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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP OF BANK HANDLOWY W WARSZAWIE S.A. FOR THE FIRST QUARTER OF 2022

MAY 2022

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SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	First quarter accruals period from 01.01.22 to 31.03.22	First quarter accruals period from 01.01.21 to 31.03.21	First quarter accruals period from 01.01.22 to 31.03.22	First quarter accruals period from 01.01.21 to 31.03.21
Data related to the interim condensed consolidated financial statements				
Interest income and similar	474,908	200,578	102,192	43,870
Fee and commission income	175,830	195,678	37,836	42,798
Profit before tax	367,714	535,904	79,126	117,212
Net profit	281,992	394,858	60,680	86,363
Comprehensive income	(3,947)	29,214	(849)	6,390
Net cash flows	(3,404,679)	10,814,877	(732,630)	2,365,407
Total assets*	69,282,463	61,862,771	14,891,448	13,450,183
Amounts due to banks*	4,530,524	3,383,353	973,783	735,607
Amounts due to customers*	45,502,431	43,507,474	9,780,211	9,459,380
Equity*	7,379,448	7,383,395	1,586,125	1,605,295
Ordinary shares*	522,638	522,638	112,335	113,632
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)*	56.48	56.51	12.14	12.29
Total capital adequacy ratio (%)*	17.8	20.1	17.8	20.1
Earnings per share (PLN / EUR)	2.16	3.02	0.46	0.65
Diluted earnings per share (PLN / EUR)	2.16	3.02	0.46	0.65
Data related to the interim condensed standalone financial statements				
Interest income and similar	474,943	200,608	102,200	43,877
Fee and commission income	162,649	162,678	34,999	35,581
Profit before tax	363,539	512,470	78,228	112,086
Net profit	278,689	376,153	59,969	82,271
Comprehensive income	(7,302)	10,466	(1,571)	2,289
Net cash flows	(3,404,676)	10,814,328	(732,630)	2,365,287
Total assets*	68,869,854	61,681,601	14,802,763	13,410,793
Amounts due to banks*	4,530,407	3,383,236	973,758	735,582
Amounts due to customers*	45,521,496	43,495,543	9,784,309	9,456,786
Equity*	7,308,738	7,316,040	1,570,927	1,590,651
Ordinary shares*	522,638	522,638	112,335	113,632
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)*	55.94	55.99	12.02	12.17
Total capital adequacy ratio (%)*	17.5	19.8	17.5	19.8
Earnings per share (PLN/EUR)	2.13	2.88	0.46	0.63
Diluted earnings per share (PLN / EUR)	2.13	2.88	0.46	0.63
Declared or paid dividends per share (PLN/EUR)**	5,47	-	1,18	-

**Comparative data according as at 31 December 2021. Additional information on TCR calculation has been described in the note no. 7.*

***The Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. adopted a resolution on distribution of the net profit for 2021 and allocation to dividend to the Shareholders the amount of PLN 714,708,012 .*

****The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 31 March 2022 – 4.6525 (as at 31 December 2021: PLN 4.5994; as at 31 March 2021 – PLN 4.6603); 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 quarter of 2021 - PLN 4.6472 (in the I quarter of 2021: PLN 4.5721).*

Contents

Condensed consolidated income statement

PLN '000 For the period	I quarter accruals period from 01.01.22 to 31.03.22	I quarter accruals period from 01.01.21 to 31.03.21
Interest income	442,389	187,838
Similar income	32,519	12,740
Interest expense and similar charges	(30,049)	(3,538)
Net interest income	**444,859**	**197,040**
Fee and commission income	175,830	195,678
Fee and commission expense	(24,566)	(23,191)
Net fee and commission income	**151,264**	**172,487**
Dividend income	**56**	**10**
Net gain/(loss) on trading financial instruments and revaluation	**274,223**	**114,529**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	**(35,762)**	**455,508**
Net gain/(loss) on equity investments and other at fair value through income statement	**4,638**	**1,336**
Net gain/(loss) on hedge accounting	**(1,722)**	**696**
Other operating income	**5,805**	5,194
Other operating expenses	(7,628)	(6,077)
Net other operating income and expense	**(1,823)**	**(883)**
General administrative expenses	**(387,627)**	**(334,779)**
Depreciation and amortization	**(26,378)**	**(27,448)**
Profit on sale of other assets	**3,509**	**(258)**
Provisions for expected credit losses on financial assets and provisions for contingent liabilities	**(11,554)**	**(6,156)**
Operating income	**413,683**	**572,082**
Tax on certain financial institutions	**(45,969)**	**(36,178)**
Profit before tax	**367,714**	**535,904**
Income tax expense	**(85,722)**	**(141,046)**
Net profit	**281,992**	**394,858**
Including:		
Net profit attributable to Bank's shareholders	281,992	394,858
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Earnings per share (in PLN)	2.16	3.02
Diluted net earnings per share (in PLN)	2.16	3.02

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

Condensed consolidated statement of comprehensive income

PLN '000	For a period	I quarter accruals period from 01.01.22 to 31.03.22	I quarter accruals period from 01.01.21 to 31.03.21
Net profit		**281,992**	**394,858**
Other comprehensive income, that is or might be subsequently reclassified to income statement:		(285,939)	(365,687)
Remeasurement of financial assets measured at fair value through other comprehensive income (net)		(314 958)	3 274
Profit or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)		28,967	(368,961)
Currency translation differences		52	43
Other comprehensive income net of tax		**(285,939)**	**(365,644)**
Total comprehensive income		**(3,947)**	**29,214**

Including:		
Comprehensive income attributable to Bank's shareholders	(3,947)	29,214

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

Condensed consolidated statement of financial position

as at	31.03.2022	31.12.2021
PLN '000		
ASSETS		
Cash and balances with the Central Bank	2,720,457	6,526,743
Amounts due from banks	2,142,219	967,677
Financial assets held-for-trading, including:	14,335,316	9,956,212
Assets pledged as collateral	*135,690*	-
Hedging derivatives	-	119,290
Debt financial assets measured at fair value through other comprehensive income, including:	24,590,107	20,590,284
Assets pledged as collateral	-	*748,763*
Equity and other instruments measured at fair value through income statement	101,954	97,316
Amounts due from customers	23,054,693	21,327,600
Tangible fixed assets	456,867	451,671
Intangible assets	1,232,340	1,243,160
Current income tax receivables	44,532	54,721
Deferred tax asset	302,263	264,313
Other assets	301,715	257,621
Non-current assets held-for-sale	-	6,163
Total assets	**69,282,463**	**61,862,771**
LIABILITIES		
Amounts due to banks	4,530,524	3,383,353
Financial liabilities held-for-trading	10,206,664	6,588,482
Amounts due to customers	45,502,431	43,507,474
Provisions	136,366	142,024
Current income tax liabilities	6,270	5,974
Other liabilities	1,520,760	852,069
Total liabilities	**61,903,015**	**54,479,376**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	3,001,699	3,001,699
Revaluation reserve	(598,009)	(312,018)
Other reserves	2,814,082	2,814,030
Retained earnings	1,639,038	1,357,046
Total equity	**7,379,448**	**7,383,395**
Total liabilities and equity	**69,282,463**	**61,862,771**

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 2022	**522,638**	**3,001,699**	**(312,018)**	**2,814,030**	**1,357,046**	**7,383,395**
Total comprehensive income, including:	-	-	(285,991)	52	281,992	(3,947)
Net profit	-	-	-	-	281,992	281,992
Currency translation differences from the foreign operations' conversion	-	-	-	52	-	52
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(285,991)	-	-	(285,991)
Balance as at 31 March 2022	**522,638**	**3,001,699**	**(598,009)**	**2,814,082**	**1,639,038**	**7,379,448**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	**522,638**	**3,002,265**	**450,017**	**2,793,561**	**812,486**	**7,580,967**
Total comprehensive income, including:	-	-	(365,687)	43	394,858	29,214
Net profit	-	-	-	-	394,858	394,858
Currency translation differences from the foreign operations' conversion	-	-	-	43	-	43
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(365,687)	-	-	(365,687)
Balance as at 31 March 2021	**522,638**	**3,002,265**	**84,330**	**2,793,604**	**1,207,344**	**7,610,181**

PLN'000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	**522,638**	**3,002,265**	**450,017**	**2,793,561**	**812,486**	**7,580,967**
Total comprehensive income, including:	-	-	(762,035)	3,786	717,468	(40,781)
Net profit	-	-	-	-	717,468	717,468
Currency translation differences from the foreign operations' conversion	-	-	-	(16)	-	(16)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(762,035)	-	-	(762,035)
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	3,802	-	3,802
Dividends paid	-	-	-	-	(156,791)	(156,791)
Transfer to capital	-	(566)	-	16,683	(16,117)	-
Balance as at 31 December 2021	**522,638**	**3,001,699**	**(312,018)**	**2,814,030**	**1,357,046**	**7,383,395**

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

Condensed consolidated statement of cash flows

PLN '000 For a period	I quarter accruals period from 01.01.22 to 31.03.22	I quarter accruals period from 01.01.21 to 31.03.21
Cash at the beginning of the reporting period	**6,566,557**	**4,519,640**
Cash flows from operating activities	(3,389,475)	10,829,442
Cash flows from investing activities	(12,269)	(11,511)
Cash flows from financing activities	(2,935)	(3,054)
Cash at the end of the reporting period	**3,161,878**	**15,334,517**
Increase/(decrease) in net cash	**(3,404,679)**	**10,814,877**

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 the 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	
		31.03.2022	31.12.2021
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o. *(apart from indirect shareholding via Handlowy-Inwestycje Sp. z o.o.)*	Warsaw	97.47	97.47
Handlowy Investments S.A.	Luxembourg	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	100.00

2 Declaration of conformity

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2022 to 31 March 2022 and for the consolidated statement of financial position as at 31 March 2022. Comparative financial data are presented for the period from 1 January 2021 to 31 March 2021 and for the consolidated statement of financial position as at 31 December 2021.

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 2021.

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 3-month period ended 31 March 2022 which is deemed to be the current interim financial reporting period.

3 Significant accounting policies

The interim condensed consolidated financial statements of the Group for the first quarter of 2022 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 2021, 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 statements 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 2021.

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 2021. 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 31 March 2022 that may have an impact on financial statements of the Group:

- 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 was approved on 2 March 2022,
- 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 was approved on 2 March 2022,

IFRS 17 „Insurance" replacing IFRS 4 „Insurance contracts" and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities. The above mentioned changes are applicable from 1 January 2023 and will not impact the financial statements significantly.

Standards and interpretations awaiting European Union's approval:

- IAS 1 'Presentation of financial statements' amendment – in the area of classification of liabilities as current or non-current, clarifying criteria for classification a liability as long-term,
- 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,
- Amendments to IFRS 17 "Insurance contracts" - initial application of IFRS 17 and IFRS 9 - comparative information on enabling simplification for entities implementing IFRS 9 and IFRS 17 (arising from the difficult clarification of the requirements to present comparative information from both standard together) in comparative disclosures by recognizing that IFRS 9 was applied to financial assets, issued on 9 December 2021.

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 January 2022:

- 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.

do not impact the financial statements significantly.

Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the 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		31 March 2022	31 December 2021	31 March 2021
1	USD	4.1801	4.0600	3.9676
1	CHF	4.5207	4.4484	4.2119
1	EUR	4.6525	4.5994	4.6603

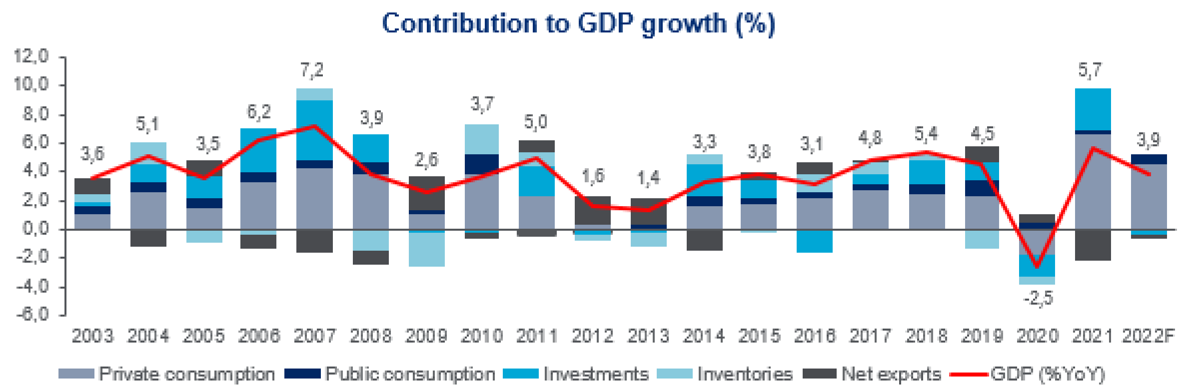
4 Macroeconomic conditions and the situation in money, foreign exchange and capital markets

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

The economic growth remained on a high level in the first quarter of 2022. High activity at the beginning of the year is a result of the momentum the economy achieved in prior quarters, although the next quarters will rather see a clear slowdown due to the Russo-Ukrainian war, skyrocketing commodity prices and tight monetary policy.

