customer behavior as a consequence of the wide scale of granting aid programs in 2020.

PLN '000	01.07 – 30.09.2021	01.07 – 30.09.2020	Change PLN '000	Change %
Provision for expected credit losses on amounts due from banks				
Provision creation	(1,019)	(1,837)	818	(44.5%)
Provision release	1,218	2,372	(1,154)	(48.7%)
	199	**535**	**(336)**	**(62.8%)**
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	**(13,576)**	**(1,079)**	**(12,497)**	**1158.2%**
Provision creation	(67,726)	(62,922)	(4,804)	7.6%
Provision release	54,924	62,867	(7,943)	(12.6%)
Other	(774)	(1,024)	250	(24.4%)
Recoveries from debt sold	**17**	**(33)**	**50**	**(151.5%)**
	(13,559)	**(1,112)**	**(12,447)**	**1119.3%**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(774)	(149)	(625)	419.5%
Provision release	1	-	1	-
	(773)	**(149)**	**(624)**	**418.8%**
Provision for expected credit losses on financial assets	**(14,133)**	**(726)**	**(13,407)**	**1846.7%**
Created provisions	(14,351)	(11,667)	(2,684)	23.0%
Release of provisions	9,830	37,714	(27,884)	(73.9%)
Provision for expected credit losses for granted off-balance sheet commitments	**(4,521)**	**26,047**	**(30,568)**	**(117.4%)**
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	**(18,654)**	**25,321**	**(43,975)**	**(173.7%)**

3. Financial Ratio

In the third quarter of 2021, the key efficiency ratios were as follows:

Total financial ratios	Q3 2021	Q3 2020
ROE*	6.9%	5.7%
ROA**	0.8%	0.7%
Cost/Income	60%	62%
Loans/Deposits	46%	50%
Loans/Total assets	34%	38%

Total financial ratios	Q3 2021	Q3 2020
Net interest income/Revenue	37%	49%
Net fee and commission income/Revenue	35%	31%

**Sum of net profit for the last four quarters to the average equity for the last four quarters (excluding 75% of net profit for the current year).*
***Sum of net profit for the last four quarters to the average assets for the last four quarters.*
Cost is the sum of the following items from the condensed consolidated income statement: General administrative expenses and Depreciation and amortization.
Income is the sum of the following items from the condensed consolidated income statement: Net interest income, Net fee and commission income, Dividend income, Net gain/(loss) on trading financial instruments and revaluation, Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income, Net gain/(loss) on equity investments and other at fair value through income statement, Net gain/(loss) on hedge accounting, Net other operating income and expense.
Loans are items of Amounts due from customers from the condensed consolidated statement of financial position.
Deposits are items of Amounts due to customers from the condensed consolidated statement of financial position.

Group employment*

In full time job equivalents (FTE)	01.01 – 30.09.2021	01.01 – 30.09.2020	Change	
			FTEs	%
Average employment in the first quarter	2,935	3,036	(101)	(3.3%)
Employment at the end of quarter	2,926	3,013	(87)	(2.9%)

**does not include employees on parental and unpaid leave*

Capital adequacy

Total Capital Ratio was calculated according to the rules stated in the Regulation no 575/2013 of the European Parliament and of the Council (EU) of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) no 648/2012 with amendments (“CRR”).

The risk weighted assets and the regulatory capital requirements for above-mentioned risks in accordance with the requirements of Article 438 of CRR are presented in the table below, in line with the EU OV1 template presented in the Commission Implementing Regulation (EU) 2021/637.

EU OV1 – Overview of total risk exposure amounts

		a	b	c
PLN '000		Total risk exposure amounts (TREA)		Total own funds requirements
CRR		**2021-09-30**	**2021-06-30**	**2021-09-30**
1	**Credit risk (excluding CCR)**	**20,831,374**	**20,253,147**	**1,666,510**
2	Of which the standardised approach	20,831,374	20,253,147	1,666,510
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**3,718,387**	**2,863,069**	**297,471**
7	Of which the standardised approach	3,193,767	2,576,450	255,501
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	83,492	77,059	6,679
EU 8b	Of which credit valuation adjustment - CVA	435,451	205,174	34,836
9	Of which other CCR	5,677	4,386	454
15	**Settlement risk**	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	234,439	234,417	18,755
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	1,317,370	1,350,265	105,390
21	Of which the standardised approach	1,317,370	1,350,265	105,390
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	1,005,218	-	80,417
23	**Operational risk**	3,529,008	3,529,008	282,321
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	3,529,008	3,529,008	282,321
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	549,458	545,033	43,957
29	**Total**	**30,635,796**	**28,229,906**	**2,450,864**

The values of the regulatory capital ratios are presented in the table EU KM1required in article 447 of CRR, presented in accordance with the formula EU KM1 presented in the Commission Implementing Regulation (EU) 2021/637.

EU KM1 - Key metrics template

		a	b	c	d	e
PLN '000		**30.09.2021**	**30.06.2021**	**31.03.2021**	**31.12.2020**	**30.09.2020**
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	5,812,311	5,861,438	5,875,615	6,206,230	5,728,049
2	Tier 1 capital	5,812,311	5,861,438	5,875,615	6,206,230	5,728,049
3	Total capital	5,812,311	5,861,438	5,875,615	6,206,230	5,728,049
Risk-weighted exposure amounts						
4	Total risk exposure amount	30,635,796	28,229,906	27,428,996	27,484,828	28,131,793
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	18,97	20,76	21,42	22,58	20,36
6	Tier 1 ratio (%)	18,97	20,76	21,42	22,58	20,36
7	Total capital ratio (%)	18,97	20,76	21,42	22,58	20,36
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,00	0,00	0,00	0,00	0,00
EU-7b	of which: to be made up of CET1 capital (percentage points)	0,00	0,00	0,00	0,00	0,00
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	0,00	0,00	0,00	0,00	0,00
EU-7d	Total SREP own funds requirements (%)	8,00	8,00	8,00	8,00	8,00
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50	2,50	2,50	2,50	2,50
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00	0,00	0,00	0,00	0,00
9	Institution specific countercyclical capital buffer (%)	0,02	0,02	0,02	0,01	0,01
EU-9a	Systemic risk buffer (%)	0,00	0,00	0,00	0,00	0,00
10	Global Systemically Important Institution buffer (%)	0,00	0,00	0,00	0,00	0,00
EU-10a	Other Systemically Important Institution buffer (%)	0,25	0,25	0,25	0,25	0,25
11	Combined buffer requirement (%)	2,77	2,77	2,77	2,76	2,76
EU-11a	Overall capital requirements (%)	10,77	10,77	10,77	10,76	10,76
12	CET1 available after meeting the total SREP own funds requirements (%)	8,20	9,99	10,65	11,82	9,60
Leverage ratio						
13	Total exposure measure	67,936,362	64,262,965	62,488,848	64,876,149	63,690,772
14	Leverage ratio (%)	8,56	9,12	9,40	9,57	8,99
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU-14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00	0,00			
EU-14b	of which: to be made up of CET1 capital (percentage points)	0,00	0,00			
EU-14c	Total SREP leverage ratio requirements (%)	3,00	3,00			
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0,00	0,00			
EU 14e	Overall leverage ratio requirement (%)	3,00	3,00			

Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	31,216,133	30,588,569	29,968,175	31,586,226	29,435,946
EU 16a	Cash outflows - Total weighted value	62,355,138	60,075,362	39,778,601	53,496,691	31,090,315
EU-16b	Cash inflows - Total weighted value	48,674,433	46,614,951	26,022,576	36,137,820	14,612,649
16	Total net cash outflows (adjusted value)	15,588,785	15,018,841	13,756,025	17,358,871	16,477,666
17	Liquidity coverage ratio (%)	200,25	203,67	217,85	181,96	178,64
Net Stable Funding Ratio						
18	Total available stable funding	36,234,479	36,443,949	38,250,538	36,968,061	36,315,672
19	Total required stable funding	18,859,549	18,753,701	21,896,580	22,472,610	23,849,598
20	NSFR ratio (%)	192,13	194,33	174,69	164,50	152,27

In the third quarter of 2021 the Group fulfilled the capital adequacy requirements. Total capital ratio is calculated according to respective regulations.

Liquidity risk management

Liquidity risk is the risk that the Group may be unable to meet on time its financial obligations towards a client, lender or an investor as a result of the mismatches in cash flows due to the balance and off-balance sheet positions that the Group has at a given date.

The liquidity risk management policy in the Group primarily aims to ensure and maintain the ability to meet both: current and future financial obligations (also in the event of extremely stressed conditions), while minimizing the cost of obtaining liquidity. This is possible due to the proper identification of the liquidity risk, its constant monitoring as well as the establishment of limits with full understanding of: the macroeconomic environment, the Group's business profile, regulatory requirements as well as, strategic and business objectives within available liquidity resources.

The liquidity risk strategy, including the acceptable risk level, assumed balance sheet structure and financing plan is approved by the Bank's Management Board and then accepted by the Bank's Supervisory Board. The management of the Group's balance sheet structure is managed by the Asset and Liability Management Committee (ALCO). The organization of the liquidity risk management process that exists in the Group, is aimed to ensure the separation of functions between entities that conduct transactions (affecting the liquidity risk), monitor and control the risk. The management of intraday, current and short-term liquidity is a task of the Financial Markets and Corporate Banking Sector, while the management of medium and long-term liquidity lies on ALCO responsibilities. Reporting functions are performed by the Risk Strategy and Capital Department, while the monitoring and control of the level of liquidity risk is performed by the Market Risk Department. Activities of companies from the Group of the Bank in the area of liquidity risk management are supervised by the Bank by way of delegating its employees to supervisory bodies (supervisory boards) of such affiliates. Supervision over liquidity of companies from the Group of the Bank is exercised by ALCO.

