

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE PERIOD ENDED 30 JUNE 2010

AUGUST 2010

SELECTED FINANCIAL DATA	In PLN '000		In EUR '000***	
	First Half of 2010	First Half of 2009	First Half of 2010	First Half of 2009
	Interest income	989,884	1,083,824	247,211
Fee and commission income	361,863	306,319	90,371	67,794
Profit before tax	446,502	161,964	111,508	35,845
Net profit	349,370	117,558	87,251	26,018
Comprehensive income	427,728	126,301	106,820	27,953
Increase of net cash	(2,117,461)	(2,273,230)	(528,810)	(503,105)
Total assets*	40,134,678	37,633,063	9,680,804	9,160,475
Amounts due to the Central Bank	-	980,446	-	238,656
Financial liabilities valued at amortized cost*	29,032,848	26,359,837	7,002,954	6,416,396
Shareholders' equity	6,132,407	5,756,387	1,479,185	1,287,898
Share capital	522,638	522,638	126,064	116,932
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	46.93	44.06	11.32	9.86
Earnings per ordinary share (PLN/EUR)	2.67	0.90	0.67	0.20
Diluted net profit per ordinary share (PLN/EUR)	2.67	0.90	0.67	0.20
Declared or distributed dividends per ordinary share (PLN/EUR)**	3.77	-	0.91	-

* Comparable data according to balance sheet as at 31 December 2009.

** The presented ratios are related to dividends to be paid from the appropriation of the 2009 profit. In accordance with Resolution No. 26a/2009 of the Ordinary General Meeting of the Bank of 18 June 2009 no dividend for the year 2008 was paid.

*** The following foreign exchange rates were applied to translate PLN into EUR: for the balance sheet - NBP mid exchange rate as at 30 June 2010 - PLN 4.1458 (as at 31 December 2009: PLN 4.1082; as at 30 June 2009 - PLN 4.4696); for the income statement and statement of cash flows- the arithmetic mean of NBP end of month exchange rates in the first half of 2010 - PLN 4.0042 (in the first half of 2009: PLN 4.5184).

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Condensed consolidated income statement

<i>In thousands of PLN</i>	For a period	01.01. - 30.06. 2010	01.01. - 30.06. 2009
	<i>Note</i>		
Interest and similar income	6	989,884	1,083,824
Interest expense and similar charges	6	(243,022)	(309,846)
Net interest income	6	746,862	773,978
Fee and commission income	7	361,863	306,319
Fee and commission expense	7	(45,017)	(49,512)
Net fee and commission income	7	316,846	256,807
Dividend income		5,846	5,925
Net income on financial instruments and revaluation	8	156,645	114,577
Net gain on investment debt securities	9	57,692	35,245
Net gain on investment capital instruments		2,516	3,437
Other operating income		35,436	48,251
Other operating expenses		(32,185)	(17,833)
Net other operating income	10	3,251	30,418
General administrative expenses	11	(644,061)	(684,280)
Amortization and depreciation		(32,537)	(42,840)
Profit/(loss) on sale of tangible fixed assets		(217)	2,202
Net impairment losses	12	(166,183)	(332,996)
Operating income		446,660	162,473
Share in (profits)/losses of subordinated undertakings accounted for under the equity method		(158)	(509)
Profit before tax		446,502	161,964
Income tax expense	13	(97,132)	(44,406)
Net profit		349,370	117,558
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Net profit per ordinary share (in PLN)		2.67	0.90
Diluted net profit per ordinary share (in PLN)		2.67	0.90
Including:			
Net profit due to shareholders of dominant entity		349,370	117,558
Net profit due to minority shareholders		-	-

Explanatory notes on pages: 9 – 36 are integral parts of financial consolidated statement

Condensed consolidated statement of comprehensive income

	For a period	01.01. - 30.06. 2010	01.01. - 30.06. 2009
<i>In thousands of PLN</i>	<i>Note</i>		
Net income		349,370	117,558
Other comprehensive income:			
Net valuation of financial assets available for sale	<i>14</i>	78,094	7,001
Foreign exchange differences		264	1,742
Other comprehensive income after tax		78,358	8,743
Total comprehensive income		427,728	126,301
 Including:			
Comprehensive income due to shareholders of predominant unit		427,728	126,301
Comprehensive income due to minority shareholders		-	-

Explanatory notes on pages: 9 – 36 are integral parts of financial consolidated statement.