Industrial output rose 17.6% YoY in the first quarter of 2022, as compared to 12.9% YoY in the fourth quarter of 2021, mainly due to acceleration in manufacturing segment in response to a significant increase in the level of industrial orders. As the result, there was a global shortage of energy fuels which translated into a sharp increase in electricity generation in Poland, a significant part of which was exported. Simultaneously, imports of goods were trimmed down by supply difficulties in the automotive sector, and skyrocketing commodity prices were pushing imports up. Export growth in goods increased to 15.2% in January-February 2022 from 14.3% in the fourth quarter of 2021, and the growth of imports to 29.5% from 28.0%. As a result, the first quarter of 2022 was a period of deep deterioration in Poland's current account (to about -1.7% of the GDP at the end of February). Growth in construction output also accelerated, to 23.2% YoY from 6.7% YoY in the fourth quarter of 2021. The key driver of growth was still private consumption and the growth of retail sales accelerated to 9.4% YoY from 9% in the fourth quarter of 2021. The unemployment rate was 5.5% at the end of February versus 5.4% at the end of 2021, and after seasonal adjustments it dropped near to all-time low.

The outbreak of war in Ukraine has significantly reduced the economic prospects for next quarters. We believe that inflation, accelerating in the wake of rapidly rising prices, for example of oil, gas, coal, fuel or food, as well as interest rate hikes, will result in the slower growth of consumption, although consumption is likely to be supported by both spending of the refugees, arriving in vast numbers, and fiscal easing. Nonetheless, it is also likely that higher uncertainty and deteriorating sentiment among entrepreneurs will translate into lower capital expenditures. We expect that, during this year, the GDP growth rate will ultimately shrink to about 4%YoY from 5.7% already observed in 2021, but in 2023 a further slowdown is probable, to 2.7% with a risk of further deterioration.



Source: Chief Statistical Office, Citi Handlowy forecast

Prices of consumer goods and services rose by 9.6% YoY in the first quarter of 2022, as compared to 7.7% YoY in the fourth quarter of 2021 and 5.1% for the entire 2021. The headline inflation rate was under pressure from increasing prices of energy, fuel and food, as well as from rising core inflation. The net inflation went up to 6.6% from 4.8% in the fourth quarter of 2021. In next months, the Group expects inflation to go up to 12% YoY and even 13-14% at the beginning of 2023, after the VAT and excise rates for energy and food are restored to the level from before the cuts made in 2022. Core inflation should start falling in the next months of 2023. The base-case scenario assumes a gradual decline in commodity prices.

Since October 2021, the Monetary Policy Council ("MPC") has been raising interest rates at every meeting, and the reference rate was already raised to 4.5% in April from 1.75% as at the end of 2021 and from 0.1% as at the beginning of October 2021. The central bank intervened in the foreign currency market in March 2022 due to a significant depreciation of the Polish currency in the wake of the outbreak of war between Russia and Ukraine. In connection with high inflation and rising wages, and the strong economic activity of the MPC, the monetary tightening cycle is likely to be continued. The Group assumes that the central bank's reference rate will rise to 6.25%, with the risk of an upward trend and gradual reductions will be commenced in 2023 after core inflation starts going down.

The FX market saw the deprecation of the zloty and higher volatility. Even if Poland's currency was supported in January and February 2022 by the expectations of interest rate hikes and the central bank reorienting its preferences towards a stronger zloty, the market situation changed after the war in Ukraine had started. In consequence, the zloty reached a record low level to the euro, i.e. about PLN 5.00 per euro, at the beginning of March. In the following weeks, the zloty had gradually strengthened, and the EUR/PLN rate ended up at the end of March 2022 at the level of 4.65 against 4.60 at the end of 2021. Given the dollar appreciation on global markets, the USD/PLN rate increased from 4.06 at the end of 2021 to 4.18 at the end of March 2021.

In the first quarter of 2022 yields on treasury securities rose. The weakening in the bonds market was mainly caused by rising inflation and expectations of interest rate hikes, and by an increase in credit spreads connected with a higher premium for geopolitical risk and expected fiscal easing. Two-year bond yields rose by 225 bps at the end of March to 5.59% since the end of 2021, and ten-year bond yields rose by 154 bps to 5.24%. The WIBOR 3M rate increased as at the end of March 2022 to 4.77% as compared to 2.54% at the end of 2021.

2. Capital market situation

In the first quarter of 2022, Russia's invasion of Ukraine was the main event that affected the sentiment in equity markets. The growing influence of the geopolitical factor caused an increase in risk aversion and intensified investors' fears about the possible emergence of stagflation in the global economy due to the significant position of both countries in the world market for commodities and raw materials (both industrial and agricultural). The ongoing process of the tightening of the monetary policy by central banks is also significant for the markets. The accelerating inflation and rising interest rates have a negative impact on consumer demand, as a result of which, combined with persistent problems in supply chains and a dynamic situation in the commodities market, last year's record-breaking results of companies may rather not be repeated.

In such an environment, all the major indices on the Warsaw Stock Exchange (WSE) reported negative returns in the first quarter of 2022. WIG, the market's base index, declined by 6.3% QoQ. WIG20, the large-cap companies index, lost 5.9% QoQ. However, mWIG40 – the medium-sized companies' index, reported the biggest fall, i.e. by 9.7% QoQ. sWIG80 – smallest cap companies' index, performed relatively best, by only falling by 1.7% compared to the level at the end of 2021.

By sector, the mining companies reported the biggest increases, whose sub-index grew by as much as one-third in the past quarter. Solid gains were also achieved by entities in the chemicals sector (+15.4% QoQ) and the energy sector (9.6% QoQ). On the other hand, the greatest supply pressure affected the WIG-Food index (dominated by the Ukrainian companies), which lost over 34% QoQ. Dynamic declines were also observed in the clothing sector, with the WIG-Clothes sub-index dropping by 33%.

First quarter of 2022 saw only a minimum activity in the IPO market. From January until the end of March, only two new entities debuted on the main floor as a result of transfer from the New Connect market (without selling the existing or newly issued shares), whereby last year, the same period saw three debuts, and the total value of the offers exceeded PLN 1.7

billion. At the same time, two entities delisted from WSE. Consequently, as of the end of March 2022, 426 entities were listed on the main floor (compared to 433 as at the end of Q1 2021). The total capitalization of the companies listed on the WSE amounted to PLN 1,249 billion (of which PLN 656 billion represented the market value of the domestic companies) which was down by 5% QoQ, however representing a growth of 10% YoY.

Equity market indices as of 31 March 2022

Index	31.03.2022	31.12.2021	Change (%) QoQ	31.03.2021	Change (%) YoY
WIG	64,900.36	69,296.26	(6.3%)	58,081.50	11.7%
WIG-PL	66,587.43	70,792.15	(5.9%)	59,175.48	12.5%
WIG-div	1,167.48	1,255.85	(7.0%)	1,172.20	(0.4%)
WIG20	2,133.05	2,266.92	(5.9%)	1,938.84	10.0%
WIG20TR	3,993.38	4,243.99	(5.9%)	3,551.10	12.5%
WIG30	2,589.93	2,764.93	(6.3%)	2,298.42	12.7%
mWIG40	4,778.07	5,291.72	(9.7%)	4,360.66	9.6%
sWIG80	19,714.05	20,056.08	(1.7%)	18,554.31	6.3%
WIG-Banks	7,643.54	8,640.27	(11.5%)	5,432.19	40.7%
WIG-Construction	3,672.44	3,763.20	(2.4%)	3,958.96	(7.2%)
WIG-Chemicals	11,332.19	9,822.11	15.4%	8,622.81	31.4%
WIG- Energy	2,647.54	2,415.19	9.6%	2,149.61	23.2%
WIG-Games	17,338.52	19,684.68	(11.9%)	21,024.47	(17.5%)
WIG- Mining	6,052.12	4,539.55	33.3%	5,886.60	2.8%
WIG-IT	4,410.16	4,706.08	(6.3%)	4,060.18	8.6%
WIG-Medicines	3,732.57	5,096.92	(26.8%)	7,572.00	(50.7%)
WIG-Media	7,400.91	8,762.86	(15.5%)	6,401.04	15.6%
WIG-Motorisation	6,439.24	6,728.61	(4.3%)	5,168.69	24.6%
WIG- Developers	2,708.99	2,841.12	(4.7%)	2,607.18	3.9%
WIG-Clothing	6,353.77	9,479.24	(33.0%)	5,147.22	23.4%
WIG- Fuel	6,552.21	6,494.21	0.9%	5,407.72	21.2%
WIG -Food	2,954.92	4,484.31	(34.1%)	4,090.55	(27.8%)

Source: WSE, DMBH.

Equity and bond trading value and derivatives trading volumes on WSE in the first quarter of 2022

	Q1 2022	Q4 2021	Change (%) QoQ.2)	Q1 2021	Change (%) YoY.2)
Shares (PLN million) 1)	200,801	173,584	15.7%	202,448	(0.8%)
Bonds (PLN million)	3,267	1,226	166.6%	860	279.8%
Futures (in thousand contracts)	7,758	6,675	16.2%	6,101	27.1%
Options (in thousand contracts)	184	154	19.7%	156	17.8%

1) excluding calls
2) differences may result from rounding

Source: WSE, DMBH.

5 Banking sector

According to data published by the National Bank of Poland, at the end of March 2022, the volume of loans granted to non-financial companies increased by 8.9% YoY (PLN 31.4 billion) to nearly PLN 385 billion. The strongest growth was in the area of PLN loans (+12.1% YoY, PLN 29.6 billion), while the volume of foreign currency loans increased by only 1.7% YoY (PLN 1.9 billion). As regards age structure, loans with up to 1 year to maturity (including current accounts) contributed most to this growth (+30.3% YoY, PLN 22.0 billion). High growth was also observed for loans in the range of 1 to 5 years (+9.4% YoY, PLN 8.7 billion), and the volume of long-term loans was actually flat.

The structure by type shows the same trends as the maturity structure does. The highest growth dynamic was recorded in the volume of current loans (19.3% YoY), while investment loans increased merely by 3.3% YoY and real property loans dropped by 4.3% YoY. PLN loans were growing considerably faster than foreign currency loans in each of the above-mentioned categories (except for current loans). The above data shows that in the light of the uncertainty related to further development of macroeconomic situation the majority of companies still keep their investments on hold and are not eager to take long-term liabilities.

Total net receivables from households slightly exceeded PLN 816 billion as at the end of the first quarter of 2022, which means they increased on an annual basis by 3.9% YoY, i.e. PLN 30.9 billion. Year over year, housing loans (+6.6% YoY, PLN 31.8 billion) are still much ahead of other loan types, however the slowdown triggered by monetary tightening is clearly visible in this segment too. In the first quarter of 2022, PLN-denominated housing loans increased by only 0.8% QoQ, i.e. PLN 3.4 billion (as compared to +3.1% QoQ, i.e. PLN 12.0 billion, at the end of the fourth quarter of 2021). And in the case of consumer loans, which just got out of the pandemic low, volumes are going down again (-1.0% QoQ, PLN 2.1 billion), despite a slight increase year over year (+1.6% YoY, PLN 3.2 billion). As regards the other loan types, including current loans for businesses and farmers, and investment loans, no increases were discerned, but only declines by 0.6% YoY and 5.9% YoY, respectively.

The quality of the loan portfolio in the banking sector has been improving with the share of non-performing loans (stage 3) granted to clients from the non-financial sector at 5.3% as of the end of February 2022, which means an improvement by 1.0 percentage point as compared to prior year. The strongest improvement was achieved for the portfolio of loans for small and medium-sized companies (-2.0 p.p. YoY, to 10.2%), and for large companies (-1.2 p.p. YoY to 3.8%). In terms of quality, mortgage loans to households are still the top performers of all loan types (1.7%, -0,3 p.p. YoY) and the mortgage loans in foreign currencies are the only category with continued deterioration as some borrowers stop paying instalments on their loans in court litigation (4.6%, +0.7 p.p. YoY). For consumer loans, the timeliness of payments significantly improved, by 1.9 p.p. YoY, to 9.6%.

The banking sector in Poland achieved an increase in volumes of deposits of non-financial companies by 7.4% YoY, PLN 28.6 billion, to nearly PLN 417 billion at the end of March 2022. There is a clearly visible recovery of time deposits (+38.7% YoY, PLN 22.6 billion), with the growth of current deposits practically stopped (+1.8% YoY, PLN 6.0 billion).