The source data and models used to generate liquidity reports come from independent management systems or other independent record systems. The reports and stress tests are generated on a daily bases by the Risk Strategy and Capital Department - a unit independent from the Financial Markets and Corporate Banking Sector – and sent to the Group's units responsible for the liquidity risk management and to the Market Risk Department, who is responsible for the substantive content of those reports, including recognition of all elements that affect the liquidity risk. On monthly bases, the Market Risk Department prepares the analysis of the Group's liquidity position and liquidity risk level for the Assets and Liabilities Management Committee and the Risk and Capital Management Committee. Daily reports are sent to those who are directly involved in the intraday, current and short-term liquidity management processes. Monthly and quarterly reports are prepared on the basis of daily data and are submitted to the members of the Bank's Committees that deal with medium- and long-term liquidity risk and structural liquidity risk (the Assets and Liabilities Management Committee and the Risk and Capital Management Committee). Such organization ensures:

- current and forward looking information;
- gives a picture of the liquidity risk for the total balance and off-balance sheet and for the relevant for the Bank currencies (PLN, USD, EUR);
- the diversity of prepared reports allows to assess the level of intraday, current and structural liquidity risk,
- obtaining stress test results with a sufficient frequency (daily for the S2 and monthly for the remaining ones);
- comprehensiveness of the approach in the preparation of the liquidity reports covering both balance and off-balance sheet items.

As a part of the liquidity risk management, the Group pursues the following goals:

- providing Group's entities (at any time) with an access to the liquid funds in order to meet all their financial obligations in a timely manner, also in extreme but probable crisis situations;

- maintaining an adequate level of high-quality liquid assets in the event of a sudden deterioration of the Group's liquidity position;
- defining the scale of the liquidity risk undertaken by the Group by establishing, at an appropriate and safe level, internal measures and limits aimed at limiting excessive concentration in the scope of the adopted balance sheet structure or sources of financing;
- constant monitoring of the Group's liquidity situation with respect to the occurrence of an emergency situation in order to launch the Contingency Funding Plan;
- ensuring compliance of the processes operating at the Bank with the Polish and European regulatory requirements regarding liquidity risk management.

As part of liquidity risk management, the Group also applies a number of control mechanisms ensuring compliance with the liquidity risk management principles. They include in particular:

- separation of the function of measuring, monitoring and controlling risks from operating activities, including separation of functions in areas of potential conflicts of interest and areas of increased risk level;
- reviews of processes, performed by persons performing management functions or managerial functions or delegated by these persons;
- control activities integrated into the operations of the Bank's organizational units and adapted to the profile, scale and specificity of the operations of the Bank's organizational units;
- checking that the exposure limits are met and tracking cases when they are breached;
- monitoring the reports with excesses;
- monitoring of risk indicators;
- self-evaluation process;
- monitoring and testing of contingency funding plans and continuity of business plans.

The main source of funding the Group's activity, including liquid assets portfolio, is deposit base, where at end of September 2021 deposits constituted 74,6% of total liabilities. The Group maintains buffer of unencumbered high quality assets at high level, investing in sovereign bonds and liquid bonds issued by highly rated corporations. Every year the Group performs analysis if held bond portfolio is possible to liquid at the market condition, in order to set amount of bonds possible to liquidate within timeframe compliant with local regulatory liquidity measure calculation as well as LCR calculation.

The Group constantly monitors funding concentration. To realize that target, the structure of funds is well diversified in each segment of deposits – retail, small enterprises, corporations and public finance sector. The concentration is monitored in break down for client categories and currencies and it is compared to an early warning triggers approved by ALCO. In addition to that there is an early warning trigger for net funding on wholesale market applied.

The Group is one of the biggest market participants on Polish derivative market, however net flows on that instruments in 30 days are irrelevant for LCR. Simultaneously the Group's methodology of evaluating potential outflows of margin deposits from the Group to other entities or potential decrease of margin deposits kept by Bank's customers bases on maximal outflows within last 24 months and it secures Bank from underestimation of outflows within 30 days.

In accordance with the Regulation No. 575/2013 the Group monitors and maintains an adequate level of Liquidity Coverage Ratio (LCR). As of September 30, 2021 LCR was 200% and was 4% lower than as of June 30, 2021. The change in the ratio is primarily influenced by changes in the level of liquid assets and the level of deposits from non-financial enterprises.

The Group recognizes that the depth of the FX swap market allows the assumption that the existing mismatch (the excess of FX liabilities over assets) can be easily eliminated by means of current FX swaps. Additionally, the Group does not identify other significant components of the net outflow coverage ratio than those included in the net coverage coverage disclosure formula.

The tables below present the detailed quantitative information on liquidity required by Article 451a of CRR, in line with the template EU LIQ1 - Quantitative information on the LCR presented in Commission Implementing Regulation (EU) 2021/637.

EU LIQ1 - Quantitative information of LCR

		a	b	c	d
PLN '000		Total unweighted value (average)			
EU 1a	Quarter ending on	30.09.2021	30.06.2021	31.03.2021	31.12.2020
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)				
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	17,437,527	16,984,578	16,571,644	16,019,267
3	*Stable deposits*	*10,208,592*	*10,020,285*	*9,784,767*	*9,484,486*
4	*Less stable deposits*	*7,228,935*	*6,964,294*	*6,786,877*	*6,534,782*
5	Unsecured wholesale funding	29,140,418	29,393,095	30,513,103	30,866,687
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*20,878,635*	*20,380,956*	*19,793,295*	*18,615,228*
7	*Non-operational deposits (all counterparties)*	*8,261,783*	*9,012,139*	*10,719,807*	*12,251,459*
8	*Unsecured debt*	-	-	-	-
9	Secured wholesale funding				
10	Additional requirements	44,764,951	38,385,688	36,882,590	35,671,826
11	*Outflows related to derivative exposures and other collateral requirements*	*32,734,185*	*26,047,141*	*24,281,441*	*23,047,540*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*12,030,766*	*12,338,547*	*12,601,149*	*12,624,286*
14	Other contractual funding obligations	362,274	343,555	242,987	411,185
15	Other contingent funding obligations	3,393,252	3,265,710	3,124,624	2,970,767
16	TOTAL CASH OUTFLOWS				
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	124,219	203,606	318,353	436,492
18	Inflows from fully performing exposures	1,572,210	1,395,845	1,572,940	1,589,901
19	Other cash inflows	30,804,076	24,153,932	22,333,744	21,207,949
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	TOTAL CASH INFLOWS	32,500,505	25,753,383	24,225,037	23,234,342
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*32,500,505*	*25,753,383*	*24,225,037*	*23,234,342*
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO				

EU LIQ1 - Quantitative information of LCR

		e	f	g	h
PLN '000		Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2021	30.06.2021	31.03.2021	31.12.2020
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	30,883,467	30,191,064	29,754,596	28,815,100
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	1,358,621	1,318,229	1,286,516	1,240,588
3	*Stable deposits*	*510,430*	*501,014*	*489,238*	*474,224*
4	*Less stable deposits*	*848,191*	*817,215*	*797,278*	*766,364*
5	Unsecured wholesale funding	11,374,418	11,816,130	12,916,102	13,607,210
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*5,219,659*	*5,095,239*	*4,948,324*	*4,653,807*
7	*Non-operational deposits (all counterparties)*	*6,154,759*	*6,720,891*	*7,967,778*	*8,953,403*
8	*Unsecured debt*	-	-	-	-
9	Secured wholesale funding	429	5,699	6,003	7,294
10	Additional requirements	33,726,455	27,062,439	25,309,677	24,070,061
11	*Outflows related to derivative exposures and other collateral requirements*	*32,734,185*	*26,047,141*	*24,281,441*	*23,047,540*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*992,271*	*1,015,299*	*1,028,236*	*1,022,521*
14	Other contractual funding obligations	343,900	309,125	201,900	361,114
15	Other contingent funding obligations	339,325	326,571	312,462	297,077
16	TOTAL CASH OUTFLOWS	47,143,148	40,838,193	40,032,660	39,583,344
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	62,401	134,922	258,739	386,422
18	Inflows from fully performing exposures	1,190,798	983,804	1,114,197	1,032,784
19	Other cash inflows	30,804,076	24,153,932	22,333,744	21,207,949
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	TOTAL CASH INFLOWS	32,057,275	25,272,658	23,706,680	22,627,154
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*32,057,275*	*25,272,658*	*23,706,680*	*22,627,154*
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER	30,883,467	30,191,064	29,754,596	28,815,100
22	TOTAL NET CASH OUTFLOWS	15,470,316	15,695,404	16,325,980	16,956,190
23	LIQUIDITY COVERAGE RATIO	199,63%	192,36%	182,25%	169,94%

7 Segment reporting

Operating segment is a separable component of the Group engaged in business activity, generating income and incurring expenses (including those on intragroup transactions between segments), whose operating results are regularly reviewed by the Management Board of dominant unit the chief operating decision maker of the Group, in order to allocate resources and assess its performance.

The Group is managed at the level of two operating segments – Institutional Banking and Consumer Banking. The valuation of segment's assets and liabilities as well as calculation of its results is based on Group's accounting policies, including intragroup transactions between segments.

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

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

Institutional Banking

Within the Institutional Banking segment, the Group offers products and provides services to commercial entities, municipalities and public sector. The offer in the Institutional Banking segment includes among others:

- Banking services covering credit and deposit activities,
- Cash management,
- Trade finance,
- Brokerage services,
- Leasing,
- Custody services,
- Treasury products on financial and commodity markets,
- Investment banking services on the local and international capital markets, including advisory services as well as obtaining and underwriting financing through public and non-public offerings.

The activities also comprise proprietary transactions in the equity, debt and derivative instruments' markets.

Consumer Banking

Within the Consumer Banking segment, the Group provides products and financial services to individual clients, micro enterprises and individual entrepreneurs that are within the framework of Citibusiness offer. The whole range of banking products in Consumer Banking segment includes:

- Bank accounts and providing extensive credit and deposit products,
- Cash loans,
- Mortgage loans,
- Credit cards,
- Asset management services,
- Acting as an agent in investment and insurance products sale.