Condensed consolidated balance sheet

<i>In thousands of PLN</i>	As at	30.06.2010	31.12.2009
	<i>Note</i>		
ASSETS			
Cash and balances with the Central Bank		1,366,986	4,113,355
Financial assets held-for-trading	15	4,911,945	5,397,125
Debt securities available-for-sale	16	17,402,931	8,290,225
Equity investments valued at the equity method		55,510	56,895
Other equity investments		23,744	24,140
Loans, advances and other receivables	17	13,583,453	16,777,255
<i>to financial sector</i>		2,101,396	4,802,562
<i>to non-financial sector</i>		11,482,057	11,974,693
Property and equipment		489,572	505,192
<i>land, buildings and equipment</i>		471,264	486,884
<i>investment property</i>		18,308	18,308
Intangible assets		1,279,240	1,282,574
Deferred income tax assets		372,504	476,372
<i>current</i>		4,564	97,657
<i>deferred</i>		367,940	378,715
Other assets		635,893	690,384
Non-current assets held-for-sale		12,900	19,546
Total assets		40,134,678	37,633,063
LIABILITIES			
Amounts due to the Central Bank		-	980,446
Financial liabilities held-for-trading	15	3,374,890	3,108,493
Financial liabilities valued at amortized cost	19	29,032,848	26,359,837
<i>deposits from</i>		27,195,092	25,307,218
<i>financial sector</i>		6,020,954	4,735,260
<i>non-financial sector</i>		21,174,138	20,571,958
<i>other liabilities</i>		1,837,756	1,052,619
Provisions		25,596	49,390
Income tax liabilities		47,644	-
Other liabilities		1,521,293	935,508
Total liabilities		34,002,271	31,433,674
EQUITY			
Share capital		522,638	522,638
Share premium		3,031,149	3,030,546
Revaluation of financial assets		(2,932)	(81,026)
Other reserves		2,251,704	2,225,712
Retained earnings		329,848	501,519
Total equity		6,132,407	6,199,389
Total liabilities and equity		40,134,678	37,633,063

Explanatory notes on pages: 9 – 36 are integral parts of financial consolidated statement.

Condensed consolidated statement of changes in equity

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation of financial assets	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2010	522,638	3,030,546	(81,026)	2,225,712	501,519	-	6,199,389
Comprehensive total income	-	-	78,094	264	349,370	-	427,728
Valuation of capital rewards program, including:	-	-	-	(2,123)	-	-	(2,123)
- <i>change in valuation</i>	-	-	-	(1,345)	-	-	(1,345)
- <i>deferred income tax</i>	-	-	-	(778)	-	-	(778)
Dividends to be paid	-	-	-	-	(492,587)	-	(492,587)
Transfers to capital	-	603	-	27,851	(28,454)	-	-
Balance as at 30 June 2010	522,638	3,031,149	(2,932)	2,251,704	329,848	-	6,132,407

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation of financial assets	Other reserves	Retained earnings	Non controlling interest	Total equity
Balance as at 1 January 2009	522,638	3,029,703	(144,110)	1,627,692	589,886	-	5,625,809
Comprehensive total income	-	-	7,001	1,742	117,558	-	126,301
Valuation of capital rewards program, including:	-	-	-	4,333	-	-	4,333
- <i>change in valuation</i>	-	-	-	5,704	-	-	5,704
- <i>deferred income tax</i>	-	-	-	(1,371)	-	-	(1,371)
Dividends to be paid	-	-	-	-	(56)	-	(56)
Transfers to capital	-	843	-	591,868	(592,711)	-	-
Balance as at 30 June 2009	522,638	3,030,546	(137,109)	2,225,635	114,677	-	5,756,387

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation of financial assets	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2009	522,638	3,029,703	(144,110)	1,627,692	589,886	-	5,625,809
Comprehensive total income	-	-	63,084	(785)	504,399	-	566,698
Valuation of capital rewards program, including:	-	-	-	6,937	-	-	6,937
- <i>change in valuation</i>	-	-	-	8,917	-	-	8,917
- <i>deferred income tax</i>	-	-	-	(1,980)	-	-	(1,980)
Dividends paid	-	-	-	-	(55)	-	(55)
Transfers to capital	-	843	-	591,868	(592,711)	-	-
Balance as at 31 December 2009	522,638	3,030,546	(81,026)	2,225,712	501,519	-	6,199,389

Explanatory notes on pages: 9 – 36 are integral parts of financial consolidated statement.