In the households' segment, after deposits and other liabilities reached a record high level at the end of December 2021, the volume of deposits dropped, as at the end of March 2022, by 2.5% QoQ, PLN 26.6 billion, to PLN 1,033 billion (+1.9% YoY, PLN 19.2 billion). Year over year, current deposits rose by 4.2% YoY, PLN 34.8 billion, and time deposits declined by 8.3% YoY, PLN 15.6 billion, however the proportions are opposite quarter over quarter.

It may turn out that the first quarter of 2022 will be a record quarter in terms of net profits generated by the banking sector. In the first two months of 2022, banks in Poland generated earnings of nearly PLN 4.2 billion, which means they nearly doubled as compared to the same period in 2021 and rose more than in any other January-February period. The main cause was net interest income (PLN 10.9 billion, +51% YoY), rapidly growing in the wake of rising interest rates. Net fee and commission income also reached an unseen-before level in the period of January-February 2022, i.e. PLN 3.1 billion (+17.3% YoY). A significant decline in other income, by 41.7% YoY to nearly PLN 1.0 billion, did not prevent the banks from reaching high total revenues, near to PLN 15 billion (+29.5% YoY), in only the first two months of 2022, and without any significant one-off events.

However, the record-high revenues were followed by a comparable increase in operating costs. Administrative expenses rose by about PLN 6.8 billion, i.e. 19% from the same period in prior year, as a result of, among other things, higher contributions to the resolution fund and to the deposit guarantee fund. For 2022, those contributions rose by 66% versus prior year. Depreciation and amortization expenses were nearly flat at PLN 769 million. Impairment charges for financial assets and provisions reduced the pre-tax profit of the banking sector by PLN 760 million, i.e. by 36.0% less than in January-February 2021. However, it should be noted that the results for the first quarter of 2022 will be reduced by additional provisions that will be made by banks in connection with court litigations and settlements related to foreign-currency mortgage loans. In the first two months of 2022, the banking sector paid about PLN 0.9 billion in bank levy. Income tax, on the other hand, amounted to around PLN 1.6 billion, i.e. rose by almost 60% YoY.

The commenced cycle of high interest rate hikes will lead to higher interest incomes in the next months of 2022 and to higher interest expenses as well. However, the connected slowdown of lending (especially in the mortgage segment) could adversely affect fee and commission income. Nonetheless, the source of highest uncertainty is net provisions and write-offs, in connection with the risk of an unfavorable macroeconomic trend and the still-unresolved issue of foreign-currency mortgage loans.

6 The impact of the war in Ukraine

On February 24, 2022, an unprecedented event took place – the invasion of the independent state of Ukraine by Russian troops. The outbreak of war in a country neighboring Poland has a significant impact on the economic and operational environment in which the Bank operates. The description of the impact of the war on the economic situation in Poland is presented in Note 4 "Macroeconomic conditions and the situation in money, foreign exchange and capital markets".

The operating activity of the Bank

The Management Board of the Bank monitors the outbreak of the war in Ukraine and its direct impact on operating activities of the Bank, including for lending activities and operations related to operational risk (mainly threats in cyberspace).

In case of lending, the Bank is not active in Ukraine, Russia or Belarus, and the Bank's credit exposure to companies significantly involved in these countries is less than 0.5% of the Bank's exposure to credit risk.

Supporting the Bank's customers and corporate social responsibility

At this exceptional time, the Bank undertook a number of initiatives to support institutional and individual clients, such as:

- Cancel the fees for individual and corporate transfers to Ukraine
- Launch of special www site with important information for clients from Ukraine
- Fast track to open a personal account in Poland for Ukrainian citizens
- Cash disbursement ability for corporate clients to support their staff (mainly refugees)
- Opening of banking accounts for 8 international NGOs within few days

In addition, the Bank Foundation Leopold Kronenberg undertook and coordinated activities in the field of aid for refugees. Approx. 800 Citi volunteers in Poland are involved in helping refugees in over 60 projects concerned, among others:

- Support the evacuation of children suffering from cancer from Ukraine to Poland
- Help in finding a safe shelter in Poland for orphaned children and children from foster families
- Organization of several dozen material collections
- Support for organizations working at the border

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

1. Consolidated statement of financial position

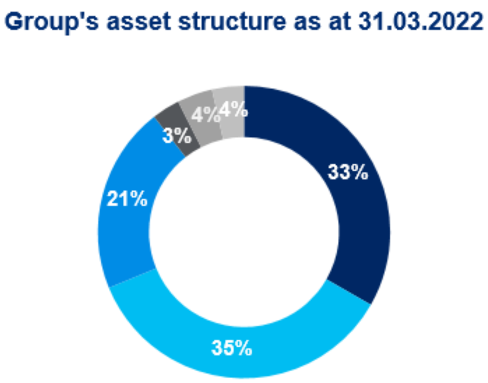
As at the end of the first quarter of 2022 **total assets** stood at PLN 69.3 billion, up by PLN 7.4 billion (or 12.0%) compared to the end of 2021.

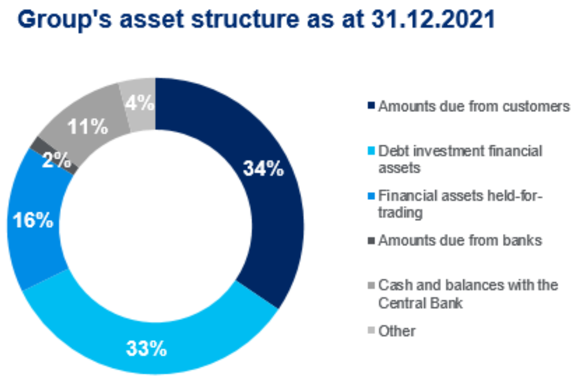
In terms of assets, the biggest nominal changes in the balance sheet took place in three lines: **financial assets held-for-trading**, **debt investment financial assets** and **cash, operations with Central Bank.** The balance of financial assets held-for-trading increased by PLN 4.4 billion (i.e. 44.0%) compared to the end of 2021 as a result of the higher valuation of derivatives. The balance of debt investment financial assets increased by PLN 4.0 billion (i.e. 19.4%) compared to the end of 2021, due to the purchase of cash bills which in turn contributed to the decline of cash, operations with Central Bank by PLN 3.8 billion. Debt investment financial assets has the largest share in the structure of the Group's assets as at the end of March 2022, they accounted for 35.5% of total assets

In turn, the second largest share in the structure of the Group's assets as at the end of March 2022 was occupied by **net amounts due from customers**, they accounted for 33.3% of total assets. The value of net amounts due from customers as at the end of March 2022 amounted to PLN 23.1 billion, up by PLN 1.7 billion (i.e. 8.1%) compared to the end 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 16.3 billion, up by PLN 2.0 billion (i.e. 13.6%) compared to the fourth quarter of 2021. 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 9.

The volume of net loans made to individual customers decreased by PLN 227 million (i.e. 3.3%) compared to the end of 2021 and amounted to PLN 6.8 billion. The above decrease relates mainly to unsecured receivables. The lower demand for loans was driven, inter alia, by the interest rates hikes.





Amounts due from customers

PLN '000	31.03.2022	31.12.2021	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	**3,921,645**	**3,440,104**	**481,541**	**14.0%**
Loans	3,718,803	3,440,104	278,699	8.1%
Receivables related to reverse repo transactions	202,842	-	202,842	-

PLN '000	31.03.2022	31.12.2021	Change	
			PLN '000	%
Amounts due from non-financial sector entities, including:	**19,133,048**	**17,887,496**	**1,245,552**	**7.0%**
Institutional clients* including:	12,380,301	10,907,847	1,472,454	13.5%
public sector units	2,759	3,207	(448)	(14.0%)
Individual clients, including:	6,752,747	6,979,649	(226,902)	(3.3%)
unsecured receivables	4,383,888	4,588,736	(204,848)	(4.5%)
credit cards	2,563,861	2,724,349	(160,488)	(5.9%)
cash loans to private individuals	1,756,821	1,817,502	(60,681)	(3.3%)
mortgage loans	**2,368,859**	2,390,913	(22,054)	(0.9%)
Total receivables from customers	**23,054,693**	**21,327,600**	**1,727,093**	**8.1%**

**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	31.03.2022	31.12.2021	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	**20,824,107**	**19,571,178**	**1,252,929**	**6.4%**
financial institutions	3,923,172	3,443,448	479,724	13.9%
non-financial sector entities	16,900,935	16,127,730	773,205	4.8%
institutional clients*	11,118,421	9,948,056	1,170,365	11.8%
individual customers	5,782,514	6,179,674	(397,160)	(6.4%)
Receivables not impaired (Stage 2), including	**2,206,578**	**1,744,692**	**461,886**	**26.5%**
financial institutions	146	2	144	7200.0%
non-financial sector entities	2,206,432	1,744,690	461,742	26.5%
institutional clients*	1,211,622	917,951	293,671	32.0%
individual customers	994,810	826,739	168,071	20.3%
Receivables impaired (Stage 3), including:	**905,794**	**900,413**	**5,381**	**0.6%**
non-financial sector entities	905,794	900,413	5,381	0.6%
institutional clients*	450,133	466,719	(16,586)	(3.6%)
individual customers	455,661	433,694	21,967	5.1%
Total gross loans to customers, including:	**23,936,479**	**22,216,283**	**1,720,196**	**7.7%**
financial institutions	3,923,318	3,443,450	479,868	13.9%
non-financial sector entities	20,013,161	18,772,833	1,240,328	6.6%
institutional clients*	12,780,176	11,332,726	1,447,450	12.8%
individual customers	7,232,985	7,440,107	(207,122)	(2.8%)
Provisions for expected credit losses	**(881,786)**	**(888,683)**	**6,897**	**(0.8%)**
Total net amounts due from customers	**23,054,693**	**21,327,600**	**1,727,093**	**8.1%**
Provisions coverage ratio***	**78.1%**	**78.8%**		
institutional clients*	75.4%	76.1%		
individual customers	80.8%	81.7%		
Non-performing loans ratio (NPL)	**3.8%**	**4.1%**		

**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.*

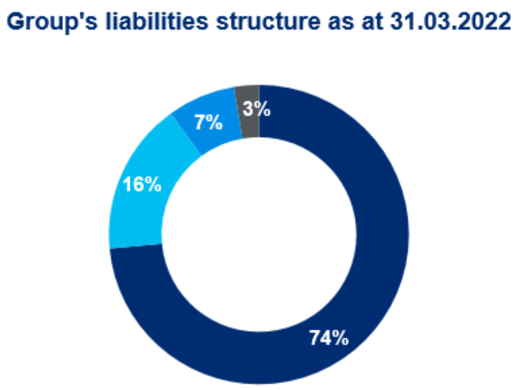
As of the end of the first quarter of 2022 **total liabilities** amounted to PLN 61.9 billion, up by PLN 7.4 billion (i.e. 13.6%) compared to the end of 2021.

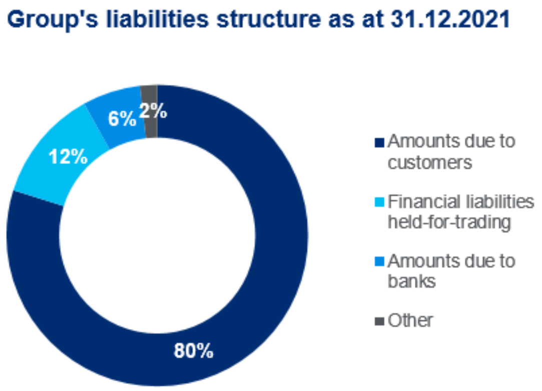
In the first quarter of 2022 **amounts due to customers** were the dominant source of financing of the Group's activity and as at March 31, 2022 they accounted for 65.7% of the Group's liabilities and equity. At the same time, funds in current accounts were the dominant item in amounts due to customers, they accounted for 83.8% (decrease by 3 pp compared to the end of 2021).

Total amounts due to customers as of the end of the first quarter of 2022 amounted to PLN 45.5 billion, up by PLN 2.0 billion (i.e. 4.6%) compared to the end of 2021. The largest share in the quarterly increase was due to **amounts due to**

institutional clients, which were higher by PLN 0.9 billion (i.e. 3.4%) and concerned term deposits. A detailed breakdown of liabilities by segments in the management view is provided in Note 9.

At the same time, as at the end of the first quarter of 2022, **amounts due to individual clients** increased by PLN 542 million (i.e. 3.2%) compared to the end of the previous year and amounted to PLN 17.4 billion and resulted from a higher volume of term deposits due to the increase of their attractiveness thanks to higher interest rates.





Loan-to-deposit ratio increased to 51% as at the end of March 2022 compared to 49% as at December 31, 2021 and 51% as at March 31, 2021.