Consolidated income statement of the Group by business segment

For the period	01.01 – 30.09.2021			01.01 – 30.09.2020		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	247,361	286,921	534,282	430,426	350,362	780,788
Internal interest income, including:	(20,326)	20,326	-	(42,890)	42,890	-
Internal income	-	20,326	20,326	-	42,890	42,890
Internal expenses	(20,326)	-	(20,326)	(42,890)	-	(42,890)
Net fee and commission income	317,799	163,256	481,055	244,052	157,939	401,991

For the period	01.01 – 30.09.2021			01.01 – 30.09.2020		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Dividend income	3,211	7,589	10,800	1,416	10,305	11,721
Net gain/(loss) on trading financial instruments and revaluation	316,207	22,924	339,131	154,168	23,822	177,990
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	459,106	-	459,106	175,932	-	175,932
Net gain/(loss) on equity investments and other measured at fair value through income statement	4,297	-	4,297	4,169	8,282	12,451
Net gain/(loss) on hedge accounting	1,364	-	1,364	1,049	-	1,049
Net other operating income	7,094	(18,739)	(11,645)	3,324	(14,849)	(11,525)
General administrative expenses	(419,391)	(413,649)	(833,040)	(418,695)	(447,523)	(866,218)
Depreciation and amortization	(16,877)	(68,412)	(85,289)	(16,370)	(63,627)	(79,997)
Profit on sale of other assets	(112)	(290)	(402)	(157)	(269)	(426)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	28,423	(62,851)	(34,428)	(97,109)	(81,069)	(178,178)
Operating income	**948,482**	**(83,251)**	**865,231**	**482,205**	**(56,627)**	**425,578**
Tax on certain financial institutions	(95,030)	(20,163)	(115,193)	(73,426)	(19,144)	(92,570)
Profit before tax	**853,452**	**(103,414)**	**750,038**	**408,779**	**(75,771)**	**333,008**
Income tax expense			(189,058)			(102,675)
Net profit			**560,980**			**230,333**

State as at	30.09.2021			31.12.2020		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**52,740,662**	**7,735,330**	**60,475,992**	**53,396,826**	**7,544,712**	**60,941,538**
Total liabilities and equity, including:	**41,281,745**	**19,194,247**	**60,475,992**	**42,506,741**	**18,434,797**	**60,941,538**
Liabilities	35,193,038	17,759,401	52,952,439	36,231,131	17,129,440	53,360,571

8 Activities of the Group

1 Institutional Banking

1.1. Summary of segment results

PLN '000	Q3 2021	Q3 2020	Change	
			PLN '000	%
Net interest income	74,488	127,643	(53,155)	(41.6%)
Net fee and commission income	99,255	78,813	20,442	25.9%
Net income on dividends	1,703	231	1,472	637.2%
Net gain/(loss) on trading financial instruments and revaluation	123,392	76,236	47,156	61.9%
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	-	1,731	(1,731)	(100.0%)
Net gain/(loss) on equity investments and other measured at fair value through income statement	342	24	318	1325.0%
Net gain/(loss) on hedge accounting	1,343	2,512	(1,169)	(46.5%)
Net other operating income	1,956	1,862	94	5.0%
Total income	**302,479**	**289,052**	**13,427**	**4.6%**
General administrative expenses and depreciation	(124,430)	(112,927)	(11,503)	10.2%
Profit on sale of other assets	54	3	51	1700.0%
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	2,299	40,854	(38,555)	(94.4%)
Tax on certain financial institutions	(33,654)	(22,564)	(11,090)	49.1%

PLN '000	Q3 2021	Q3 2020	Change	
			PLN '000	%
Profit before tax	**146,748**	**194,418**	**(47,670)**	**(24.5%)**
Cost/Income	**41%**	**39%**		

The key highlights that impacted the gross profit of the Institutional Banking Segment in the third quarter of 2021 compared to the corresponding period of the previous year were as follows:

- decrease in **net interest income** resulting from lower interest income on debt investment financial assets due to the decline in their volume;
- increase in **net fee and commission income** due to higher income from servicing bank accounts and custody services;
- increase in **income related to financial markets** primarily due to higher income on FX operations;
- increase in **operating costs** as a result of higher staff expenses and IT expenses.

1.2. Institutional Bank and the Capital Markets

Institutional Bank

As at the end of the third quarter of 2021, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) amounted to less than 5,400 i.e. decreased by 2% as compared to the third quarter of 2020. The decrease mentioned above applies mainly to commercial bank clients (-8% YoY). On the other hand, the number of strategic and global clients grew by 4% YoY.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 67 new clients in the third quarter of 2021, including 4 Large Companies, 33 Small and Medium-Sized Companies, 18 International Clients of Commercial Banking Segment, 9 Digital and 3 Public Sector Entities. In the strategic and global client segments, the Bank established 7 new client relationships.

The table below presents the balances of assets and liabilities in individual segments according to the management reporting.

Assets

PLN million	30.09.2021	31.12.2020	30.09.2020	Change*		Change*	
				(1)/(2)		(1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	3,912	3,518	3,953	394	11%	(40)	(1%)
SMEs	1,533	1,125	1,341	408	36%	192	14%
MMEs	2,379	2,394	2,612	(14)	(1%)	(233)	(9%)
Public Sector	56	10	14	46	455%	42	309%
Global Clients	3,586	4,194	4,213	(608)	(14%)	(627)	(15%)
Corporate Clients	5,004	5,678	5,847	(674)	(12%)	(843)	(14%)
Other	(19)	(14)	8	(5)	37%	(27)	(334%)
Total Institutional Banking	**12,540**	**13,387**	**14,034**	**(847)**	**(6%)**	**(1,494)**	**(11%)**

* differences may arise from rounding

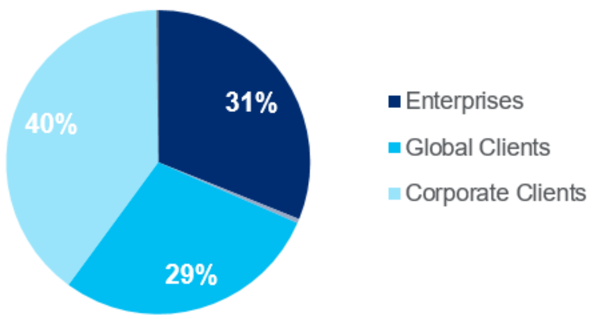
Liabilities

PLN million	30.09.2021	31.12.2020	30.09.2020	Change*		Change*	
				(1)/(2)		(1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	5,411	4,396	6,447	1,015	23%	(1,037)	(16%)
SMEs	3,404	2,555	3,491	849	33%	(87)	(3%)
MMEs	2,006	1,841	2,956	165	9%	(950)	(32%)
Public Sector	2,888	3,434	2,585	(547)	(16%)	303	12%
Global Clients	13,273	12,025	12,329	1,248	10%	944	8%
Corporate Clients	5,659	6,293	8,199	(634)	(10%)	(2,540)	(31%)

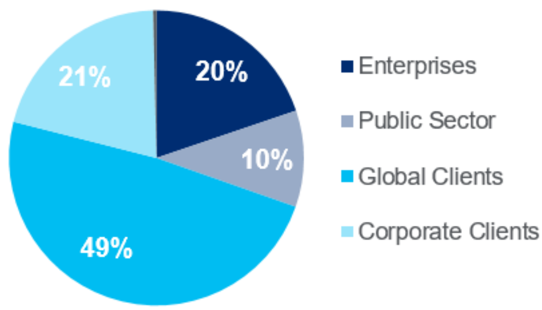
PLN million	30.09.2021	31.12.2020	30.09.2020	Change* (1)/(2)		Change* (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Other	95	66	69	29	44%	25	37%
Total Institutional Banking	**27,325**	**26,214**	**29,630**	**1,111**	**4%**	**(2,305)**	**(8%)**

* differences may arise from rounding

Structure of the Institutional Bank assets as of 30.09.2021



Structure of the Institutional Bank liabilities as of 30.09.2021



Key transactions and achievements in Institutional Banking in the third quarter of 2021:

Credit activity	**Granting new financing or increasing existing ones in the amount of PLN 842 million** • PLN 480 million for Commercial Bank clients; • PLN 362 million for Global clients including a leading industrial company; • Participation in a syndicate agreement to guarantee financing provided to a key client of Citi for the purposes of acquisition of companies from the alcohol drinks sector. The role of Bank Handlowy in the transaction is an acknowledgement of strong position of Citi structures in Poland and the Bank's commitment to provide support to strategic clients in pursuit of goals;
Transactional Banking	**Increasing shares in banking services and transaction banking** • Winning 6 mandates for comprehensive banking services or extending the Bank's cooperation with its clients; • Granting of export letters of credit, reverse factoring and a credit commitment for a total amount of PLN 20 million.

Activity and business achievements of the Treasury Division

In the third quarter of 2021, the Bank continued its dynamic development and ensured companies access to solutions supporting their activities in foreign markets. With the knowledge and experience of banking experts, the reach product offer and the advanced tools, clients of the Bank were able to better understand and to respond faster to changes in the post-pandemic economic environment.

In this period, the Bank was focused on:

- Ensuring its clients access to current information via the Puls Rynku FX mobile application and conferences organized by the Economic Analysis Bureau and experts from the Sales Department in the Treasury Division;
- Supporting expansion of companies into foreign markets, including exotic ones. The HUB FX solution enables clients of the Bank to receive payments from counterparties also in currencies for which dedicated bank accounts have not been available to date, such as THB, AED, MXN, SGD and many more;
- Promoting the CitiFX Pulse electronic currency exchange platform which enables remote and secure transactions. About 85% of all FX transactions are executed via that platform. CitiFX Pulse provides 24h access

to quotations, continuous access to market information, economic forecasts, permits currency exposure management and online transactions confirmation;

Also, in the third quarter of 2021, the Bank remained among top banks in terms of turnover in the spot market, as one of the leaders in Treasury BondSpot.