Condensed consolidated statement of cash flows

	For a period	01.01. - 30.06. 2010	01.01. - 30.06. 2009
<i>In thousands of PLN</i>			
A. Cash flows from operating activities			
I. Net profit (loss)		349,370	117,558
II. Adjustments to reconcile net profit or loss to net cash provided by operating activities:		(2,293,846)	(2,088,472)
Current and deferred income tax recognized in income statement		97,131	44,406
Share in net profits/(losses) of subordinated undertakings accounted for under the equity method		158	509
Amortization		32,537	42,840
Impairment		189,569	301,691
Net provisions (recoveries)		(23,386)	31,305
Gains/losses on investing activities		9	(2,295)
Interest received		780,820	1,030,283
Interest paid		(251,657)	(303,410)
Other adjustments		(897,361)	(983,189)
Cash flows from operating profits before changes in operating assets and liabilities		(72,180)	162,140
Increase/decrease in operating assets (excl. cash and cash equivalents)		(4,368,436)	(1,319,621)
Increase/decrease in loans, advances and other receivables		3,876,507	1,052,414
Increase/decrease in debt securities available for sale		(8,879,086)	(1,210,044)
Increase/decrease in capital investments		155	891
Increase/decrease in financial assets held-for-trading		467,979	(1,240,563)
Increase/decrease in assets held-for-sale		-	2,887
Increase/decrease in other assets		166,009	74,794
Increase/decrease in operating liabilities (excl. cash and cash equivalents)		2,146,770	(930,991)
Increase/decrease in amounts due to the Central Bank		(973,058)	1,914,614
Increase/decrease in financial liabilities valued at amortized cost		2,620,659	(905,802)
Increase/decrease in liabilities held-for-trading		268,495	(1,994,500)
Increase/decrease in other liabilities		230,674	54,697
Cash flows from operating activities		(1,944,476)	(1,970,914)
Income tax paid		(50,914)	(124,939)
III. Net cash flows from operating activities		(1,995,390)	(2,095,853)
B. Cash flows from investing activities			
Purchase of tangible fixed assets		(13,321)	(18,952)
Disposal of tangible fixed assets		1,282	5,330
Purchase of intangible assets		(4,083)	(4,208)
Disposal of fixed assets available-for-sale		6,825	7,743
Dividends received		-	117
Other investing inflows/ outflows		1,227	-
Net cash flows from investing activities		(8,070)	(9,970)
C. Cash flows from financing activities			
Repayment of long-term loans from financial sector		(133,458)	(178,719)
Net cash flows from financing activities		(133,458)	(178,719)
D. Effect of exchange rate changes on cash and cash equivalent		19,457	11,312
E. Net (increase)/decrease in cash and cash equivalent		(2,117,461)	(2,273,230)
F. Cash and cash equivalent at the beginning of the reporting period		4,133,391	3,607,530
G. Cash and cash equivalent at the end of the reporting period		2,015,930	1,334,300

Explanatory notes on pages: 9 – 36 are integral parts of financial consolidated statement.

Supplementary notes to the condensed consolidated financial statements

1. General information about the Bank's Capital Group

These condensed consolidated interim financial statements show the results of operations of the Capital Group of Bank Handlowy w Warszawie S.A. ("the Group"), composed of Bank Handlowy w Warszawie S.A. ("the Bank") as the parent and its subordinated entities.

Bank Handlowy w Warszawie S.A. has its registered office in Warsaw at ul. Senatorska 16, 00-923 Warszawa. The Bank was established by Notarial Deed of 13 April 1870 and is registered in the Register of Entrepreneurs in the National Court Register maintained by the District Court for the Capital City of Warsaw, XII Economic Department in Warsaw, under KRS number 0000001538.

The Bank was given REGON number: 000013037 and tax identification number – NIP: 526-030-02-91.

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

Share capital of the Bank equals PLN 522,638,400 and is divided into 130,659,600 common shares, with PLN 4.00 nominal value each. The Bank's shares are quoted at the Warsaw Stock Exchange.

The Group is a member of Citigroup Inc. Citibank Overseas Investments Corporation, a subsidiary of Citibank N.A., is the parent of the Bank.

The Bank is a universal commercial bank that offers a wide range of banking services for individuals and corporate customers in the domestic and foreign markets. Additionally, the Group conducts the following activities through its subordinated entities:

- brokerage operations,
- lease services,
- investment operations.