Amounts due to customers

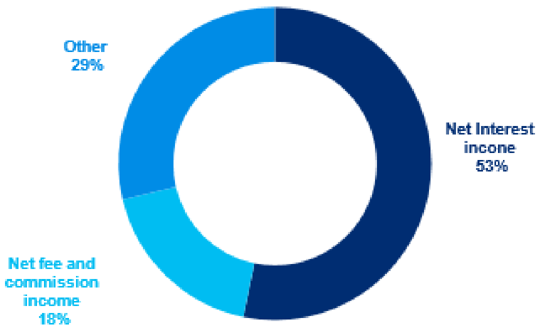
PLN '000	31.03.2022	31.12.2021	Change PLN '000	Change %
Current accounts, including:	**38,115,762**	**37,756,591**	**359,171**	**1.0%**
financial sector entities	1,225,729	1,105,149	120,580	10.9%
non-financial sector entities, including:	36,890,033	36,651,442	238,591	0.7%
institutional clients*, including:	21,354,902	21,143,129	211,773	1.0%
public sector units	2,383,195	1,901,803	481,392	25.3%
individual clients	15,535,131	15,508,313	26,818	0.2%
Term deposits, including:	**6,088,596**	**5,025,351**	**1,063,245**	**21.2%**
financial sector entities	2,219,964	2,087,711	132,253	6.3%
non-financial sector entities, including:	3,868,632	2,937,640	930,992	31.7%
institutional clients*, including:	2,044,443	1,628,937	415,506	25.5%
public sector units	42,849	26,868	15,981	59.5%
individual customers	1,824,189	1,308,703	515,486	39.4%
Total customers deposits	**44,204,358**	**42,781,942**	**1,422,416**	**3.3%**
Other amounts due to customers	**1,298,073**	**725,532**	**572,541**	**78.9%**
Total amounts due to customers	**45,502,431**	**43,507,474**	**1,994,957**	**4.6%**

**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 first quarter 2022 the Group delivered a **consolidated net profit** of PLN 282.0 million, which means an increase by PLN 125.5 million (i.e. 80%) compared to the fourth quarter of 2021. At the same time, the net income was lower by PLN 112.9 million (i.e. 28.6%) compared to the first quarter of 2021 in which the profit on investment debt financial assets was realized (PLN 455.5 million at the end of the first quarter of 2021). The profit achieved in the first quarter of 2022 is a consequence of increases in interest rates by the Monetary Policy Council, volatility in financial markets and customer activity (increase in loan volumes by 8% QoQ).

Group's revenue structure as at 31.03.2022



Net interest income

- **Net interest income** amounted to PLN 444.9 million and was higher by PLN 247.8 million (i.e. 125.8%) compared to the first quarter of 2021 due to the beginning of the monetary policy tightening cycle in Poland initiated in October 2021 and as a result of the monthly increase in interest rates from 0.1% to 3.5% at the end of the first quarter of 2022.
- **Interest income** in the first quarter of 2022 increased by PLN 274.3 million (i.e. 136.8%) compared to the corresponding period of 2021 and amounted to PLN 474.9 million. The largest nominal increase was recorded by interest from amounts due from customers, constituting the main source of interest income, amounted to PLN 260.3 million. The margin on loans increased from 2.47% in the first quarter of 2021 to 4.69% in the first quarter of 2022. Interest income on debt investment financial assets amounted to PLN 153.3 million at the end of the first quarter of 2022, i.e. increased compared to the first quarter of 2021 by 204.3% due to the increase in the volume and profitability of debt instruments.
- **Interest expenses** of the Group in the first quarter of 2022 increased by PLN 26.5 million (i.e. 749.3%) comparing to the corresponding period of 2021 and amounted to PLN 30.0 million – due to decrease in amounts due from customers and banks.

PLN '000	01.01 – 31.03.2022	01.01 – 31.03.2021	Change	
			PLN '000	%
Interest income				
Financial assets measured at amortized cost	**442,389**	**187,838**	**254,551**	**135.5%**
Balances with the Central Bank	**289,101**	**137,458**	**151,643**	**110.3%**
Amounts due from banks	19,114	60	19,054	31756.7%
Amounts due from customers, in respect of:	9,637	754	8,883	1178.1%
financial sector	260,350	136,644	123,706	90.5%
non-financial sector, including:	21,390	7,960	13,430	168.7%
credit cards	238,960	128,684	110,276	85.7%
Financial assets measured at fair value through comprehensive income	73,292	33,818	39,474	116.7%
Debt investment financial assets measured at fair value through comprehensive income	**153,288**	**50,380**	**102,908**	**204.3%**
Similar income	153,288	50,380	102,908	204.3%
Debt securities held-for-trading	**32,519**	**12,740**	**19,779**	**155.3%**
Liabilities with negative interest rate	23,854	4,309	19,545	453.6%
Derivative instruments in hedge accounting	8,479	8,431	48	0.6%
	474,908	**200,578**	**274,330**	**136.8%**
Interest expense and similar charges for				
Financial liabilities measured at amortized cost	**(29,374)**	**(2,571)**	**(26,803)**	**-**
Amounts due to banks	(9,683)	(563)	(9,120)	-
Amounts due to customers	(18,719)	(995)	(17,724)	-
Amounts due to financial sector entities	(10,353)	(235)	(10,118)	-
Amounts due to non-financial sector entities	(8,366)	(760)	(7,606)	-
Amounts due to leasing	(972)	(1,013)	41	(4.0%)
Assets with negative interest rate	**(559)**	**(597)**	**38**	**(6.4%)**
Derivatives in hedge accounting	**(116)**	**(370)**	**254**	**(68.6%)**
	(30,049)	**(3,538)**	**(26,511)**	**749.3%**

PLN '000	01.01 – 31.03.2022	01.01 – 31.03.2021	Change	
			PLN '000	%
Net interest income	**444,859**	**197,040**	**247,819**	**125.8%**

Net fee and commission income

- **Net fee and commission income** in the amount of PLN 151.3 million compared to PLN 172.5 million in the corresponding period of 2021 - a decrease by PLN 21.2 million, i.e. 12.3% year over year. The highest nominal decrease by PLN 20.3 million (i.e. 60.5%) was attributable to revenues from brokerage activities due to a one-off transaction carried out in the first quarter of 2021, and on the other hand, due to the weakening of investors' sentiment on the equity capital market. Weaker sentiment also concerned individual investors, which resulted in a decline in revenues from the distribution of insurance and investment products by PLN 3.3 million (i.e. 19.7% year over year). On the other hand, the Bank observed higher customer activity in the area of payments and credit cards - an increase by PLN 2.8 million year over year (i.e. 10.2%) as well as revenues from payment orders - an increase by PLN 2.1 million year on year (i.e. 9.3%).

  Fee and commission expenses in the first quarter of 2022 amounted to PLN 24.6 million, up by PLN 1.4 million year over year (i.e. 5.9%).

PLN '000	01.01 – 31.03.2022	01.01 – 31.03.2021	Change	
			PLN '000	%
Fee and commission income				
Credit activities (other than income covered by the calculation of the effective interest rate process)	15,229	18,110	(2,881)	(15.9%)
Servicing bank accounts	32,491	34,884	(2,393)	(6.9%)
Insurance and investment products distribution	13,511	16,827	(3,316)	(19.7%)
Payment and credit cards	30,141	27,358	2,783	10.2%
Payment services	24,323	22,256	2,067	9.3%
Custody services	31,086	27,773	3,313	11.9%
Brokerage operations	13,237	33,493	(20,256)	(60.5%)
Clients' cash on account management services	6,650	5,901	749	12.7%
Financial liabilities granted	6,690	6,267	423	6.7%
Other	2,472	2,809	(337)	(12.0%)
	175,830	**195,678**	**(19,848)**	**(10.1%)**
Fee and commission expense				
Payment and credit cards	(6,829)	(6,518)	(311)	4.8%
Brokerage activity	(3,084)	(3,705)	621	(16.8%)
Fees paid to the National Depository for Securities (KDPW)	(7,391)	(7,333)	(58)	0.8%
Brokerage fees	(747)	(1,250)	503	(40.2%)
Other	(6,515)	(4,385)	(2,130)	48.6%
	(24,566)	**(23,191)**	**(1,375)**	**5.9%**
Net fee and commission income	**151,264**	**172,487**	**(21,223)**	**(12.3%)**

- **Other operating income** (i.e. non-interest and non-commission income) of PLN 239.6 million compared to PLN 571.2 million in the first quarter of 2021 – down by PLN 331.6 million due to the profit on sale of investment debt securities in the amount of PLN 455.5 million in the first quarter of 2021 (compared to a loss of PLN 35.8 million in the first quarter of 2022). The above difference was partially offset by higher customer revenues from FX operations and an increase of derivative instruments regarding mainly the interest rate due to an increase in market interest rates.

General administrative expenses and depreciation expenses

- **General administrative and depreciation expenses** of PLN 414.0 million compared to PLN 362.2 million in the first quarter of 2021 – up by PLN 51.8 million (i.e. 14.3%) due to increase in employee costs (costs related to salaries increased by PLN 9.6 million, i.e. 9.3% year over year) and an increase in regulatory costs (an increase in the contribution to the banking restructuring fund under the Bank Guarantee Fund to a record level of PLN 104.7 million in the first quarter of 2022 compared to PLN 64.7 million in the previous year).

In the reporting period the headcount in the Group dropped by 61 FTEs.

PLN '000	01.01 – 31.03.2022	01.01 – 31.03.2021	Change	
			PLN '000	%
Staff expenses	**(154,603)**	**(143,484)**	**(11,119)**	**7.7%**
Remuneration costs	(112,768)	(103,136)	(9,632)	9.3%
Bonuses and rewards	(19,754)	(20,604)	850	(4.1%)
Social security costs	(22,081)	(19,744)	(2,337)	11.8%
Administrative expenses	**(233,024)**	**(191,295)**	**(41,729)**	**21.8%**
Telecommunication fees and hardware purchase costs	(51,220)	(50,731)	(489)	1.0%
Costs of external services, including advisory, audit, consulting services	(10,736)	(11,708)	972	(8.3%)
Real estates maintenance and rent costs	(12,931)	(12,468)	(463)	3.7%
Advertising and marketing costs	(8,299)	(7,884)	(415)	5.3%
Costs of cash management services, costs of clearing services and other transaction costs	(8,526)	(9,064)	538	(5.9%)
Costs of external services related to distribution of banking products	(10,552)	(10,956)	404	(3.7%)
Postal services, office supplies and printmaking costs	(1,584)	(1,744)	160	(9.2%)
Training and education costs	(177)	(215)	38	(17.7%)
Banking and capital supervision costs	(7,200)	(6,407)	(793)	12.4%
Bank Guarantee Funds costs	(110,781)	(67,798)	(42,983)	63.4%
Other expenses	(11,018)	(12,320)	1,302	(10.6%)
Depreciation	**(26,378)**	**(27,448)**	**1,070**	**(3.9%)**
General administrative expenses and depreciation expenses, total	**(414,005)**	**(362,227)**	**(51,778)**	**14.3%**

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 -11.6 million (negative impact) compared to PLN -6.2 million in the first quarter of 2021, due to higher release of write-offs in the Institutional Banking segment in the previous year due to the improving macroeconomic situation. In the first quarter of 2022, provisions were also released in this segment due to the improving situation of customers, which resulted in the migration of receivables from institutional customers to stage 1.