The Bank was also active in debt securities by participating in the following transactions:

- Bonds issue of PLN 500 MM for the European Investment Bank;
- Acquisition of BGK bonds issued for the Anti-COVID-19 Fund;

Transactional banking

The Bank has been enhancing its offer and implementing new advanced solutions that support financial management at a company. The Bank supports its corporate clients in the digitization process and in foreign expansion, by creating a safe space for development of their business activities.

Bank account	Clients still want to use electronic signatures and, as a result, they continue to use electronic document flow. In the third quarter of 2021, the number of new bank account agreements concluded by the Bank using a qualified e-signature **more than doubled** as compared to the third quarter of 2020.
Electronic Banking	The Bank promoted the remote use of bank accounts by, among other things: • **management of the** CitiDirect BE **system by the client** using the administration module, • dedicated mobile application **CitiDirect BE Mobile** with **biometric authentication,** • **MobilePass** mobile token.
	In the third quarter of 2021, the Bank processed over **7.9 million transactions electronically, which is the same level as in the second quarter of this year.** During that time, the CitiDirect BE online banking system was used by more than **5,000 clients**. As regards the users of the CitiDirect BE Mobile application, the Bank observed that **the number of users who use the biometric log-in option increased by more than 22%**.
	Particular attention was paid to promoting **the role of system administrator** which allows customers to perform most banking operations **in a full self-service mode**, without unnecessary formalities and the need to contact the Bank. This is a key aspect for remote work in connection with the current COVID-19 pandemic situation.
Payments and receivables	In the third quarter of 2021, the Bank recorded a significant **11%** increase in the volume of **Express Elixir transfers** compared to the same period of the previous year. This is a result of the continuously growing interest in solutions that make settlements both more available and faster. As always, **growth was also recorded with respect to volumes of international funds transfers** – by **23% YoY**. Clients that operate in international markets **more and more often use Citi Payment Insights** – a Citi-wide solution that enables them, for example, to monitor payment status. **A new solution launched in the third quarter for corporate clients of the Bank is Citi Payment Outlier Detection**, which makes possible the smart verification of outgoing payments. Machine learning based analysis enables clients to detect, in real time, any transactions that depart from the standard arising from the behavior of historic payments.
Corporate cards	In the third quarter of 2021, the Bank also launched the CitiManager platform for representatives of corporate debit card programs. CitiManager is a system that facilitates the management of cards used by clients of the Bank. In this system, administrators have access to key card data, such as current or historic transactions, statements and an advanced reporting module. Thus, **CitiManager and CitiManager Mobile, which is a mobile application for card holders, are now available to all users of credit and debit corporate cards**. On the basis of those platforms, the Bank is going to develop corporate card options in the future. A comparison of **cashless transaction values** between the third quarter of 2021 and the third quarter of 2020 reveals **an increase by 56% for credit cards and by 24% for debit cards**. In addition, for debit cards, the sum of all transactions made in the first

	three quarters of 2021 is 12% higher than in the same period of the previous year, which is noteworthy as the first three months of 2020 were not affected by the COVID-19 pandemic. The increases achieved by the Bank confirm that its clients are again active in the area of card payments, which can be connected with the return of business travel and a change in the card use pattern (e.g. for B2B transactions).
Trade finance products	The Bank maintains its position as a leading financial institution in the area of supplies and procurement financing. **The average level of Bank's assets** in this area of activity **increased by 14%** in the third quarter of 2021 compared to the same period of the previous year. The utilization of electronic signatures remains invariably high. **The value of the letters of credit issued by the Bank increased by 117%** as compared to the value of these transactions issued in the third quarter of 2020. This growth was triggered by the general improvement in the economy and the search for new purchase and sale markets. And this contributed to utilization of letters of credit as main settlement product.

Custody services

The Bank provides custody services for domestic and foreign institutional investors and services of a custodian bank for domestic pension and investment funds. For many years, Citi Handlowy has been a leader in the Polish market of depository banks.

As part of its statutory activities, under a license issued by the Polish Securities and Exchange Commission (at present, the Polish Financial Supervisory Authority (KNF)), the Bank maintains securities accounts, settles securities transactions, processes dividend and interest payments, provides valuations of asset portfolios, delivers individual reports and arranges representation at general meetings of shareholders of listed companies. The Bank keeps collective accounts for authorized foreign entities. In addition, the Bank provides services consisting in maintenance of registers of foreign securities, under which it acts as intermediary in settlements of transactions executed by domestic clients in foreign markets.

As at 30 September 2021, the Bank maintained 15,000 securities accounts and collective accounts.

In the reporting period the Bank was the custodian for open-end pension funds: Aviva OFE Aviva Santander, Nationale - Nederlanden OFE (Open Pension Funds); voluntary pension funds: Nationale - Nederlanden DFE, Generali DFE, and the employee pension fund PFE Orange Polska.

The Bank was also the depository of investment funds managed by the following investment fund companies: Santander TFI S.A., PKO TFI S.A., ESALIENS TFI S.A., Aviva Investors Poland TFI S.A., Templeton Asset Management (Poland) TFI S.A. and Skarbiec TFI S.A.

Moreover, the Bank was servicing an investment funds and pension funds operating under the Employee Capital Plans programme: PKO Emerytura SFIO, Santander PPK SFIO, Aviva SFIO PPK, Esaliens PPK SFIO, Nationale - Nederlanden DFE Nasze Jutro.

Brokerage activities

The Group runs brokerage activities in the capital market via Dom Maklerski Banku Handlowego S.A. („DMBH"), a wholly-owned subsidiary of the Bank.

As at the end of the third quarter of 2021, DMBH was the market maker for 68 companies listed on the Warsaw Stock Exchange (of which all from the WIG20 index), i.e. 16% of the shares listed in its main equity market.

After three quarters of 2021, DMBH was the intermediary in in-session transactions accounting for 4.4% of equity turnover in the secondary market. The value of the in-session transactions concluded via DMBH in the equity market on the WSE was PLN 20 billion. After three quarters of 2021, DMBH was ranked 10th in terms of session turnovers on the WSE main market and 4th as a local WSE member.

The number of investment accounts maintained by DMBH was 14.1 thousand as at the end of the third quarter of 2021, and decreased by 4.5% as compared to the same period in 2020. The change resulted from the closing of inactive accounts.

In the third quarter of 2021, the Polish equity trading market continued to experience a recovery. In July 2021, DMBH carried out a transaction for Celon Pharma S.A. to increase the share capital of that company. The transaction amount was PLN 216 million and DMBH was Global Coordinator, Offering Agent and Settlement Agent.

Selected financial data as at 30 September 2021

Company's Name	Headquarter	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of Q1-Q3 2021
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	804,561	120,878	23,323

Leasing activities

Leasing products continue to be offered by the Bank's Group and are made available as part of the "open architecture", i.e. the Bank's partnership with organizations from outside its Group.

Selected financial data as at 30 September 2021

Company's Name	Headquarters	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of Q1-Q3 2021
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,215	20,537	(300)

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q3 2021	Q3 2020	Change	
			PLN '000	%
Net interest income	94,360	86,083	8,277	9.6%
Net fee and commission income	58,647	58,408	239	0.4%
Dividend income	-	62	(62)	(100.0%)
Net gain/(loss) on trading financial instruments and revaluation	8,152	7,412	740	10.0%
Net gain/(loss) on equity and other instruments measured at fair value through income statement	-	8,282	(8,282)	(100.0%)
Net other operating income	(6,572)	(9,075)	2,503	(27.6%)
Total income	**154,587**	**151,172**	**3,415**	**2.3%**
General administrative expenses and depreciation	(150,133)	(158,091)	7,958	(5.0%)
Profit on sale of other assets	(23)	(35)	12	(34.3%)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(20,953)	(15,533)	(5,420)	34.9%
Tax on certain financial institutions	(6,646)	(6,404)	(242)	3.8%
Profit before tax	**(23,168)**	**(28,891)**	**5,723**	**(19.8%)**
Cost/Income	**97%**	**105%**		

The following factors influenced the profit before tax in the Consumer Banking Segment in the third quarter of 2021:

- **Increase in net interest income** mainly due to higher interest income, as a result of recognition in the third quarter of 2020 of a provision in the amount of PLN 17.1 million relating to the return of the commission in the event of early repayment of prepaid loans in 2020 and expected future prepayments in connection with the early repayment of consumer loans. The positive variance on this account covered the decline in the result as a result of the decline in the loan portfolio (-2.1% YoY). Bank also recorded a decrease in interest expenses as a result of previous significant reductions in interest rates for the zloty and other currencies with a further increase in the balance of deposits (+ 5% YoY),
- **net fee and commission income remained at a similar level** as in the previous year.
- decrease in **operating expenses** as a result of maintaining cost discipline, except for increased investment in technology.

The Bank has taken a number of initiatives mitigating the impact of changes in environmental conditions and intends to continue its strategy of developing consumer banking through remote channels in the process of acquiring new clients (thanks to biometric technology) and the development of the CitiKantor, digital account and CitiSpecials offer enabling the acquisition of new clients and increase transaction volumes of existing ones.