In the first half of 2010 there were no changes in the holding of shares in subordinates.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*, as adopted by European Union and with other applicable regulations. They do 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 as at and for the financial year ended 31 December 2009.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is required to publish the financial results for the six months ended June 30 2010 which is deemed to be the current interim financial reporting period.

These condensed consolidated interim financial statements were approved by the Board of Directors on 23 August 2010.

3. Significant accounting policies

The condensed interim consolidated financial statements of the Group for the first half of 2010 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the period ended 31 December 2009.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2010 to 30 June 2010. Comparable financial data is presented for the period from 1 January 2009 to 30 June 2009 and for Balance sheet as at 31 December 2009.

The financial statements are presented in PLN, rounded to the nearest thousand.

In order to retain comparability of the financial data with the current period presentation, changes have been made to the way the financial data for 2009 have been presented, compared with the data previously published in the "Condensed Interim Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the period ended 30 June 2009". The changes relating to grouping and presentation of financial data in selected explanatory notes and have not impacted the balance sheet footing or the financial result of the Group.

4. Segment reporting

An operating segment is a separable component of the Group that engages in business activities from which it earns revenues and incurs expenses (including intragroup transactions between segments), whose operating results are regularly reviewed by the Management Board, as chief operating decision maker of the Group, in order to allocate resources and assess its performance.

The Group is managed in respect of two main operating segments – Corporate Banking and Consumer Banking. The valuation of assets and liabilities as well as calculation of financial results of the segment complies with the Group's accounting policies, including intragroup transactions between segments.

The allocation of assets, liabilities, revenues and expenses of the Group to operating segments was performed using the internal information prepared for the management purposes. Transfer of funds between the Group segments is based on market prices. The transfer prices are calculated using the same rules for both segments and any difference results only from maturity and currency structure of assets and liabilities.

– Corporate Banking

Within the Corporate Banking segment the Group offers products and renders services to business entities, self-government units and the public sector. Apart from traditional banking services covering lending and deposit activities, the segment provides services in the areas of cash management, trade financing, leases, brokerage and custody services in respect of securities and offers treasury products on financial and commodity markets. In addition, the segment offers a wide range of investment banking services on the local and international capital markets, including advisory services and obtaining and underwriting financing via public and non-public issue of financial instruments. The activities also comprise proprietary transactions in the capital, debt and derivative instruments market. The products and services are available through distribution channels tailored to client needs, both through the branch network, direct contact with customers and modern and effective remote channels such as telephone and electronic banking.

– Retail Banking

Within the Retail Banking segment the Group provides products and financial services to individuals and also to micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from maintaining bank accounts and providing extensive lending and deposit products, it also offers cash loans, mortgage loans and credit cards, as well as provides asset management services and acts as agent in the sale of investment and insurance products. Customers of the Consumer Bank have the branch network, ATMs, telephone services, and electronic banking services at their disposal and a network of financial agents offering products of this segment.

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

Consolidated income statement by business segment

For the period <i>In thousands of PLN</i>	01.01 – 30.06.2010			01.01 – 30.06.2009		
	Corporate Banking	Retail Banking	Total	Corporate Banking	Retail Banking	Total
Net interest income	351,510	395,352	746,862	385,801	388,177	773,978
<i>Internal interest income, including:</i>	10,663	(10,663)	-	23,712	(23,712)	-
<i>Internal income</i>	10,663	-	10,663	23,712	-	23,712
<i>Internal expenses</i>	-	(10,663)	(10,663)	-	(23,712)	(23,712)
Net fee and commission income	148,847	167,999	316,846	115,207	141,600	256,807
<i>Internal fee and commission income, including:</i>	-	-	-	3,425	(3,425)	-
<i>Internal income</i>	-	-	-	3,425	-	3,425
<i>Internal expenses</i>	-	-	-	-	(3,425)	(3,425)
Dividend income	2,705	3,141	5,846	3,189	2,736	5,925
Net income on financial instruments and revaluation	142,998	13,647	156,645	94,084	20,493	114,577
Net gain on investment debt securities	57,692	-	57,692	35,245	-	35,245
Net gain on investment capital instruments	277	2,239	2,516	3,437	-	3,437
Net other operating income	22,023	(18,772)	3,251	34,838	(4,420)	30,418
General administrative expenses	(299,979)	(344,082)	(644,061)	(303,463)	(380,817)	(684,280)
Depreciation and amortization	(15,330)	(17,207)	(32,537)	(27,303)	(15,537)	(42,840)
Profit / (loss) on sale of fixed assets	(99)	(118)	(217)	1,654	548	2,202
Net impairment losses	(6,505)	(159,678)	(166,183)	(230,944)	(102,052)	(332,996)
Operating income	404,139	42,521	446,660	111,745	50,728	162,473
Share in (profits)/losses of subordinated undertakings accounted for under the equity method	(158)	-	(158)	(509)	-	(509)
Profit before tax	403,981	42,521	446,502	111,236	50,728	161,964
Income tax expense			(97,132)			(44,406)
Net profit			349,370			117,558