PLN '000	01.01 – 31.03.2022	01.01 – 31.03.2021	Change	
			PLN '000	%
Provision for expected credit losses on amounts due from banks				
Provision creation	(1,366)	(3,779)	2,413	(63.9%)
Provision release	1,575	1,818	(243)	(13.4%)
	209	**(1,961)**	**2,170**	**(110.7%)**
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	**(12,636)**	**(19,765)**	**7,129**	**(36.1%)**
Provision creation	(80,093)	(100,626)	20,533	(20.4%)
Provision release	68,889	81,628	(12,739)	(15.6%)
Other	(1,432)	(767)	(665)	86.7%
Recoveries from debt sold	**(10)**	**31**	**(41)**	**(132.3%)**
	(12,646)	**(19,734)**	**7,088**	**(35.9%)**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(1,387)	-	(1,387)	-
Provision release	42	4,559	(4,517)	(99.1%)
	(1,345)	**4,559**	**(5,904)**	**(129.5%)**
Provision for expected credit losses on financial assets	**(13,782)**	**(17,136)**	**3,354**	**(19.6%)**
Created provisions	(11,397)	(12,127)	730	(6.0%)

PLN '000	01.01 – 31.03.2022	01.01 – 31.03.2021	Change	
			PLN '000	%
Release of provisions	13,625	23,107	(9,482)	(41.0%)
Provision for expected credit losses for contingent liabilities	**2,228**	**10,980**	**(8,752)**	**(79.7%)**
Provision for expected credit losses on financial assets and provisions for contingent liabilities	**(11,554)**	**(6,156)**	**(5,398)**	**87.7%**

3. Financial Ratio

In the first quarter of 2022, the key efficiency ratios were as follows:

Total financial ratios	**Q1 2022**	**Q1 2021**
ROE*	8.7%	7.4%
ROA**	1.0%	0.9%
Cost/Income	50%	39%
Loans/Deposits	51%	51%
Loans/Total assets	33%	38%
Net interest income/Revenue	53%	21%
Net fee and commission income/Revenue	18%	18%

**Sum of net profit for the last four quarters to the average equity for the last four quarters (excluding 100% 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 – 31.03.2022	01.01 – 31.03.2021	Change	
			FTEs	%
Average employment in the first quarter	2,908	2,966	(58)	(2.0%)
Employment at the end of quarter	2,903	2,964	(61)	(2.1%)

**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.

PLN'000	31.03.2022	31.12.2021
Common Equity Tier 1 Capital	**5,208,080**	**5,516,172**
Total capital requirements, including:	**2,336,216**	**2,193,326**
credit risk capital requirements	1,809,349	1,697,499
counterparty risk capital requirements	121,161	119,529
credit valuation correction capital requirements	17,059	7,268
excess concentration and large exposures risks capital requirements	-	-
total market risk capital requirements	105,188	85,572
operational risk capital requirements	283,458	283,458

PLN'000	**31.03.2022**	**31.12.2021**
other capital requirements	1	-
Common Equity Tier 1 Capital ratio	**17.8%**	**20.1%**

In the first quarter of 2022 the Group fulfilled the capital adequacy requirements. Total capital ratio is calculated according to respective regulations.

8 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.

A shared characteristic of the institutional banking clients is that they need advanced financing products and advice relating to financial services. In this area, the Group ensures a coordinated offer of investment banking, treasury and cash management products and prepares loan proposals that cover differentiated forms of financing. The innovativeness and competitiveness of offered modern financing structures is achieved by combining the knowledge and experience of the Group and thanks to cooperation within the global structure of Citigroup.

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 – 31.03.2022			01.01 – 31.03.2021		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	276,136	168,723	444,859	99,206	97,834	197,040
Internal interest income, including:	(9,987)	9,987	-	(8,941)	8,941	-
Internal income	-	9,987	9,987	-	8,941	8,941
Internal expenses	(9,987)	-	(9,987)	(8,941)	-	(8,941)
Net fee and commission income	104,590	46,674	151,264	121,147	51,340	172,487
Dividend income	18	38	56	10	-	10
Net gain/(loss) on trading financial instruments and revaluation	260,314	13,909	274,223	107,376	7,153	114,529
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(35,762)	-	(35,762)	455,508	-	455,508
Net gain/(loss) on equity investments and other measured at fair value through income statement	641	3,997	4,638	1,336	-	1,336
Net gain/(loss) on hedge accounting	(1,722)	-	(1,722)	696	-	696
Net other operating income	3,970	(5,793)	(1,823)	2,793	(3,676)	(883)
General administrative expenses	(224,657)	(162,970)	(387,627)	(182,152)	(152,627)	(334,779)
Depreciation and amortization	(5,789)	(20,589)	(26,378)	(5,367)	(22,081)	(27,448)
Profit on sale of other assets	3,516	(7)	3,509	(45)	(213)	(258)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	9,435	(20,989)	(11,554)	19,233	(25,389)	(6,156)
Operating income	**390,690**	**22,993**	**413,683**	**619,741**	**(47,659)**	**572,082**
Tax on certain financial institutions	**(38,826)**	**(7,143)**	**(45,969)**	(29,336)	(6,842)	(36,178)
Profit before tax	**351,864**	**15,850**	**367,714**	**590,405**	**(54,501)**	**535,904**
Income tax expense			(85,722)			(141,046)
Net profit			**281,992**			**394,858**

State as at	31.03.2022			31.12.2021		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**61,601,178**	**7,681,285**	**69,282,463**	**54,215,892**	**7,646,879**	**61,862,771**
Total liabilities and equity, including:	**48,950,840**	**20,331,623**	**69,282,463**	**42,130,400**	**19,732,371**	**61,862,771**
Liabilities	43,065,278	18,837,737	61,903,015	36,087,701	18,391,675	54,479,376

9 Activities of the Group

1 Institutional Banking

1.1. Summary of segment results

PLN '000	Q1 2022	Q1 2021	Change	
			PLN '000	%
Net interest income	276,136	99,206	176,930	178.3%
Net fee and commission income	104,590	121,147	(16,557)	(13.7%)
Net income on dividends	18	10	8	80.0%
Net gain/(loss) on trading financial instruments and revaluation	260,314	107,376	152,938	142.4%
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	(35,762)	455,508	(491,270)	(107.9%)

PLN '000	Q1 2022	Q1 2021	Change	
			PLN '000	%
Net gain/(loss) on equity investments and other measured at fair value through income statement	641	1,336	(695)	(52.0%)
Net gain/(loss) on hedge accounting	(1,722)	696	(2,418)	(347.4%)
Net other operating income	3,970	2,793	1,177	42.1%
Total income	**608,185**	**788,072**	**(179,887)**	**(22.8%)**
General administrative expenses and depreciation	(230,446)	(187,519)	(42,927)	22.9%
Profit on sale of other assets	3,516	(45)	3,561	(7913.3%)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	9,435	19,233	(9,798)	(50.9%)
Tax on certain financial institutions	(38,826)	(29,336)	(9,490)	32.3%
Profit before tax	**351,864**	**590,405**	**(238,541)**	**(40.4%)**
Cost/Income	**38%**	**24%**		

The key highlights that impacted the gross profit of the Institutional Banking Segment in the first quarter of 2022 compared to the corresponding period of the previous year were as follows:

- increase in **net interest income** resulting from interest rate increases started from October 2021 and investing in short-term cash bills;
- decrease in **net fee and commission income** due to lower income from brokerage activity;
- decrease in **income related to financial markets** (i.e. non-interest and non-commission income) due to the sale of investment debt securities in the amount of PLN 455.5 million in the first quarter of 2021 (compared to a loss of PLN 35.8 million in the first quarter of 2022). The above difference was partially offset by higher customer revenues from FX operations and an increase of income from derivative instruments regarding mainly the interest rate, due to an increase in market interest rates;
- increase in **operating costs** as a result of higher staff expenses and higher contribution fee to the banking restructuring fund in the Banking Guarantee Fund.

1.2. Institutional Bank and the Capital Markets

Institutional Bank

As at the end of the first quarter of 2022, 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 1% as compared to the end of the first quarter of 2021. The decrease mentioned above applies mainly to commercial bank clients (-5% 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 75 new clients in the first quarter of 2022, including 4 Large Companies, 31 Small and Medium-Sized Companies, 13 International Clients of Commercial Banking Segment, 8 Digital and 19 Public Sector Entities. In the strategic and global client segments, the Bank established 15 new client relationships.

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

Assets

PLN million	31.03.2022	31.12.2021	31.03.2021	Change*		Change*	
				(1)/(2)		(1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	4,411	3,968	3,764	443	11%	646	17%
SMEs	1,769	1,636	1,344	132	8%	425	32%
MMEs	2,642	2,332	2,421	310	13%	221	9%
Public Sector	3	55	72	(51)	(94%)	(69)	(96%)
Global Clients	4,613	3,999	4,102	614	15%	511	12%
Corporate Clients	5,256	5,187	5,905	69	1%	(649)	(11%)
Other	48	-	10	48	-	38	387%
Total Institutional Banking	**14,330**	**13,209**	**13,854**	**1,121**	**8%**	**477**	**3%**

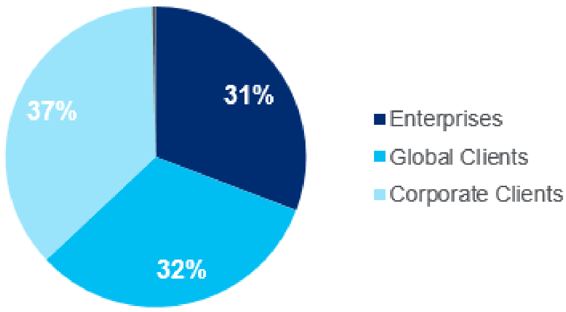
** differences may arise from rounding*

Liabilities

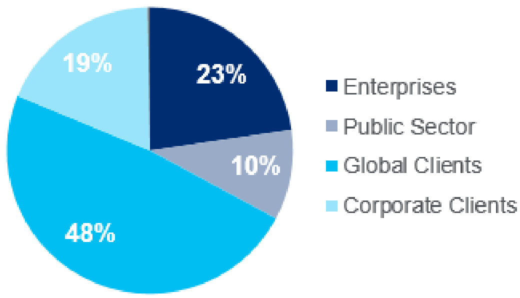
PLN million	31.03.2022	31.12.2021	31.03.2021	Change* (1)/(2)		Change* (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	5,764	5,077	5,261	687	14%	503	10%
SMEs	3,397	3,135	3,371	263	8%	26	1%
MMEs	2,366	1,943	1,890	424	22%	476	25%
Public Sector	2,588	2,083	2,568	505	24%	20	1%
Global Clients	12,296	12,806	12,960	(509)	(4%)	(663)	(5%)
Corporate Clients	4,707	4,721	5,429	(14)	(0%)	(722)	(13%)
Other	62	58	60	5	8%	2	3%
Total Institutional Banking	**25,417**	**24,744**	**26,278**	**673**	**3%**	**(861)**	**(3%)**

** differences may arise from rounding*
*** comparative data as at March 31, 2021 has changed due to the adjustment made after the reporting date of the financial statements for the first quarter of 2021.*

Structure of the Institutional Bank assets as of 31.03.2022



Structure of the Institutional Bank liabilities as of 31.03.2022



Key transactions and achievements in Institutional Banking in the first quarter of 2022:

Credit activity	**<u>Granting new financing or increasing/extending existing ones in the amount of PLN 1.4 billion</u>** • PLN 632 million for Commercial Bank clients; • PLN 450 million for Global clients including one of the largest retail companies in Poland, additionally signing an agreement for participation in syndicated financing for one of the leading telecommunications operators in Poland; • PLN 300 million for Corporate Clients including a leading company in the fuel and energy industry.
Transactional Banking	**<u>Increasing shares in banking services and transaction banking</u>** • Winning 8 mandates for comprehensive banking services or extending the Bank's cooperation with its clients; • Granting a bank guarantee for the total amount of PLN 115 million, supporting the leader of the construction industry in Poland in a strategic infrastructure project.

Activity and business achievements of the Treasury Division

Increased foreign exchange volatility, interest rate revisions, inflationary pressure and rising geopolitical tensions dictated the directions of the Bank's activities in the first quarter of 2022.

To support the companies working with the Bank, the Treasury Division engaged in particular in:

- ensuring constant access to the market data, economic forecasts and analyses. The most relevant information was delivered to clients via a mobile app or in webinars hosting lead experts and economists;

- proactively sharing experiences of how corporate clients can approach the questions of the interest rate volatility;
- enabling the settlement of trade contracts in over 140 currencies, addressing changes in supply chains dictated by the geopolitical developments;
- providing support in building a hedging policy for the Bank's clients' foreign currency exposures.

In the first quarter of 2022, the Bank remains among the top banks in terms of spot trading, being one of the leaders in the Treasury BondSpot.

Transactional banking

The first quarter of 2022 showed a strong recovery in the market, which had a positive impact on the volumes and value of the transactions executed by the clients of the Bank. Observed in the first quarter of 2022, strong performance of Transactional banking demonstrates that the Bank focused its efforts on the right segments and took good advantage of the market growth trends.

Bank account	In the area of bank account services, the Bank's customers are keen to use the possibility of ordering online audits. In the first quarter of 2022 **the Bank released 85% more audits** via the confirmation.com platform, compared to the same period last year.
Electronic Banking	Among customers using the CitiDirect BE service, the Bank led the commercialization of the digital solutions, which have a significant impact on facilitating the payment management process (self-management of the CitiDirect BE system using the administration module, dedicated CitiDirect BE Mobile application with the biometric authentication). The Bank continued the efforts to make the new version of the CitiDirect BE system available to clients. The platform is based on the latest technology solutions and offers its users a simpler and quicker maintenance of bank accounts thanks to a re-designed graphic interface. Further commercialization activities of this system version among the clients are planned in the following quarters. In the first quarter of 2022, the Bank processed over **8.4 million transactions electronically, i.e. increase by 9%** compared to the first quarter of 2021. During that time, the CitiDirect BE online banking system was used by **5,000 clients**. Particular attention was paid to further 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.
Payments and receivables	In the first quarter of 2022, the Bank recorded a significant increase in the volume of **Elixir transfers – by 12%** and **Express Elixir transfers – by 84%** compared to the same period of the previous year. The increase in the volume of Express Elixir is the result of the constantly growing interest in solutions that make settlements both more available and faster. This also applies to transfers made through the Split Payment Mechanism - **the volumes of instant settlements increased by 46% YoY.** Clients that operate in international markets often use Citi Payment Insights – a Citi-wide solution that enables them, for example, to monitor payment status.
Corporate cards	In the area of corporate cards, in the analyzed period, there was an **82% increase in the total of non-cash transactions for cards with deferred payment terms (credit cards)** year on year. **In the case of debit cards, the increase was 25% YoY**. These values may indicate a greater adaptation of customers to operating in pandemic conditions, i.e. returning to business trips or redirecting B2B payments to payment cards.