2.2. Selected business data

PLN '000	Q3 2021	Q2 2021	Q3 2020	Change QoQ	Change YoY
Number of individual customers	616.2	621.8	651.8	(0.9%)	(5.5%)
Number of current accounts	456.2	453.0	449.9	0.7%	1.4%
Number of saving accounts	118.6	119.8	135.4	(1.0%)	(12.4%)
Number of credit cards	555.2	568.3	619.0	(2.3%)	(10.3%)
Number of debit cards	234.8	233.3	232.5	0.6%	1.0%

Net amounts due from individual clients – management view

PLN '000	30.09.2021 (1)	31.12.2020 (2)	30.09.2020 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	4,683,873	5,015,003	5,156,166	(331,130)	(6.6%)	(472,293)	(9.2%)
Credit cards	2,417,373	2,486,574	2,542,358	(69,201)	(2.8%)	(124,985)	(4.9%)
Cash loans	2,225,676	2,481,093	2,573,474	(255,417)	(10.3%)	(347,798)	(13.5%)
Other unsecured receivables	40,824	47,336	40,334	(6,512)	(13.8%)	490	1.2%
Mortgage loans	2,381,841	2,199,812	2,133,416	182,029	8.3%	248,425	11.6%
Net client receivables	**7,065,714**	**7,214,815**	**7,289,582**	**(149,101)**	**(2.1%)**	**(223,868)**	**(3.1%)**

2.3. Key Business Highlights

Bank accounts

Current accounts

The total balance on the current accounts was PLN **11.3 billion**, i.e. increased by **25%** as compared to the end of the third quarter of 2020.

The number of personal accounts at the end of September 2021 was **456,000 (increase by 1% YoY)**, including 253,000 accounts kept in PLN, and 203,000 accounts kept in foreign currencies. The increase in the number of accounts is a result of launch of a very popular new version of the evergreen CitiKonto account in 2020. Its key advantages include free-of-charge everyday banking services (no fees are charged for account maintenance, a card to the account with a multi-currency services, withdrawals from Citi ATMs and the first four withdrawals from other ATMs a month, domestic funds transfers via Citibank Online or Citi Mobile and the first three Express Elixir funds transfers in a month), favorable FX rates and access to unique discounts, surprises and awards under Citi Specials.

Savings accounts

The number of savings accounts at the end of the third quarter of 2021 amounted to **119,000**, the total balance of funds accumulated on those accounts amounted to PLN **3.4 billion** compared to 135,000 savings accounts with a total balance of PLN 3.5 billion in the same period of the previous year. Changes in the number of savings accounts result from the closure by the Bank of savings accounts kept in EUR.

Credit cards

The total debt on the credit cards amounted to **PLN 2.4 billion** as at the end of the third quarter of 2021, which means that the Bank was still the leader in the credit card market, in terms of the credits granted on the credit cards, with a market share of 20.5%, according to data as at the end of September 2021.

In the third quarter of 2021, the Bank **increased acquisition of new credit cards by 80% YoY.** One of the key card acquisition channels is the **partnership with OBI,** under which cards are issued for purchases with the **"Comfort" Installment Repayment Plan on the credit card.**

Cash loans and cash loans associated with credit card accounts

The balance of unsecured loans (cash loans and loans on credit card) amounted to **PLN 2.3 billion** as at the end of the third quarter of 2021 and was lower by 12% as compared to the same period in previous year. The decrease in the balance is a consequence of lower sales of the above-mentioned loans during the pandemic. In the third quarter of 2021 the sales amounted to **PLN 210 million**, i.e. the same level as in the corresponding

	period of 2020. At the same time, this result was **15% higher compared to the second quarter of 2021.** The trend of the balance and the sales level was impacted by the state of epidemic declared in March 2020, leading to a decline in demand for loans, among other things. Thanks to the constant development of online processes and other remote forms of applying and concluding a contract, the Bank managed to maintain the availability of the credit process at an unchanged level as compared to the periods before the pandemic. The possibility to obtain financing without leaving home and to conclude an agreement electronically is available both to the existing and new clients of the Bank who apply for a loan (using, among others, biometric identity verification for a new client). Along with the unblocking of the economy, the Bank has recorded an increase in interest in loans this year and an increase in sales on a quarter-to-quarter basis.
Mortgage products	The mortgage loans offer was constantly dedicated to selected client segments, i.e. Citigold Private Client, CitiGold and Citi Priority - all the newly-originated mortgage and home equity loans were granted in those client segments. The mortgage products sold in the third quarter of 2021 reached **PLN 122 million**, i.e. **decreased by 25%** comparing to the third quarter of 2020 when it stood at PLN 162 million. As at the end of that period, the mortgage portfolio amounted to **PLN 2.3 billion** as compared to PLN 2.1 billion in the corresponding period of 2020, i.e. **increased by 12% YoY**.
Insurance and investment products	As at the end of the third quarter of 2021, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were **30% higher** than as at the third quarter of 2020.

2.4 Development of distribution channels

Online Banking and Mobile Banking

The online platform for retail clients is built in a responsive technology, i.e. it can adapt itself to the device used by a client. Modern design was inspired by clients expectations and extended functionality makes other channels of communication unnecessary. One of the improvements is for credit card holders, which can manage their card limit, convert transactions into installments or buy insurance products by themselves. The clients can construct and update their investment profile coherent with the MiFID II regulation. Electronic banking also includes a transaction module for investment funds and a Citi Kantor currency exchange module, which allows, among others, to place a conditional order and set a currency alert.

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was **372,600** as at the end of the third quarter of 2021. The share of active Citibank Online users in the entire client portfolio of the Bank was **62.4%** as at the end of the third quarter of 2021, i.e. **increase by 2.2 p.p.** compared to the same period of 2020.

At the same time, **digital users** accounted for **84.2% of all transactionally active clients** at the end of the third quarter of 2020, which is an **2.2. p.p. increase** as compared to the third quarter of 2020.

Responsive technology gives the client access to all functionalities in Citibank Online on any device they may use. In addition, clients have access to the mobile application which features such functions as free Push notifications, which keep the client updated of changes on the account or card, and login activation with the use of a fingerprint or face image, which makes access to the application even easier. The clients have had access to, among other functionalities, simplified and intuitive navigation, a new layout and a mobile authorization service - Citi Mobile Token. The application also offers a currency exchange module, Citi Kantor, and a multi-currency service, Citibank Global Wallet, which permits automatic currency account alignment with the transaction currency without manually reassigning the card. In the first quarter of 2021, the application was enriched with a new module which presents offers of products and services tailored to customer needs and a section that permits recommending of products to friends directly from the application.

As at the end of the third quarter of 2021, the **number of active users of mobile banking**, i.e. those who used mobile banking at least once in every 90-day period via the application or Citibank Online in responsive technology, amounted to **288,400, i.e. increased by 22%** as compared to the third quarter of 2020. The increase is caused by migration of a growing number of new clients to mobile authentication methods for online card payments.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was **48,3%**, i.e. **increased by 11 p.p.** as compared to the same period in 2020

At the same time, at the end of the third quarter of 2021, **mobile users accounted for 66% of all transactional active**

customers, which means an **increase by 18 pp.** as compared to the third quarter of 2020..

Social Media

In the third quarter of 2021 the Bank was active on the most popular social media platforms to win internet users' commitment, to build brand awareness, to inform about its CSR activities and to sell personal accounts and credit cards. In addition to its presence on Facebook, Instagram, Twitter and LinkedIn, the Bank started test campaigns on TikTok, which, since recently, has been gaining popularity in a broad target audience.

In the third quarter of 2021, Bank's communication on Facebook reached over 3.2 million users. Users of Facebook and Instagram had, on average, almost 4 contacts with the marketing materials of the Bank. In the third quarter of 2021, 45 posts were published on Facebook.

In the third quarter of 2021, the Bank used the Messenger app to reply to around 2,100 enquires about the Bank's products and services.

The Bank has **139,500** followers on Facebook.

Indirect and Direct Customer Acquisition

Citigold and Smart outlets

In the third quarter of 2021 the Bank did not initiate any activites related to adjust the size of its retail branch network. At the end of the period, the Bank's network comprised 19 branches, that is 9 Hub Gold branches, 9 Smart branches and 1 corporate branch. The total number of customer service centers has not changed since the end of the first quarter of 2020.

Customer service continuity was maintained at the same level in all offices of the branch network. Stabilization in that area was assured by regular checks of effectiveness of activities, including tests of service quality and customer satisfaction (NPS).

Due to the continuing state of the pandemic, the Bank maintains high safety standards, both in terms of staff work procedures and customer service, as well as the processes of complying with the applicable sanitary requirements.

Changes to the network of outlets

Number of branches and other Points of Sale /touch points

	30.09.2021 (1)	31.12.2020 (2)	30.09.2020 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**19**	**19**	**19**	**-**	**-**
Hub Gold	9	9	9	-	-
Smart branch	9	9	9	-	-
Corporate branch	1	1	1	-	-

**Branches classified according to a type of provided services into: Hub Gold (branches with separate Citigold customer service zones) and modern Smart branches.*

9 Rating

As of end of the third quarter of 2021, the Bank had full ratings awarded by Fitch Ratings ("Fitch").

On September 23, 2021 Fitch as part of the annual review, affirmed all ratings of the Bank in the following levels:

Long-term entity ranking *Long-term rating outlook*	A- *stable*
Short-term entity ranking	F1
Viability rating*	a- Rating Watch Negative
Support rating	1
National long-term rating	AA+ (pol) stable
National short-term rating	F1+ (pol)

** Viability rating is the view of the intrinsic creditworthiness of an institution, independent of external factors.*

The Bank's Ratings (IDRs) are driven by its intrinsic strength (as reflected in Viability rating ("VR") and potential parental support.

In the justification for the assessment, the rating agency stated that the Bank's Individual VR Rating is one notch higher than the rating for the Polish banking sector, which reflects the Bank's low risk appetite, diversified business model, high capitalization and high levels of liquidity, which makes the Bank more resilient to inherent risks in the Polish operating environment. The Bank's balance sheet is dominated by low risk assets, the quality of the loan portfolio is solid, which is the result of focusing on lending to high quality corporate and retail borrowers.

However, this also means that due to its high level in the local context, the VR has only narrow headroom to absorb deterioration of the financial profile, weakening of the bank's franchise or changes to the business model.Fitch expects to resolve the RWN upon release of details about the planned exit of Handlowy's retail operations and further development plans for the institutional business.

