

CURRENCY RISK

Currency fluctuations can significantly affect investment plans, cash flow forecasts and returns in any company. Active currency risk management enables it to stabilize intended effectiveness regardless of the situation in the market. A sophisticated hedging strategy may often be the source of fundamental competitive advantage.

Cooperation with Citi Handlowy's dealers allows our Clients to avoid the need to continuously watch the FX market. The expertise and multi-year practice of our experts will help you formulate a suitable strategy reflecting your needs and risk appetite. The selection of an appropriate product by the Client will always follow the presentation of a detailed scenario analysis of a given solution.

INTEREST RATE RISK

Information on incurring credit risk and interest rate risk

The data presented below are informative, taking into account the recommendations of the Polish Financial Supervision Authority.

CREDIT RISK

Credit risk is the risk of the Borrower's failure to meet the obligation to repay the loan in the amount and on the dates provided in the loan agreement / product documentation concluded with the Bank (hereinafter the "Agreement"). Therefore, when incurring a liability with the Bank, the Borrower must be aware of the need to pay it back together with the interest and fees due in accordance with the Agreement. The amount of the loan installment consists of the interest and capital part. The loan repayment terms and schedule are specified in the Agreement.

VARIABLE INTEREST RATE RISK

The risk of a variable interest rate occurs in the case of products bearing a variable interest rate. A change in the interest rate may cause the loan servicing costs to increase or decrease. An increase in the interest rate causes an increase in the amount of interest, and thus the amount of the total cost of the loan.

The interest rate on the loan is variable and carries the risk of an increase (change) in loan servicing costs during the term of the Agreement. The interest rate consists of 2 elements: the reference rate and the Bank's margin specified in the Agreement. In the event of an increase or decrease in the value of the reference rate, the interest rate on the loan will increase or decrease, thereby increasing or decreasing the amount of the monthly principal and interest installment. Detailed rules for determining and changing the rate applicable at the Bank are described in the Agreement.

When taking a loan commitment, it is worth checking whether the achieved financial results are sufficient to cover the cost of the loan, depending on the level of interest rates. Before making a decision to take out a loan, the long-term trend on the financial market and the possibility of changing interest rates, should be taken into account.

FIXED INTEREST RATE RISK

Fixed interest rate risk occurs in the case of products bearing a fixed interest rate. If the Agreement applies an interest rate based on a fixed interest rate, then in the event of an increase in the level of interest rates, the interest rate will be favorable for the borrower. However, in the event of a decrease in the level of interest rates, the interest rate set out in the Agreement based on the fixed interest rate will be less favorable for the borrower than the currently offered variable interest rate.

The reference rate is independent of the Bank and depends on many factors, such as, for example, the level of interest rates set by the Monetary Policy Council, inflation, money supply, business cycle or GDP. Citi Handlowy offers a broad range of instruments to minimize the outcomes of interest rate fluctuations. Our proposal includes not only expert assistance to help the Client choose the solution, but also cooperation both before and after the transaction.

This process is composed of several stages:

- analysis of risks to which the company is exposed to,
- recommendation of a strategy based on financial instrument currently available in global markets,
- explanation of rules of operation and presentation of possible market scenarios,
- implementation of the selected solution in the most expedient time possible in the market,
- ongoing monitoring of the transaction.

The commitment of the whole Treasury team of Citi Handlowy ensures that your company can choose from the full range of solutions appropriate to its risks.