Trade finance products

In the first quarter of 2022, the Bank recorded **significant increases in the value of serviced trade financing transactions.** Comparing the data to the first quarter of 2021, these were respectively increases: **guarantees - by 35%, import letters of credit - by 33% and export letters of credit - by nearly 70%.** This growth was influenced by the growing economic situation and the search for new purchasing and sales markets, as well as the increased importance of securing commercial transactions in changing market conditions.

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 31 March 2022, 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 first quarter of 2022, DMBH was the market maker for 68 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 16% of the shares listed in its main equity market.

After first quarter of 2022, DMBH was the intermediary in in-session transactions accounting for 3.9% 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 7.5 billion. After first quarter of 2022, DMBH was ranked 12th in terms of session turnovers on the WSE main market and 5th as a local WSE member.

The number of investment accounts maintained by DMBH was 14.3 thousand as at the end of the first quarter of 2022, and decreased by 4.9% as compared to the same period in 2021. The change resulted from the closing of inactive accounts. Compared to the end of the fourth quarter of 2021, the number of accounts remains at a similar level, an increase in the number of accounts by 0.9% was recorded.

In the first quarter of 2022, the materialization of the geopolitical risks (war in Ukraine) resulted in investors' weakened sentiment in the equity market for shares and to the suspension of planned transactions. DMBH acted as the Global Coordinator in the accelerated sale of Ten Square Games shares worth PLN 138 million (January 2022).

Selected financial data as at 31 March 2022

Company's Name	Headquarter	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of Q1 2022
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	957,301	127,865	3,455

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 31 March 2022

Company's Name	Headquarters	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of Q1 2022
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	20,998	20,297	(99)

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q1 2022	Q1 2021	Change	
			PLN '000	%
Net interest income	168,723	97,834	70,889	72.5%
Net fee and commission income	46,674	51,340	(4,666)	(9.1%)
Dividend income	38	-	38	-
Net gain/(loss) on trading financial instruments and revaluation	13,909	7,153	6,756	94.4%
Net gain/(loss) on equity and other instruments measured at fair value through income statement	3,997	-	3,997	-
Net other operating income	(5,793)	(3,676)	(2,117)	57.6%
Total income	**227,548**	**152,651**	**74,897**	**49.1%**
General administrative expenses and depreciation	(183,559)	(174,708)	(8,851)	5.1%
Profit on sale of other assets	(7)	(213)	206	(96.7%)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(20,989)	(25,389)	4,400	(17.3%)
Tax on certain financial institutions	(7,143)	(6,842)	(301)	4.4%
Profit before tax	**15,850**	**(54,501)**	**70,351**	**(129.1%)**
Cost/Income	**81%**	**114%**		

The following factors influenced the profit before tax in the Consumer Banking Segment in the first quarter of 2022:

- **Increase in net interest income** driven by an increase in interest rates, which has an impact on higher interest income. The positive variance in this line covered the decline in the net interest income a result of the decline in the loan portfolio (-3.9% year over year, taking into account the growing portfolio of mortgage loans). There was also an increase in interest costs as a consequence of significant increases in interest rates for the zloty with a simultaneous increase in the balance of deposits (+ 7% year over year);
- **Net fee and commission income decline driven among** others by lower fees on loan production as a result of higher interest income;
- **Increase of net result on trading financial instruments and revaluation** as a result of higher revenue from FX operations;
- **Increase** in **operating expenses** as a result of higher Banking Guarantee Fund fee.

2.2. Selected business data

PLN '000	Q1 2022	Q4 2021	Q1 2021	Change QoQ	Change YoY
Number of individual customers	582.5	584.0	638.6	(1.5)	(56.1)
Number of current accounts	465.8	458.6	453.6	7.2	12.2
Number of saving accounts	116.7	117.5	121.4	(0.8)	(4.7)

PLN '000	Q1 2022	Q4 2021	Q1 2021	Change QoQ	Change YoY
Number of credit cards	507.4	513.1	594.2	(5.7)	(86.8)
Number of debit cards	239.2	236.3	233.9	2.9	5.3

Net amounts due from individual clients – management view

PLN '000	31.03.2022 (1)	31.12.2021 (2)	31.03.2021 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	4,383,888	4,588,736	4,782,344	(204,848)	(4.5%)	(398,456)	(8.3%)
Credit cards	2,270,253	2,395,764	2,364,692	(125,511)	(5.2%)	(94,439)	(4.0%)
Cash loans	2,050,429	2,146,087	2,375,639	(95,658)	(4.5%)	(325,210)	(13.7%)
Other unsecured receivables	63,206	46,885	42,013	16,321	34.8%	21,193	50.4%
Mortgage loans	2,368,859	2,390,913	2,245,838	(22,054)	(0.9%)	123,021	5.5%
Net client receivables	**6,752,747**	**6,979,649**	**7,028,182**	**(226,902)**	**(3.3%)**	**(275,435)**	**(3.9%)**

2.3. Key Business Highlights

Bank accounts

Current accounts

The total balance on the current accounts was PLN **12.0 billion**, i.e. increased by **11%** as compared to the end of the first quarter of 2021.

The number of personal accounts at the end of March 2022 was **466,000 (increase by 3% YoY)**, including 256,000 accounts kept in PLN, and 209,000 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 and the expansion of the foreign currency account offer in 2021 by additional 10 new currencies.

Savings accounts

The number of savings accounts at the end of the first quarter of 2022 amounted to **117,000**, the total balance of funds accumulated on those accounts amounted to PLN **3.1 billion** compared to 121,000 savings accounts with a total balance of PLN 3.5 billion in the same period of the previous year.

Changes in the offer

On March 15, 2022, in response to the increase in market rates, the Bank increased interest rates on the PLN Savings Accounts. On the Konto SuperOszczędnościowe (SuperSavings Account) deposits up to PLN 20,000 bear interest of 1.5%, for deposits above that amount the interest is 0.50%. On the Konto Oszczędnościowe (Savings Account), the interest rate is 0.50%, regardless of the amount of the balance. Then, on March 22, 2022 the Bank increased the interest rate on PLN table deposits, e.g. customers who have a Citigold Private Banking account will get an interest rate of 1.80% per annum on 6-month deposits.

Awards and honors

In this year's edition of the renowned Euromoney magazine survey, Citi Handlowy's private banking offer was once again named one of the best-of-its-kind services in Poland. The bank won the podium in 14 out of 17 surveyed categories. The results of the survey were published on 9 February 2022. High marks were given to the wealth management, investment advice for different client groups, technological advancement, and the Bank's ESG/sustainable investing initiatives, among others.

Credit cards

The total debt on the credit cards amounted to **PLN 2.4 billion** as at the end of the first quarter of 2022, 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 20.1%, according to data as at the end of March 2022.

In the first quarter of 2022, the Bank **increased average credit limit for the acquisition of new credit cards by 30% YoY.** One of the key sales channels for cards, in addition to the **Digital channel**, are **cards issued in cooperation with OBI for purchases with installments in the "Komfort" Installment Repayment Plan.**

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 2.2 billion** as at the end of the first quarter of 2022 and was lower by 13% 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 and in the first quarter of 2022. In the first quarter of 2022 the sales amounted to **PLN 162 million**, i.e. decrease by 7% comparing to the corresponding period of 2021. At the same time, this result was 13% lower compared to the fourth quarter of 2021. The sale volumes in the first quarter of 2022 were mainly influenced by lower demand for loans resulting from interest rate increases and the war in Ukraine.
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 first quarter of 2022 reached **PLN 122 million**, i.e. **increased by 23%** comparing to the first quarter of 2021 when it stood at PLN 99 million. As at the end of that period, the mortgage portfolio amounted to **PLN 2.3 billion** as compared to PLN 2.2 billion in the corresponding period of 2021, i.e. **increased by 4,5% YoY**.
Insurance and investment products	As at the end of the first quarter of 2022, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were **7% lower** than as at the fourth quarter of 2021. This decrease resulted from a decrease in the value of assets within investment funds. However, compared to the corresponding period of the previous year, i.e. the end of the first quarter of 2021, the total value of funds managed in investment products was lower by 13%, which was mainly due to the maturity date of structured bonds, a decrease in the value of assets under investment funds and available products. as part of brokerage services on the Polish market.

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 **364,600** as at the end of the first quarter of 2022. The share of active Citibank Online users in the entire client portfolio of the Bank was **64.7%** as at the end of the first quarter of 2022, i.e. **increase by 4.2 p.p.** compared to the same period of 2021.

At the same time, **digital users** accounted for **84.3% of all transactionally active clients** at the end of the first quarter of 2022, which is a **1.9 p.p. increase** as compared to the first quarter of 2021.

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. 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.

The fourth quarter of 2021 saw the launch of the mobile app BLIK payment method, which allows payments at online, traditional and service outlets and ATM withdrawals, as well as instant BLIK Phone Transfers between the clients of different banks. Consequently, each month of Q1 2022 saw regular increase of BLIK payments. The number of BLIK payments by the Bank's clients increased by 12% and the number of BLIK Phone Transfers increased by 17% per month on average.

As at the end of the first quarter of 2022, 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 **276,800, i.e. increased by 20%** as compared to the first quarter of 2021. The increase is caused by migration of a growing number of new clients to mobile authentication methods for online card payments and BLIK launching

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was **49.1%**, i.e. **increased by 11.9 p.p.** as compared to the same period in 2021

At the same time, at the end of the first quarter of 2022, **mobile users accounted for 64.9% of all transactional active customers**, which means an **increase by 13.5 pp.** as compared to the first quarter of 2021.

Social Media

The first quarter of 2022 was a continuation of the Bank's active operations in the Social Media channels. The Bank is present on Facebook, Twitter, LinkedIn and Instagram. Communications in Social Media are based on areas that build awareness of new products, activate client portfolios, and inform clients about the Bank's CSR activities. The Social Media are also a channel for acquiring new customers.

In the first quarter of 2022, the Bank's communications on Facebook reached over **3.3 million unique users** (from paid activities), representing **an increase of 1.1 million QoQ and an increase of 2.2 million YoY.** Facebook and Instagram users had an average of almost 3.23 contacts with the Bank's marketing material, compared to 2.91 in the fourth quarter of 2021 and 3.11 in the first quarter of 2021. In the first quarter of 2022, 50 posts were published on Facebook.

In the first quarter of 2022, **Bank responded to 1,376 customer inquiries** regarding Bank products and services via the Messenger, compared to 1,485 in the fourth quarter of 2021 and 1,370 in the first quarter of 2021.

Indirect and Direct Customer Acquisition

Citigold and Smart outlets

In the first quarter of 2022 the Bank did not initiate any activities related to adjusting the size of its retail branch network. At the end of the period, the Bank's network comprised of 18 branches, that is 9 Hub Gold branches, 8 Smart branches and 1 corporate branch.

During the reporting period, the Bank's activities focused on the management of the branch operations and affording the full safety and security to the employees and customers in the context of the COVID-19 pandemic threat, ensuring full efficiency of support of the products offered by the Bank. Activities within the retail banking network were aimed at maintaining a high standard of service without detriment to the expected level of the customer satisfaction.