For the full announcement published by Fitch please visit: **https://www.fitchratings.com/research/banks/fitch-affirms-bank-handlowy-idr-at-a-maintains-vr-on-rwn-23-09-2021**

10 Financial instruments disclosure

Fair value of financial assets and liabilities

The table below presents the fair value of financial assets and liabilities valued at amortized cost in consolidated statement of financial position.

PLN '000	30.09.2021		31.12.2020	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Amounts due from banks	961,519	961,519	570,247	570,247
Amounts due from customers	20,835,929	20,632,148	21,914,223	21,749,968
Financial liabilities				
Amounts due to banks	1,609,412	1,609,412	5,118,861	5,118,753
Amounts due to customers	45,133,040	45,133,540	43,393,906	43,393,886

Valuation methods and assumptions used for the purposes of fair value

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

- The fair value of financial instruments not quoted in active markets is determined using valuation techniques which 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 Bank's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.
  The Group applies the following methods of measurement of particular types of derivative instruments:
  - FX forwards – discounted cash flows 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 consolidated 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 from an active market where the regular quotations and turnover are available.

  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 securities held-for-trading or available-for-sale;
- Level II: financial assets/liabilities valued on the basis of models based on input data from the active market presented in Reuters and Bloomberg systems. Depending on financial instruments, the following specific valuation techniques are used:
  - listed market prices for a given instrument or listed market prices for an alternative instrument,

- fair value of interest rate swaps and forward foreign exchange contracts is calculated as the current value of future cash flows based on the market yield curves and current NBP fixing exchange rate in case of foreign currency instruments,
- other techniques, such as yield curves based on alternative prices for a given financial instrument;

- Level III: financial assets/liabilities valued on the basis of valuation techniques using relevant non-market parameters.

The tables below present values of financial instruments in the consolidated statement of financial position in accordance with a fair value classified by above levels.

As at 30 September 2021

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	849,314	4,475,828	-	5,325,142
derivatives	-	4,475,827	-	4,475,827
debt securities	830,291	1	-	830,292
equity instruments	19,023	-	-	19,023
Hedging derivatives	-	60,588	-	60,588
Debt investment financial assets measured at fair value through other comprehensive income	14,349,788	1,721,943	-	16,071,731
Equity investments and other measured at fair value through income statement	36,820	-	45,950	82,770
Financial liabilities				
Financial liabilities held-for-trading	225,728	4,690,096	-	4,915,824
short sale of securities	225,728	-	-	225,728
derivatives	-	4,690,096	-	4,690,096

As at 31 December 2020

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	385,600	3,964,940	-	4,350,540
derivatives	323	3,370,573	-	3,370,896
debt securities	318,756	594,367	-	913,123
equity instruments	66,521	-	-	66,521
Debt investment financial assets measured at fair value through other comprehensive income	24,872,833	2,450,738	-	27,323,571
Equity investments and other measured at fair value through income statement	33,614	-	44,859	78,473
Financial liabilities				
Financial liabilities held-for-trading	43,469	3,612,953	-	3,656,422
short sale of securities	43,208	-	-	43,208
Derivatives	261	3,612,953	-	3,613,214
Hedging derivatives	-	98,025	-	98,025

As at September 31, 2021, the amount of financial assets classified to level III includes the value of the share in Visa Inc. (privileged series C) in the amount of PLN 25,681 thousand and the value of other minority shareholding in the amount of PLN 20,269 thousand. As at December 31, 2020, the amount of financial assets classified to level III includes the value of the share in Visa Inc. (privileged series C) in the amount of PLN 23,380 thousand and the value of other minority interests in the amount of PLN 21,479 thousand.

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 Biuro Informacji Kredytowej S.A. and Krajowa Izba Rozliczeniowa S.A. were measured at fair value based on the book value of net assets, based on the financial statements of the 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.-30.09.2021	01.01.-31.12.2020
As at 1 January	**44,859**	**61,530**
Conversion of shares	-	(22,168)
Revaluation	1,091	5,497
As at the end of period	**45,950**	**44,859**

In the nine month period of 2021 the Group has made no transfers between levels of instruments fair value due to changes in method of estimating fair value.

In the nine month period of 2021 the Group has not made any changes in classification criteria of financial instruments (presented in the consolidated statement of financial position at fair value) to each category reflecting the fair value (level I, level II, level III).

In the nine month period of 2021 the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

IBOR reform

The interest rate benchmark reform (IBOR reform) aims at on opposing the manipulation of reference benchmarks and ensuring that benchmarks are reliable and representative. The requirements are set by Regulations (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.

As a result of the reform of the interest rate reference benchmark and its replacement with a risk-free alternative interest rate, the Group has launched a project to manage the transition for any of its potentially affected contracts.

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships as at 30 September 2021. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Bank manages through hedging relationships.

in PLN million	Nominal amount 2021-09-30	Average maturity (in years)
IRS		
WIBOR6M	2,053	5Y
WIBOR6M	946	6Y
WIBOR6M	512	7Y
WIBOR6M	810	9Y
Total	**4,321**	

11 Provision for expected credit losses on financial assets and provisions for off–balance sheet commitments

Changes in the provision for expected credit losses on financial assets are presented in the table below:

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2021	**(1,708)**	**-**	**-**	**(1,708)**
Transfer between Stages	-	-	-	-
(Creation)/Releases in the period though the income statement	463	-	-	463
Foreign exchange and other movements	(41)	-	-	(41)
Provision for expected credit losses as at 30 September 2021	**(1,286)**	**-**	**-**	**(1,286)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2021	**(80,836)**	**(122,611)**	**(638,299)**	**(841,746)**
Transfer to Stage 1	(26,215)	20,636	5,579	-
Transfer to Stage 2	6,535	(12,451)	5,916	-

PLN '000	Stage 1	Stage 2	Stage 3	Total
Transfer to Stage 3	2,064	28,873	(30,936)	1
(Creation)/Releases in the period though the income statement	37,094	(35,970)	(52,570)	(51,446)
Net changes due to modification derecognition	-	-	(109)	(109)
Decrease in provisions due to write-offs	-	-	11,322	11,322
Decrease in provisions in connection with the sale of receivables	-	-	89,616	89,616
Foreign exchange and other movements	(66)	(111)	1,524	1,347
Provision for expected credit losses as at 30 September 2021	**(61,424)**	**(121,634)**	**(607,957)**	**(791,015)**

As at 30 September 2021, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

In the period from 1 January to 30 September 2021, the Group did not create write-offs for impairment of tangible fixed assets, intangible assets and reversals of write-offs of that title.

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2020	**(2,594)**	**-**	**-**	**(2,594)**
Transfer between Stages	-	-	-	-
(Creation)/Releases in the period though the income statement	(87)	-	-	(87)
Foreign exchange and other movements	(159)	-	-	(159)
Provision for expected credit losses as at 30 September 2020	**(2,840)**	**-**	**-**	**(2,840)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2020	**(51,388)**	**(79,952)**	**(559,208)**	**(690,548)**
Transfer to Stage 1	(38,144)	37,733	411	-
Transfer to Stage 2	6,420	(7,760)	1,340	-
Transfer to Stage 3	615	15,427	(16,044)	(2)
(Creation)/Releases in the period though the income statement	(23,924)	(65,794)	(90,420)	(180,138)
Net changes due to modification derecognition	-	(1)	(94)	(95)
Decrease in provisions due to write-offs	-	-	14,091	14,091
Foreign exchange and other movements	(443)	158	1,473	1,188
Provision for expected credit losses as at as at 30 September 2020	**(106,864)**	**(100,189)**	**(648,451)**	**(855,504)**

As at 30 September 2020, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2020	**(2,594)**	**-**	**-**	**(2,594)**
Transfer between Stages	-	-	-	-
(Creation)/Releases in the period though the income statement	1,100	-	-	1,100
Foreign exchange and other movements	(214)	-	-	(214)
Provision for expected credit losses as at 31 December 2020	**(1,708)**	**-**	**-**	**(1,708)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2020	**(51,387)**	**(79,952)**	**(559,207)**	**(690,546)**
Transfer to Stage 1	(26,257)	25,734	523	-
Transfer to Stage 2	4,297	(6,355)	2,058	-
Transfer to Stage 3	853	15,637	(16,490)	-
(Creation)/Releases in the period though the income statement	(7,961)	(77,506)	(116,793)	(202,260)

PLN '000	Stage 1	Stage 2	Stage 3	Total
Net changes due to modification derecognition	-	-	(109)	(109)
Decrease in provisions due to write-offs	-	-	39,228	39,228
Decrease in provisions in connection with the sale of receivables	-	-	10,886	10,886
Foreign exchange and other movements	(381)	(169)	1,605	1,055
Provision for expected credit losses as at as at 31 December 2020	**(80,836)**	**(122,611)**	**(638,299)**	**(841,746)**

As at 31 December 2020, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

The value of provisions for expected credit losses for off–balance sheet commitments amounted to PLN 37,547 thousand as at 30 September 2021 (31 December 2020: PLN 47,354 thousand, 30 September 2020: PLN 56,276 thousand).

12 Deferred tax asset and provision

PLN '000	30.09.2021	31.12.2020
Deferred tax asset	1,269,211	1,283,356
Deferred tax provision	(1,049,428)	(1,109,133)
Net asset due to deferred income tax of a parent company	**219,783**	**174,223**

Deferred tax asset and provision are presented in the consolidated statement of financial position after compensation at the level of the legal entity within the Group.

13 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 30 September 2021 the value of purchased by the Group components of "tangible fixed assets" equalled PLN 16,337 thousand (in 2020: PLN 28,931 thousand) and the value of disposals of "tangible fixed assets" amounted to PLN 2,745 thousand (in 2020: PLN 2,903 thousand).

As at 30 September 2021 the Group has no significant commitments to purchase of tangible fixed assets.

