

Summary
of the Cyclical Review of the Method for Determining the WIBID and WIBOR Reference Rates
for the period 1 December 2022 to 31 December 2023.

Pursuant to Article 23(2) of the Benchmark Regulation, the Administrator has conducted a Cyclical Review of the Method for Determining the WIBID and WIBOR Reference Rates (hereinafter referred to as: the "Review"), including the Waterfall Method. The Review for the period from 1 December 2022 to 31 December 2023 was elaborated in accordance with item 3 of the *Procedure of Review and Change of Interest Rate Benchmark Methods*, and was subsequently adopted and approved by the Oversight Committee of Interest Rate Benchmarks on 28 February 2024.

The results of the Review of the WIBID and WIBOR Reference Rates do not indicate the need to take action to change their provision method.

The Review points to the following conclusions:

1. The Administrator carried out a suitability test of the set of contributors to assess the adequacy of the panel of Fixing Participants. For this purpose, the share of the Underlying Market and the Fixing Participants in the average daily turnover in the market for unsecured interbank deposits was examined, as well as the share of the Fixing Participants' assets in the total assets of the banking sector. All the aforementioned measures confirm that the panel of Fixing Participants has been selected adequately in terms of the statistical characteristics of the population. In 2022, this population included 59 entities, including 25 commercial banks (excluding mortgage banks) and 34 branches of credit institutions. In 2022, the share of the Underlying Market in the average daily turnover in the unsecured interbank deposits market was 100%, and the Fixing Participants' share of this turnover was 61% (an increase of 15.57% compared to 2021). The Fixing Participants' share of total banking sector assets represented 75.5%.
2. In terms of the main descriptive statistics on the average daily number and volume of transactions, the transactional resource for the Related Markets returned to or significantly exceeded its pre-COVID 19 pandemic status. In the case of the Underlying Market, the descriptive statistics for the volume measure improved significantly in 2022 compared to 2021, and then deteriorated in 2023. The volume measure for the Underlying Market, on the other hand, returned to pre-pandemic, ultra-low interest rate levels. The analysis of the state of the Underlying Market and the Related Market showed that it provides an effective operation of the Waterfall Method.
3. The analysis covered the values of the Transactionality Level since the start of the Waterfall Method on a monthly basis. In addition, during the period under Review, the values of the Transactionality Level were analysed by individual Fixing Tenors. For most of the period under review, the NBP reference rate remained at 6.75%. In September and October 2023, there were reductions of 75 basis points and 25 basis points respectively. Higher Transactionality Levels are recorded during periods when higher interest rates were in force and around the moments of their change, due to the increased activity in such conditions in the reference market described by the WIBID and WIBOR Reference Rates.
Transactionality Levels during the period under Review were on average higher for almost all Fixing Tenors (the smallest differences occurred for the 6M and 1Y Fixing Tenors)

compared to the ultra-low interest rate period in 2020-2021. No sustained trends as to the change in Transactionality Levels crystallised during the period under Review. Nevertheless, for some Fixing Terms, favourable changes in the Transactionality Level for December 2023 relative to December 2022 are noticeable. The largest increases were experienced by the Fixing Tenors: 2W, 1M and 3M. To a lesser extent, the Transactionality Level increased for the SW Fixing Tenor.

4. The updating of the database in connection with the process of verifying the counterparty classification rules resulting from the audit processes, including the External Audit of the Input Data, should be considered a significant issue in terms of the Transactionality Level. The number of Model Quotes calculated on the basis of the updated data resulting from the External Audit of the Input Data has gradually increased, causing an increase in the Transactionality Level. According to the information provided by the Administrator, part of the reclassification led to a reduction in the set of large enterprises in favour of the set of entities classified as financial institutions. This means that the stock of entities with which the transactions constituting the basis for the determination of WIBID and WIBOR were carried out was increased.
5. Verification of the materiality of the impact of the revision of the Transaction Data on WIBOR run for ON, TN, SW, 1M, 3M, 6M, 1Y Fixing Tenor showed that it is not significant. The impact is only significant for Fixing Tenor 2W, which is not a key Fixing Tenor from the point of view of the application of Reference Rates.
6. Transactions with Non-Fixing Tenors represent a minority in the set of transactions concluded by Fixing Participants in the interbank market, where transactions for Fixing Tenors predominate. It is important to emphasise the importance of the Related Markets as a source of Model Quotes for SW – 3M Fixing Tenors, while for the other Fixing Tenors the Underlying Market is the basis for the calculation of Model Quotes.
7. The Underlying Market saw a decline in transaction counts following the Monetary Policy Council's interest rate increases in 2022. The turn of the year 2022 and 2023 started with still relatively high levels of average transaction counts, but in the following months, activity in the Underlying Market declined, with the majority of transactions being concluded at ON maturity. In the third quarter of 2023, a slight increase in counts became apparent due to the anticipation of NBP interest rate cuts. At that time, the share of transactions for longer maturities also increased due to the different expected paths of interest rates among Fixing Participants. In September 2023, a local peak in the number of trades occurred due to a 75 basis points cut in the reference interest rate, which was much deeper than widespread market expectations. In October 2023, a further 25 basis points cut took place, but this did not translate into higher transaction volumes in the Underlying Market, which stabilised at the level reached, which was ultimately confirmed by the reduction in market expectations following the November Monetary Policy Council meeting.
8. The average volume of transactions for the Underlying Market recorded a visible downward trend in the analysed period December 2022 - December 2023. The term structure of transactions clearly accumulated in the shortest maturity, i.e. O/N. There was a noticeable increase in average transaction volume in April 2023, but this was not sustained. The average transaction volume shifted to a downward trend with a low slope, which, with some fluctuations, continued until the end of 2023.
9. During the period covered by this review, external audits of the input data were conducted, which are required to be performed periodically (every 2 years) by contributors under item 12 of Annex I of the BMR Regulation. The External Audit of the Input Data was conducted based on the National Standard for Assurance Services Other than Audit and Review 3000

(Z) in accordance with art. 2(5) of the Act on Statutory Auditors¹. The subsequent audits of the Input Data by the contributors are due in 2025.

10. As part of its oversight of the quality of the Input Data, the Administrator conducted investigative procedures with certain contributors related to the process of updating transaction data and other activities of contributors that concerned data and information submitted to the Administrator. As a result of these, the Administrator took the steps set out in the Code of Conduct to ensure the reliability, accuracy, credibility and representativeness of the Input Data submitted by WIBID and WIBOR Fixing Participants.

¹ By virtue of the Act of 7 July 2023 on the pan-European individual pension product (Journal of Laws of 2023, item 1843), amendments were made to the provisions of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2022, items 1302 and 2640) and the Act – Banking Law (Journal of Laws of 2022, item 2324, as amended), aimed at improving the quality and consistency of the audit processes referred to in Annexes I and II to Regulation 2016/1011 (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or for measuring the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.06.2016, p. 1, as amended)). On the basis of these legislative changes, which are also appropriately reflected in the WIBID and WIBOR Fixing Participant Code of Conduct, external audits of the input data to the interest rate benchmarks provided by the Administrator take place on the basis of the National Standard for Assurance Services Other than Audits and Reviews 3000 (Z) as set out in International Standard for Assurance Services 3000 (revised) – “Assurance Services Other than Audits or Reviews of Historical Financial Information”.