Changes to the network of outlets

Number of branches and other Points of Sale /touch points

	31.03.2022 (1)	31.12.2021 (2)	31.03.2021 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**18**	**18**	**19**	**0**	**(1)**
Hub Gold	9	9	9	0	0
Smart branch	8	8	9	0	(1)
Corporate branch	1	1	1	0	0

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

10 Rating

As of end of the first quarter of 2022, 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**

11 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	31.03.2022		31.12.2021	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Amounts due from banks	2,142,219	2,142,221	967,677	967,660
Amounts due from customers	23,054,693	23,052,513	21,327,600	21,198,601
Financial liabilities				
Amounts due to banks	4,530,524	4,532,075	3,383,353	3,383,964
Amounts due to customers	45,502,431	45,503,277	43,507,474	43,507,600

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 at fair value through OCI;

- 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 31 March 2022

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	999,551	13,335,765	-	14,335,316
derivatives	-	9,838,144	-	9,838,144
debt securities	958,795	3,497,621	-	4,456,416
equity instruments	40,756	-	-	40,756
Debt investment financial assets measured at fair value through other comprehensive income	16,520,338	8,069,769	-	24,590,107
Equity investments and other measured at fair value through income statement	1,145	-	100,809	101,954
Financial liabilities				
Financial liabilities held-for-trading	569,068	9,637,596	-	10,206,664
short sale of securities	562,790	-	-	562,790
derivatives	6,278	9,637,596	-	9,643,874

As at 31 December 2021

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	362,580	9,593,632	-	9,956,212
derivatives	218	6,095,331	-	6,095,549
debt securities	283,072	3,498,301	-	3,781,373
equity instruments	79,290	-	-	79,290
Hedging derivatives	-	119,290	-	119,290
Debt investment financial assets measured at fair value through other comprehensive income	15,428,782	5,161,502	-	20,590,284
Equity investments and other measured at fair value through income statement	1,160	-	96,156	97,316
Financial liabilities				
Financial liabilities held-for-trading	515,975	6,072,507	-	6,588,482
short sale of securities	515,896	-	-	515,896
derivatives	79	6,072,507	-	6,072,586

As at March 31, 2022, 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 26,545 thousand and the value of other minority shareholding in the amount of PLN 74,264 thousand. As at December 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 25,082 thousand and the value of other minority interests in the amount of PLN 71,074 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 structured companies are measured at fair value taking into account, inter alia, the expected discounted dividends using an assumed cost of capital and the history of profit distribution in the particular companies. Changes in the valuation are taken to the Income statement and presented in the Net gain/(loss) on equity and other instruments measured at fair value through income statement.

Changes in financial assets and liabilities measured at a fair value that was defined by using relevant parameters not-market based are presented below:

	Equity and other investments measured at fair value through income statement	
PLN '000	**01.01.-31.03.2022**	**01.01.-31.12.2021**
As at 1 January	**96,156**	**44,859**
Revaluation	4,653	51,297
As at the end of period	**100,809**	**96,156**

In the three-month period of 2022 the Group has made no transfers between levels of instruments fair value due to changes in method of estimating fair value.

In the three-month period of 2022 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 same period the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

12 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 2022	**(1,561)**	**-**	**-**	**(1,561)**
Transfer to Stage 1	(29)	29	-	-
Transfer to Stage 2	248	(248)	-	-
Transfer to Stage 3	-	-	-	-
(Creation)/Releases in the period though the income statement	685	(476)	-	209
Foreign exchange and other movements	7	4	-	11
Provision for expected credit losses as at 31 March 2022	**(650)**	**(691)**	**-**	**(1,341)**

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 2022	**(63,474)**	**(118,147)**	**(707,063)**	**(888,684)**
Transfer to Stage 1	(27,771)	26,921	850	-
Transfer to Stage 2	6,929	(8,775)	1,846	-
Transfer to Stage 3	358	11,974	(12,332)	-
(Creation)/Releases in the period though the income statement	26,604	(31,301)	(7,691)	(12,388)
Net changes due to update of estimating method*	2,509	(1,967)	(790)	(248)
Decrease in provisions due to write-offs	-	-	1,567	1,567
Decrease in provisions in connection with the sale of receivables	-	-	16,232	16,232
Changes in accrued interest in Stage 3 other than written off and sale of receivables	(2)	(2)	(2,952)	(2,956)
Decreasing in write-downs due to derecognition as a result of material change	-	-	4,195	4,195
Foreign exchange and other movements	(209)	(106)	811	496
Provision for expected credit losses as at 31 March 2022	**(55,056)**	**(121,403)**	**(705,327)**	**(881,786)**

**concerns changes resulting from the implementation of the R Recommendation*

In the reporting period, the Group identified purchased or originated credit impaired assets ('POCI') due to the applied criteria for derecognition and recognition of restructured loan agreements. The net carrying amount of these receivables as at 31 March 2022 was PLN 4,472 thousand.

As at 31 March 2022, the Group did not identify POCI assets (purchased or originated credit impaired).

In the period from 1 January to 31 March 2022, 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 2021	**(1,708)**	**-**	**-**	**(1,708)**
Transfer between Stages	-	-	-	-
(Creation)/Releases in the period though the income statement	(1,961)	-	-	(1,961)
Foreign exchange and other movements	(4)	-	-	(4)
Provision for expected credit losses as at 31 March 2021	**(3,673)**	**-**	**-**	**(3,673)**

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	**(80,837)**	**(122,617)**	**(794,215)**	**(997,669)**
Transfer to Stage 1	(19,565)	16,682	2,883	-
Transfer to Stage 2	3,250	(7,599)	4,349	-
Transfer to Stage 3	469	19,157	(19,626)	-
(Creation)/Releases in the period though the income statement	30,074	(26,604)	(9,730)	(6,260)
Net changes due to update of estimating method*	634	12,786	(26,925)	(13,505)
Decrease in provisions due to write-offs	-	-	741	741
Changes in accrued interest in Stage 3 other than written off and sale of receivables	1	(11)	(4,426)	(4,436)
Foreign exchange and other movements	(69)	(105)	318	144
Provision for expected credit losses as at 31 March 2021	**(66,043)**	**(108,311)**	**(846,631)**	**(1,020,985)**

**concerns changes resulting from the implementation of the new definition of default*

As at 31 March 2021, the Group did not identify POCI assets (purchased or originated credit impaired).

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	239	-	-	239
Foreign exchange and other movements	(92)	-	-	(92)
Provision for expected credit losses as at 31 December 2021	**(1,561)**	**-**	**-**	**(1,561)**

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	**(80,837)**	**(122,617)**	**(794,215)**	**(997,669)**
Transfer to Stage 1	(32,568)	26,571	5,997	-
Transfer to Stage 2	7,968	(14,626)	6,658	-
Transfer to Stage 3	2,544	28,828	(31,372)	-
(Creation)/Releases in the period though the income statement	39,817	(50,230)	(33,952)	(44,365)
Net changes due to update of estimating method*	634	12,786	(26,925)	(13,505)
Decrease in provisions due to write-offs	-	-	63,582	63,582
Decrease in provisions in connection with the sale of receivables	-	-	113,789	113,789
Changes in accrued interest in Stage 3 other than written off and sale of receivables	1	4	(11,637)	(11,632)
Foreign exchange and other movements	(1,033)	1,137	1,013	1,117
Provision for expected credit losses as at 31 December 2021	**(63,474)**	**(118,147)**	**(707,062)**	**(888,683)**

**concerns changes resulting from the implementation of the new definition of default*

As at 31 December 2021, the Group did not identify POCI assets (purchased or originated credit impaired).

The value of provisions for expected credit losses for off–balance sheet commitments amounted to PLN 31,763 thousand as at 31 March 2022 (31 December 2021: PLN 33,910 thousand, 31 March 2021: PLN 36,605 thousand).

13 Deferred tax asset and provision

PLN '000	**31.03.2022**	**31.12.2021**
Deferred tax asset	2,699,782	1,747,610
Deferred tax provision	(2,397,519)	(1,483,297)
Net asset due to deferred income tax of a parent company	**302,263**	**264,313**

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.

14 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 31 March 2022 the value of purchased by the Group components of "tangible fixed assets" equaled PLN 16,657 thousand (in 2021: PLN 25,573 thousand) and the value of disposals of "tangible fixed assets" amounted to PLN 1,951 thousand (in 2021: PLN 8,814 thousand).

As at 31 March 2022 the Group has no significant commitments to purchase of tangible fixed assets.

15 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 31 March 2022 in the Group has been no occurrence of default or breach due to received credit agreement.

16 Seasonality or periodicity of business activity

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

17 Issue, redemption and repayment of debt and equity securities

In the three-month period of 2022 no issue, pay back or repurchase of debt or equity securities had place.

18 Paid (or declared) dividends

On March 15, 2022, the Management Board of Bank Handlowy w Warszawie S.A. adopted a resolution on the proposed distribution of net profit for the year 2021. The Management Board of the Bank recommended to the Annual General Meeting in 2022 to distribute the profit for 2021 in the amount of PLN 715,972,070.88 as follows:

- dividend: PLN 714,708,012.00, i.e. PLN 5.47 per share,
- reserve capital: PLN 1,264,058.88.

The above proposal of dividend payment, representing 99.82% of the net profit for 2021, is in line with the individual recommendation of the Polish Financial Supervision Authority regarding the Bank's compliance with the requirements for the payment of 100% of the dividend from net profit generated in 2021.

On March 24, 2022, the Bank's Supervisory Board gave a positive opinion on the above motion of the Management Board.

The dividend date proposed by the Management Board is July 1, 2022, and the dividend payment date is July 11, 2022.

The final decision on the distribution of the net profit for 2021 and retained earnings from previous years will be made by the Bank's General Meeting.

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

The detailed specification of granted financial and guarantee commitments as at 31 March 2022 and changes in comparison with the end of 2021 are as follows:

PLN '000	State as at		Change	
	31.03.2022	31.12.2021	PLN '000	%
Contingent liabilities granted	**13,727,483**	**16,034,174**	**(2,306,691)**	**(14.4%)**
Financial	360,810	450,109	(89,299)	(19.8%)
Import letters of credit issued	13,086,528	13,218,765	(132,237)	(1.0%)
Credit lines granted	**13,727,483**	**16,034,174**	**(2,306,691)**	**(14.4%)**
Other	280,145	2,365,300	(2,085,155)	(88.2%)
Guarantees	**2,340,080**	**2,285,773**	**54,307**	**2.4%**
Guarantees granted	2,301,492	2,246,001	55,491	2.5%
Export letters of credit confirmed	10	-	10	-
Other	38,578	39,772	(1,194)	(3.0%)
	16,067,563	**18,319,947**	**(2,252,384)**	**(12.3%)**
Contingent liabilities received				
Financial	4,345	-	4,345	-
Guarantees (guarantees received)	18,742,042	18,439,821	302,221	1.6%
	18,746,387	**18,439,821**	**306,566**	**1.7%**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	5,024,231	7,061,822	(2,037,591)	(28.9%)
Forward**	358,562,567	378,084,389	(19,521,822)	(5.2%)
	363,586,798	**385,146,211**	**(21,559,413)**	**(5.6%)**

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

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

20 Changes in Group's structure

In the first quarter of 2022 the structure of the Bank's Capital Group has not changed compared to the end of 2021.

In December 2021, the Bank has completed the procedure obtaining extended brokerage license under the Polish Financial Supervision Authority. Consequently, the Bank received permission to complete the process of establishing a brokerage office within the Bank's structure and to finalize the transfer of the brokerage activities carried out by Dom Maklerski Banku Handlowego S.A. („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. On April 29, 2022, the Brokerage Department of Bank Handlowy started its operations as part of the Bank's organizational structure, which in the first months of operation conducts its activity to a very limited extent, and the process of servicing clients using brokerage services does not change. The process is expected to be completed in the second half of 2022.

21 Fulfilment of 2022 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2022.

22 Information about shareholders

As at the day of publishing the Interim Statement for the first quarter of 2022 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 2021 and publishing this report for the first quarter of 2022 the structure of major shareholdings has not undergone any changes.

23 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 first quarter of 2022, as well as at the date of submission of the previous periodic report for the year 2021, members of the Management Board and Supervisory Board did not own Bank's shares.

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

24 Information on pending court proceedings

No proceedings regarding receivables or liabilities of the Bank conducted in the first quarter of 2022 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.

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 31 March 2022 is PLN 20.8 million, of which the provisions for option cases is PLN 1.7 million and provisions for individual cases relating to the judgments of the CJEU is PLN 18.8 million (as at December 31, 2021: PLN 19.8 million, of which the provisions for option cases is PLN 1,7 million and provisions for individual cases relating to the judgments of the CJEU is PLN 17,5 million). The increase is mainly due to more litigation proceedings relating to mortgage loans indexed to CHF.

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

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

- On 27 May 2019 the Bank received a statement of claim submitted by Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. for the payment of PLN 386,139,180.89 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 50,017,463.89 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014.The Court has referred the matter to mediation proceedings, which have not resulted in a mutual agreement, so the case is pending before the court of first instance.

  On 10 February 2020 the Bank received a statement of claim submitted by Rotsa Sales Direct sp. z o.o. for the payment of PLN 419,712.468.48 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 33,047,245.20 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014. 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 March 31, 2021, the Bank was among others a party to 19 court proceedings associated with derivative transactions. Among these, 14 proceedings have not been terminated with a legally binding conclusion, five proceedings have been terminated with a legally binding conclusion and they are currently subject to cassation proceeding in the Supreme Court and in the case of one it will be decided in the near future whether a cassation appeal will be lodged. In 12 proceedings the Bank acted as a defendant and in 7 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.