14 Default or breach of credit agreement in respect of which there were no corrective action until the end of the reporting period

Between 1 January and 30 September 2021 in the Group has been no occurrence of default or breach due to received credit agreement.

15 Seasonality or periodicity of business activity

The business activity of the Group is not significantly influenced by seasonal or cyclical factors.

16 Issue, redemption and repayment of debt and equity securities

In the nine month period of 2021 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid (or declared) dividends

On the June 17, 2021 the Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. adopted a resolution on distribution of the net profit for 2020 and undistributed net profit for 2019. Both resolutions provided that the appropriate part of the profit for 2020 and 2019 will be allocated to the dividend payment, provided that by September 10, 2021 (inclusive), the Polish Financial Supervision Authority allows one of the specified methods of distribution of the profit.

On July 20, 2021 the Bank received an individual recommendation of the Polish Financial Supervision Authority relating to the Bank's dividend policy in the second half of 2021. In accordance with the PFSA Recommendation, the Bank in terms of the basic criteria of the dividend policy, met the requirements qualifying for the payment of up to 100% of the dividend from the Bank's profit generated in the period from 1 January 2020 to 31 December 2020. Additionally, the Polish Financial Supervision Authority recommended the Bank not taking, prior to consultation with PFSA, any actions beyond the scope of current business and operational activities that may result in lowering the capital base including possible dividend payments from undistributed profit from previous years (i.e. from 2019 and earlier) and buyouts of own shares.

In connection with the above, with reference to Resolution of the Ordinary General Meeting of the Bank of June 17, 2021 on the distribution of net profit for 2020 the Management Board adopted a resolution, according to which, the Bank's net profit for 2020 in the amount of PLN 158,085,123.29 was distributed as follows:

- dividend for shareholders: PLN 156,791,520.00
- allocation to the reserve capital: PLN 1,293,603.29.

The dividend date was set for September 15, 2021 and the dividend payment date was set for September 22, 2021 and on that day the dividend was paid. The amount of shares covered by dividends was 130,659,600.

Until September 10, 2021 the Bank didn't receive the consent of the Polish Financial Supervision Authority for the payment of dividend from undivided net profit for 2019. Therefore, on September 13, 2021, the Management Board of the Bank adopted a resolution confirming the non-fulfillment of the condition for payment of profit for 2019, as set out in resolution of the Ordinary General Meeting of the Bank of June 17, 2021, on the distribution of undivided net profit for 2019.

18 Changes in granted financial and guarantee commitments and other off-balance-sheet commitments

The detailed specification of granted financial and guarantee commitments as at 30 September 2021 and changes in comparison with the end of 2020 are as follows:

PLN '000	State as at		Change	
	30.09.2021	**31.12.2020**	**PLN '000**	**%**
Contingent liabilities granted				
Financial	**15,208,840**	**14,197,972**	**1,010,868**	**7.1%**
Import letters of credit issued	435,358	162,523	272,835	167.9%
Credit lines granted	14,742,397	14,035,449	706,948	5.0%
Other	31,085	-	31,085	-
Guarantees	**2,229,766**	**2,304,411**	**(74,645)**	**(3.2%)**
Guarantees granted	2,190,361	2,250,542	(60,181)	(2.7%)
Export letters of credit confirmed	23	-	23	-
Other	39,382	53,869	(14,487)	(26.9%)
	17,438,606	**16,502,383**	**936,223**	**5.7%**
Contingent liabilities received				
Guarantees (guarantees received)	18,642,354	17,725,578	916,776	5.2%
	18,642,354	**17,725,578**	**916,776**	**5.2%**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	15,770,884	17,298,628	(1,527,744)	(8.8%)
Forward**	360,344,618	293,796,104	66,548,514	22.7%
	376,115,502	**311,094,732**	**65,020,770**	20.9%

** Foreign exchange and securities transactions with current value date.*

*** Derivatives: FX, interest rate transactions and options.*

19 Changes in Group's structure

In the third quarter of 2021 the structure of the Bank's Capital Group has changed compared to the end of 2020. On April 30, 2021, the liquidation of PPH Spomasz Sp. z o.o. in liquidation was completed and an application to the National Court Register to remove the Company from the register was submitted. As a result of the proceedings, the company was removed from the National Court Register on July 26, 2021.

In the first quarter of 2020, the Bank signed with DMBH a conditional agreement of sale of the enterprise of DMBH to the Bank, on condition that the Bank obtains the approval to extend the brokerage license. That agreement covers the transfer of the brokerage activities carried out by DMBH to the Bank by way of transfer to the Bank of all assets and liabilities of DMBH via sale of the enterprise, including the assets necessary to run the brokerage activities of DMBH and the other assets and liabilities making up its enterprise. The merger process is expected to be finalized after the procedure under the Polish Financial Supervision Authority is completed and the process of prepairing the Bank to take over the DMBH enterprise is completed.

20 Fulfilment of 2021 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2021.

21 Information about shareholders

As at the day of publishing the Interim Statement for the third quarter of 2021 the list of shareholders who held 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 is as follows:

	Value of shares (PLN '000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75	97,994,700	75
Other Shareholders	130,659	32,664,900	25	32,664,900	25
	522,638	**130,659,600**	**100**	**130,659,600**	**100**

In the period between publishing the annual consolidated financial report for the year 2020 and publishing this report for the third quarter of 2021 the structure of major shareholdings has not undergone any changes.

22 Ownership of issuer's shares by members of the Management Board and Supervisory Board

According to the best knowledge of the Bank – the dominant entity, at the end of the third quarter of 2021, as well as at the date of submission of the previous periodic report for the first half of 2021, members of the Management Board and Supervisory Board did not own Bank's shares.

The number of Bank's shares held by members of Management and Supervisory Board in the previous period is presented below:

Name and surname	Function	Number of shares on day of publishing the Annual Consolidated Financial Report for 2020	Number of shares on day of publishing the Consolidated Financial Report for 3Q2020
Andrzej Olechowski*	Chairman of Supervisory Board	2,200	2,200
Total		**2,200**	**2,200**

**in July 2021 there have been changes in the composition of Management and Supervisory Board*

Managing and supervising officers have not declared any options for Bank's shares.

23 Information on pending court proceedings

No proceedings regarding receivables or liabilities of the Bank conducted in the third quarter of 2021 in court, public administration authorities or an arbitration authority is of significant value. In Group's opinion no proceedings conducted before in court, public administration authority or an arbitration authority, pose a threat to the Group's financial liquidity, individually or in total.

- 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. On 11 May 2020 the Bank filed a response to the suit. 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 at September 30, 2021, the Bank was among others a party to 18 court proceedings associated with derivative transactions. Among these, 14 proceedings have not been terminated with a legally binding conclusion, three proceedings are pending in the Supreme Court cassation proceeding, one proceeding has been terminated with a legally binding conclusion, however the time for cassation appeals has still not lapsed. In 12 proceedings the Bank acted as a defendant and in 6 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. As at the day of these financial statements, these doubts do not yet prevent a reliable and rational assessment of the influence of the judgment on proceedings pending before national courts. 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 recent measures of the Polish Financial Supervision Authority seeking to set out the direction and scope of possible settlements between Banks and Swiss franc borrowers should be borne in mind. Some banks have started the process of offering their clients CHF loan dispute settlements.

  As at 30 September 2021, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 51 million. Despite the marginal share of CHF-indexed mortgage loans in the entire lending portfolio, in 2020, the Bank recognized a portfolio provision for those loans at PLN 13 million. Estimating the provision assumes conversion of a Swiss franc loan into a zloty loan with interest equal to the relevant WIBOR reference rate plus a margin. Moreover, the estimation takes into account the likelihoods of considered scenarios as well as the number of court cases, filed complaints, the market environment and the size of the lending portfolio under analysis.

  In the third quarter of 2021, the Bank did not change the estimation of the provision, which is included in the Provision items in the consolidated statement of financial position.

  As of September 30, 2021, the Group is sued in 39 cases concerning a credit indexed to CHF for the total amount of PLN 14.3 million (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. In performance of the banking activities falling under the definition of a consumer credit, the Bank charged commissions which were structurally not related to the duration of the contract, and thus not subject to reduction in the event of early repayment of a consumer credit. CJEU ruled on the interpretation of the provision of the Directive which is not directly binding upon domestic law entities.

  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 agreement.

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 satisfactory to the regulator 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.

The Bank estimated the portfolio provisions for potential commission returns in relation to the portfolio prepaid before 11 September 2019 and expected prepayment curves. The estimation includes portfolio structure, observed and expected complaints and expected prepayment curves. The Bank continuously monitors level of provisions.

As of September, 2021, the Bank was sued in 713 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 3.2 million.

In accordance with applicable regulations, the Group recognizes impairment losses for receivables subject to legal proceedings.

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 Semptember 2021 is PLN 8.8 million (PLN 3,7 million as at December 31, 2020). This value do not include portfolio provisions created in connection with the judgments of the CJEU.

In the third quarter of 2021 the Group did not make any significant settlement due to court ended with the final judgment.

24 Information about significant transactions with related entities on non-market terms

In the third quarter of 2021, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

25 Information about significant guarantee agreements

In the third quarter of 2021 Bank and its subsidiaries did not grant guarantee – jointly to one entity or a subsidiary of that entity, which total value would be significant.

26 Significant events after the balance sheet date not included in the financial statements

After 30 September 2021 there were no major events not included in the financial statement that could have a significant influence on the net result of the Group.

27 Factors and events which could affect future financial performance of the Bank's Capital Group

In the quarter to come, the most significant risk factor will be still the COVID-19 pandemic and its effects on the economy. The next few months will show if the vaccination programs will help avoid the next wave of restrictions and, in consequence, the cyclical lockdown of Poland's and Europe's economy. The space for use of additional fiscal and monetary policy measures is very limited as compared to the beginning of 2020, which means that additional burdensome restrictions could trigger a tidal wave of bankruptcies and a surge in unemployment.