- The Bank was a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The Bank was one of the addressees of the President of UOKiK's decision in the case. The proceedings have concerned alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/Eurocard/Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. The President of UOKiK's decision was the subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer

Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. On October 6, 2015 the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. As the Bank submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict and the case has been returned to the Appeal Court for a second review. The appeals proceedings have begun again. In the first quarter of 2018, the Bank received the reimbursed. By the judgment of November 23, 2020, the Appeal Court set aside the judgment of November 21, 2013 and remitted the case to the court of first instance for reconsideration.

- The Bank is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Bank has identified a number of doubts as regards interpretation of the above-mentioned judgment. Despite the still unresolved issues (e.g. the possibility for banks to demand remuneration for use of capital), as at the day of these financial statements, most courts have ruled against banks on indexed loan cases. The expected resolution of the Civil Law Division of the Supreme Court to rule again on issues on which courts are still inconsistent has been postponed to an indefinite date. The Supreme Court formulated the question of the CJEU as to whether the current composition of the Civil Law Division of the Supreme Court is competent to pass a resolution, taking into account doubts as to the correctness of appointment of some of its judges. In February 2022, the Regional Court in Łódź dismissed the claims of 1,700 CHF-denominated loan customers (filing a lawsuit against one of the Polish banks), who wanted their loan agreements declared invalid. The Regional Court held that the first provision of the bank loan contract providing for conversion of the disbursed amount of the loan from PLN into CHF was not abusive. However, it also found that the provision according to which the bank converts CHF loan installments into PLN according to its own table is abusive. At the same time, according to the court, CHF borrowers involved in this case can repay their loans in CHF after all.

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

  As at 31 March 2022, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 50 million. Despite the marginal share of CHF-indexed mortgage loans in the entire lending portfolio, the Bank maintains a portfolio provision for this in the amount of PLN 12.7 million. Estimation of the provision assumed the expected level of customer complaints based on the trend observed by the Bank, which is different for active loans and for loans repaid before the balance sheet date, as well as the probability of a settlement or court solution and the Bank's loss estimate in the event of a dispute in court. This value, as well as provisions for individual disputes, are included in the Bank's consolidated statement of financial position under item: Provisions.

  As at March 31, 2022, the Bank was sued in 52 cases relating to a CHF-indexed loan for a total amount of approximately PLN 18.5 million. Two cases were legally lost and the Bank decided to file cassation appeals. Most of the cases are in the first instance.

- On September 11, 2019, CJEU passed a ruling in the case C 383/18, indicating the following interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers (Directive): "the right of the consumer to a reduction in the total cost of the credit in the event of early repayment of the credit includes all the costs imposed on the consumer." Hence, according to the provisions of the Directive, the above-mentioned right of the consumer includes costs both related and not related to the duration of the contract.

  Starting from 28 September 2020, the Bank has been reimbursing fees using the "straight-line method" to all the consumers who repaid their consumer loans before the contractual deadline, after 11 September 2019, provided that the fee was charged during the term of the consumer loan act.

  On 13 November 2020, the Bank received a decision initiating proceedings by the UOKiK (Office for Competition and Consumer Protection) regarding the practice of non-lowering the total loan cost by the prorated costs (calculated by the straight-line method) attributable to the period by which the term of the consumer loan agreement is reduced in the event of total or partial loan prepayment.

  Proceeding has been closed by means of a UOKiK's binding decision from 6 May 2021 after Bank made commitments 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.

  After the decision was issued, the President of the UOKiK asked the Bank to provide explanations regarding the manner in which the Bank reimburses a proportional part of the commission in the case where customer takes out another loan with the Bank in such a way that it replaces the original agreement ("Increase agreement") The Bank assessed such a situation as an increase of existing credit obligation, which does not result in the obligation to the settle the previous debt, however in view of the doubts expressed by the President of UOKiK about the previously presented approach, the Bank, despite the different factual and legal assessment of the Increased agreement, for the purpose of refunding the commission, adopted the date of the Increasing agreement as the date of early repayment of the previous obligation. Considering its relationship with clients and emphasizing its will to cooperate with the UOKiK the Bank decided to align its practice with the position of the UOKiK President and decided to proactively settle the proportionate part of the commission in relation to clients who entered into the Increased agreement after 11 September 2019.

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

As of March, 2022, the Bank was sued in 866 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 3.8 million.

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

In the first quarter of 2022, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

26 Information about significant guarantee agreements

In the first quarter of 2022 Bank and its subsidiaries did not grant guarantee – jointly to one entity or a subsidiary of that entity, which total value would be significant.

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

After 31 March 2022 there were no major events not included in the financial statements that could have a significant influence on the net result of the Group.

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

The most significant risk driver in 2022 is the war between Russia and Ukraine. If this conflict escalates, commodity prices can go even higher and the supplies of oil, gas and coal from Russia to the European Union can stop before they are replaced with imports from other countries. This could lead to a recession in the European economy and significantly higher inflation. Higher inflationary pressure could significantly boost interest rate increases beyond expectations, which would also have an adverse impact on economic activity, performance of businesses and the unemployment rate.

In the quarters to come, one of the most significant risk factors will still be the COVID-19 pandemic and its effects on the economy. The emergence of virus variants resistant to vaccines could prompt Poland and other European countries to reimpose restrictions and phase out business activity, and could also lead to stronger disruptions in global supply chains. 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.

Another risk to the global economic growth is stronger-than-forecast economic slowdown in China. Activity in China is jeopardized, among other things, by the spread of the pandemic, which could be associated with bottlenecks in supply chains.

Interim condensed standalone financial statements of the Bank for the first quarter of 2022

Condensed income statement

PLN '000	For the period	I quarter accruals period from 01.01.22 to 31.03.22	I quarter accruals period from 01.01.21 to 31.03.21
Interest income		442,424	187,868
Similar income		32,519	12,740
Interest expense and similar charges		(29,994)	(3,537)
Net interest income		**444,949**	**197,071**
Fee and commission income		162,649	162,678
Fee and commission expense		(21,482)	(19,486)
Net fee and commission income		**141,167**	**143,192**
Dividend income		**53**	**-**
Net gain/(loss) on trading financial instruments and revaluation		**272,431**	**112,737**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**(35,762)**	**455,508**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**4,642**	**1,335**
Net gain/(loss) on hedge accounting		**(1,722)**	**696**
Other operating income		6,401	5,765
Other operating expenses		(7,584)	(5,764)
Net other operating income		**(1,183)**	**1**
General administrative expenses		**(380,708)**	**(328,165)**
Depreciation and amortization		**(26,186)**	**(27,256)**
Profit on sale of other assets		**3,447**	**(258)**
Provisions for expected credit losses on financial assets and provisions for contingent liabilities		**(11,620)**	**(6,213)**
Tax on certain financial institutions		**(45,969)**	**(36,178)**
Profit before tax		**363,539**	**512,470**
Income tax expense		**(84,850)**	**(136,317)**
Net profit		**278,689**	**376,153**
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		2.13	2.88
Diluted net earnings per share (in PLN)		2.13	2.88

Condensed statement of comprehensive income

PLN '000 For a period	I quarter accruals period from 01.01.22 to 31.03.22	I quarter accruals period from 01.01.21 to 31.03.21
Net profit	**278,689**	**376,153**
Other comprehensive income, that is or might be subsequently reclassified to income statement:	**(285,991)**	**(365,687)**
Remeasurement of financial assets measured at fair value through other comprehensive income (net)	(314,958)	3,274
Profit or loss reclassification to income statement after derecognition of financial assets measured at fair value through other comprehensive income (net)	28,967	(368,961)
Total comprehensive income	**(7,302)**	**10,466**

Condensed statement of financial position

PLN '000 as at	31.03.2022	31.12.2021
ASSETS		
Cash and balances with the Central Bank	2,720,457	6,526,743
Amounts due from banks	2,142,208	967,663
Financial assets held-for-trading, including:	14,294,560	9,876,922
Assets pledged as collateral	*135,690*	-
Hedging derivatives	-	119,290
Debt investment financial assets measured at fair value through other comprehensive income, including:	24,590,107	20,590,284
Assets pledged as collateral	-	*748,763*
Shares in subsidiaries	91,898	91,942
Equity investments and other measured at fair value through income statement	101,668	97,026
Amounts due from customers	22,651,273	21,187,157
Tangible fixed assets	455,948	450,599
Intangible assets	1,230,785	1,241,499
Current income tax receivables	44,532	54,721
Deferred tax asset	301,405	263,605
Other assets	245,013	207,987
Non-current assets held-for-sale	-	6,163
Total assets	**68,869,854**	**61,681,601**
LIABILITIES		
Amounts due to banks	4,530,407	3,383,236
Financial liabilities held-for-trading	10,204,912	6,586,932
Amounts due to customers	45,521,496	43,495,543
Provisions	136,073	141,714
Other liabilities	1,168,228	758,136
Total liabilities	**61,561,116**	**54,365,561**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(598,009)	(312,018)
Other reserves	2,802,781	2,802,781
Retained earnings	1,636,743	1,358,054
Total equity	**7,308,738**	**7,316,040**
Total liabilities and equity	**68,869,854**	**61,681,601**

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 2022	**522,638**	**2,944,585**	**(312,018)**	**2,802,781**	**1,358,054**	**7,316,040**
Total comprehensive income, including:	-	-	(285,991)	-	278,689	(7,302)
Net profit	-	-	-	-	278,689	278,689
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	(285,991)	-	-	(285,991)
Balance as at 31 March 2022	**522,638**	**2,944,585**	**(598,009)**	**2,802,781**	**1,636,743**	**7,308,738**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2021	**2,944,585**	**450,017**	**2,797,798**	**800,167**	**7,515,205**	**2,944,585**
Total comprehensive income, including:	-	(365,687)	-	376,153	10,466	-
Net profit	-	-	-	376,153	376,153	-
Net changes in value of financial assets measured at fair value through other comprehensive income	-	(365,687)	-	-	(365,687)	-
Balance as at 31 March 2021	**522,638**	**2,944,585**	**84,330**	**2,797,798**	**1,176,320**	**7,525,671**

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:	-	-	(762,035)	3,689	715,972	(42,374)
Net profit	-	-	-	-	715,972	715,972
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(762,035)	-	-	(762,035)
Net actuarial profits/(losses) on specific services program valuation	-	-	-	3,689	-	3,689
Dividends paid	-	-	-	-	(156,791)	(156,791)
Transfer to capital	-	-	-	1,294	(1,294)	-
Balance as at December 2021	**522,638**	**2,944,585**	**(312,018)**	**2,802,781**	**1,358,054**	**7,316,040**

Condensed summary statement of cash flows

PLN '000 For a period	I quarter accruals period from 01.01.22 to 31.03.22	I quarter accruals period from 01.01.21 to 31.03.21
Cash at the beginning of the reporting period	**6,566,543**	**4,519,581**
Cash flows from operating activities	(3,389,340)	10,828,658
Cash flows from investing activities	(12,401)	(11,276)
Cash flows from financing activities	(2,935)	(3,054)
Cash at the end of the reporting period	**3,161,867**	**15,333,909**
Increase/(decrease) in net cash	**(3,404,676)**	**10,814,328**

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 2021 and interim condensed consolidated financial statements of the Group for the first quarter of 2022.

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 3 month period ended 31 March 2022 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 first quarter of 2022 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 first quarter of 2022.

Principles adopted in the preparation process of these interim condensed standalone financial statements are consistent with the principles, described in the annual standalone financial statements of the Bank for the financial year ended 31 December 2021 taking into account the changes described in the interim condensed consolidated financial statements of the Group for the first quarter of 2022.

Other information and explanations presented in interim condensed consolidated financial statements for the first quarter of 2022 contain also all information and explanatory data essential for these interim condensed standalone financial statements.

The summary of Bank's financial results for the first quarter of 2022 is presented below.

Bank's financial results

In the first quarter of 2022, the Bank generated a profit before tax of PLN 365.5 million, compared to PLN 512.5 million in the corresponding period of 2021 (i.e. decrease by PLN 148.9 million YoY).

Net profit earned in the period from January to March 2022 amounted to PLN 278.7 million compared to PLN 376.2 million of net profit in the corresponding period of 2021.

The net profit of the Bank in the first quarter of 2022 was driven mainly by an increase in net interest income by PLN 247.9 million, i.e. 126% compared to the same period last year, an increase in the result on trading financial instruments and revaluation by 159, PLN 7 million, i.e. 142% YoY, compensated by the loss on investment debt financial assets measured at fair value through other comprehensive income and higher staff expenses and higher regulatory costs due to the booking of the contribution to the BFG bank restructuring fund at the record level of PLN 105 million.

The interim condensed consolidated financial statements for the first quarter of 2022 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
06.05.2022	06.05.2022
(signed in Polish version)	*(signed in Polish version)*

www.citihandlowy.pl
Bank Handlowy w Warszawie S.A.