Additionally, the to-date post-pandemic recovery can be cut down by shocks in the power market and supply-side disruptions. Since the beginning of 2021, natural gas prices have increased by more than 350%, as a result of a mix of several factors, such as strong recovery in the economy, reduced supply of Russian gas, low levels of gas reserves in Europe and the need to replenish them fast before the winter comes. Higher gas prices translate into higher manufacturing costs, which, if they are passed onto consumers and in connection with high inflation, make the stagflation scenario more and more likely (slowdown in the economy coupled with rising inflation). Insufficient supply adjustment in response to rapid recovery on the demand side leads to significant shortages of raw materials, both in industry and construction sector, and, in consequence, to reduced output and higher prices. If those trends are continued and go far beyond widespread expectations, the outcome may include much higher inflationary pressure and much deeper slowdown in main economies and in Poland, with a simultaneous significant decline in profitability of companies.

If the above risks materialize, the recovery of business activity to pre-pandemic trend will be slower.

Interim condensed standalone financial statements of the Bank for the third quarter of 2021

Condensed income statement

PLN '000	For the period	III quarter period from 01.07.21 to 30.09.21	III quarter accruals period from 01.01.21 to 30.09.21	III quarter period from 01.07.20 to 30.09.20	III quarter accruals period from 01.01.20 to 30.09.20
Interest income		165,878	514,996	208,781	803,722
Similar income		11,163	34,668	16,267	58,945
Interest expense and similar charges		(7,938)	(14,960)	(11,325)	(82,539)
Net interest income		**169,103**	**534,704**	**213,723**	**780,128**
Fee and commission income		168,137	494,046	144,726	429,295
Fee and commission expense		(17,977)	(57,603)	(16,687)	(52,914)
Net fee and commission income		**150,160**	**436,443**	**128,039**	**376,381**
Dividend income		**-**	**32,896**	**164**	**12,796**
Net gain/(loss) on trading financial instruments and revaluation		**131,364**	**335,455**	**82,429**	**173,637**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**-**	**459,106**	**1,731**	**175,932**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**385**	**4,326**	**8,282**	**12,417**
Net gain/(loss) on hedge accounting		**1,343**	**1,364**	**2,512**	**1,049**
Other operating income		5,067	15,721	4,748	16,528
Other operating expenses		(9,065)	(25,334)	(11,547)	(26,646)
Net other operating income		**(3,998)**	**(9,613)**	**(6,799)**	**(10,118)**
General administrative expenses		**(239,360)**	**(813,589)**	**(239,028)**	**(847,767)**
Depreciation and amortization		**(28,699)**	**(84,668)**	**(25,757)**	**(79,432)**
Profit on sale of other assets		**(19)**	**(452)**	**(34)**	**(428)**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments		**(18,674)**	**(34,553)**	**25,226**	**(178,369)**
Tax on certain financial institutions		**(40,300)**	**(115,193)**	**(28,968)**	**(92,570)**
Profit before tax		**121,305**	**746,226**	**161,520**	**323,656**
Income tax expense		**(29,840)**	**(183,571)**	**(50,072)**	**(100,334)**
Net profit		**91,465**	**562,655**	**111,448**	**223,322**
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			4.31		1.71
Diluted net earnings per share (in PLN)			4.31		1.71

Condensed statement of comprehensive income

PLN '000 For a period	III quarter period from 01.07.21 to 30.09.21	III quarter accruals period from 01.01.21 to 30.09.21	III quarter period from 01.07.20 to 30.09.20	III quarter accruals period from 01.01.20 to 30.09.20
Net profit	**91,465**	**562,655**	**111,448**	**223,322**
Other comprehensive income, that is or might be subsequently reclassified to profit or loss:	**(8,545)**	**(461,619)**	**11,404**	**276,104**
Net changes in value of financial assets measured at fair value through other comprehensive income	(8,545)	(461,619)	11,404	276,104
Total comprehensive income	**82,920**	**101,036**	**122,852**	**499,426**

Condensed statement of financial position

PLN '000 as at	30.09.2021	31.12.2020
ASSETS		
Cash and balances with the Central Bank	14,936,806	4,488,332
Amounts due from banks	961,508	570,188
Financial assets held-for-trading	5,306,119	4,284,019
Hedging derivatives	60,588	-
Debt investment financial assets measured at fair value through other comprehensive income	16,071,731	27,323,571
Shares in subsidiaries	91,994	105,621
Equity investments and other measured at fair value through income statement	82,479	78,153
Amounts due from customers	20,532,219	21,673,755
Tangible fixed assets	458,399	476,080
Intangible assets	1,239,561	1,251,250
Current income tax receivables	20,212	48,714
Deferred tax asset	218,971	173,472
Other assets	182,673	153,079
Non-current assets held-for-sale	6,163	6,163
Total assets	**60,169,423**	**60,632,397**
LIABILITIES		
Amounts due to banks	1,609,252	5,118,749
Financial liabilities held-for-trading	4,909,834	3,653,453
Hedging derivatives	-	98,025
Amounts due to customers	45,083,483	43,411,106
Provisions	81,579	84,775
Other liabilities	1,025,825	751,084
Total liabilities	**52,709,973**	**53,117,192**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(11,602)	450,017
Other reserves	2,799,092	2,797,798
Retained earnings	1,204,737	800,167
Total equity	**7,459,450**	**7,515,205**
Total liabilities and equity	**60,169,423**	**60,632,397**

Condensed statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2021	**522,638**	**2,944,585**	**450,017**	**2,797,798**	**800,167**	**7,515,205**
Total comprehensive income, including:	-	-	(461,619)	-	562,655	101,036
Net profit	-	-	-	-	562,655	562,655
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	(461,619)	-	-	(461,619)
Dividends paid	-	-	-	-	(156,791)	(156,791)
Transfer to capital	-	-	-	1,294	(1,294)	-
Balance as at 30 September 2021	**522,638**	**2,944,585**	**(11,602)**	**2,799,092**	**1,204,737**	**7,459,450**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2020	**522,638**	**2,944,585**	**114,893**	**2,874,289**	**567,298**	**7,023,703**
Total comprehensive income, including:	-	-	276,104	-	223,322	499,426
Net profit	-	-	-	-	223,322	223,322
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	276,104	-	-	276,104
Transfer to capital	-	-	-	(74,784)	74,784	-
Balance as at 30 September 2020	**522,638**	**2,944,585**	**390,997**	**2,799,505**	**865,404**	**7,523,129**

PLN'000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2020	**522,638**	**2,944,585**	**114,893**	**2,874,289**	**567,298**	**7,023,703**
Total comprehensive income, including:	-	-	335,124	(1,707)	158,085	491,502
Net profit	-	-	-	-	158,085	158,085
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	335,124	-	-	335,124
Net actuarial profits/(losses) on specific services program valuation	-	-	-	(1,707)	-	(1,707)
Transfer to capital	-	-	-	(74,784)	74,784	-
As at 31 December 2020	**522,638**	**2,944,585**	**450,017**	**2,797,798**	**800,167**	**7,515,205**

Condensed summary statement of cash flows

PLN '000 For a period	III quarter accruals period from 01.01.21 to 30.09.21	III quarter accruals period from 01.01.20 to 30.09.20
Cash at the beginning of the reporting period	**4,519,581**	**3,796,804**
Cash flows from operating activities	10,975,096	(1,127,530)
Cash flows from investing activities	(8,654)	(73,514)
Cash flows from financing activities	(165,637)	(11,024)
Cash at the end of the reporting period	**15,320,386**	**2,584,736**
Increase/(decrease) in net cash	**10,800,805**	**(1,212,068)**

Condensed additional information

1. Declaration of conformity

These interim condensed standalone financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*, adopted by European Union and with other applicable regulations.

These interim condensed standalone financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the standalone financial statements of the Bank for the financial year ended 31 December 2020 and interim condensed consolidated financial statement of the Group for the third quarter of 2021.

In accordance with 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, item 757, as amended) the Bank is obliged to publish its financial results for the 9 month period ended 30 September 2021 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Interim condensed standalone financial statements of the Bank for the third quarter of 2021 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide interim separate financial statements, on condition that it includes in the interim consolidated financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the interim condensed financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements including changes described in condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie SA for the third quarter of 2021.

Principles adopted in the preparation process of these interim condensed standalone financial statement are consistent with the principles, described in the annual standalone financial statements of the Bank for the financial year ended 31 December 2020 taking into account the changes described in the interim condensed consolidated financial statement of the Group for the third quarter of 2021.

Other information and explanations presented in interim condensed consolidated financial statements for the third quarter of 2021 contain also all information and explanatory data essential for these interim condensed standalone financial statements.

The summary of Bank's financial results for the third quarter of 2021 is presented below.

Bank's financial results

In the third quarter of 2021, the Bank generated a profit before tax of PLN 121.3 million, compared to PLN 161.5 million in the corresponding period of 2020 (i.e. decrease by PLN 40.2 million YoY).

Net profit earned in the period from July to September 2021 amounted to PLN 91,5 million compared to PLN 111.5 million of net profit in the corresponding period of 2020.

The net profit of the Bank in the third quarter of 2021 was driven mainly by a decrease in the net interest income by PLN 44.6 million, i.e. 21% compared to the corresponding period of the previous year, partially offset by higher fee and commission income (an increase by PLN 22 million, i.e. 17% compared to the third quarter of the previous year) and an increase in the result on trading financial instruments and revaluation (an increase by PLN 48.9 million, i.e. 59% YoY).

The interim condensed consolidated financial statements for the third quarter of 2021 will be available on the website of Bank Handlowy w Warszawie SA. **ww.citihandlowy.pl.**

Urszula Lewińska Director of Financial Reporting, Control and Tax Department	Natalia Bożek Vice-President of Management Board
8.11.2021	8.11.2021
(signed in Polish version)	(signed in Polish version)

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