As at:	30.06.2010			31.12.2009		
Total assets, including:	34,219,410	5,915,268	40,134,678	31,608,909	6,024,154	37,633,063
<i>Assets valuated at the equity method</i>	55,510	-	55,510	56,895	-	56,895
<i>Fixed assets held-for-sale</i>	2,999	9,901	12,900	2,999	16,547	19,546
Total liabilities and equity, including:	31,014,842	9,119,836	40,134,678	28,370,043	9,263,020	37,633,063
<i>Total liabilities</i>	27,028,664	6,973,607	34,002,271	24,369,661	7,064,013	31,433,674

In comparison to the Report for the second quarter 2010 published prior to this statement, other operating costs allocation between segments was changed. In result gross profit of Global Consumer Group department for the first half of 2010 increased by PLN 10,697 thousands. Gross profit of Institutional Clients Group department was diminished by the same amount.

5. Risk Management

Credit Risk

The main purpose of risk management in the group is ensuring both a high quality of credit portfolio and stability of credit activity resulting in minimising the risk of suffering losses. That is supported by binding bank regulations and implemented control processes.

The Group follows a uniform, intrinsic system for classification of accounts receivable against preset criteria. Active management process of portfolio quality includes both assigning proper risk rating and classification to facilities and also adaptation of remedial and vindication actions to facility classification. Assigning the facility risk ratings and classification system are crucial when defining the level of provisions due to impairment.

In the first half of 2010 there were no significant changes in systems, processes and procedures in the area of credit risk management. Considering changing market conditions changes in credit granting procedures were implemented in order to mitigate credit risk.

The tables below present direct exposure of the Group to credit risk whereas the accounts receivable from customers, with established value loss, have been grouped for presentation purposes into risk categories using classification and those without impairment have been presented using the internal risk ratings. The details of write-downs for impairment have also been presented. Accounts receivable are given risk categories from I to IV where I stands for receivables with no established value loss and II to IV represent those with established value loss. Classification of accounts with no established value loss is based on risk ratings which vary from 1 to 8 with 1 being the best. In order to define the maximum exposure of the Group to credit risk, it is necessary to account also for the off-balance sheet exposure (Note 26), the debt securities available for sale (Note 16), the financial assets held for trading (Note 15).

<i>In thousands PLN</i>	30.06.2010		31.12.2009	
	Receivables from customers	Receivables from banks	Receivables from customers	Receivables from banks
Receivables with recognized value loss				
Individually assessed receivables				
Risk category II	148,002	-	445,631	-
Risk category III	666,707	-	379,375	-
Risk category IV	502,075	-	607,205	-
Gross value	1,316,784	-	1,432,211	-
Impairment	652,843	-	771,034	-
Net value	663,941	-	661,177	-
Collectively assessed receivables				
Risk category II	31,132	-	40,981	-
Risk category III	50,380	-	31,948	-
Risk category IV, including:	890,435	-	752,573	-
<i>from physical persons</i>	798,836	-	634,356	-
Gross value	971,947	-	825,502	-
Impairment	662,398	-	547,973	-
Net value	309,549	-	277,529	-
Receivables with no recognized value loss				
<i>from customers and banks (no physical persons) according to risk rating</i>				
Risk rating 1–4	3,852,074	1,586,072	4,884,513	3,330,097
Risk rating 5–6	1,550,447	16,662	1,711,223	148,398
Risk rating 7–8	391,297	-	367,081	-

<i>In thousands PLN</i>	30.06.2010		31.12.2009	
	Receivables from customers	Receivables from banks	Receivables from customers	Receivables from banks
<i>from physical persons according to payment arrears period</i>				
0 – 30 days, including:	5,245,026	-	5,448,834	-
<i>with repayment extension</i>	132,514	-	113,418	-
31 – 90 days, including:	148,543	-	91,151	-
<i>with repayment extension</i>	23,872	-	20,424	-
Gross value	11,187,387	1,602,734	12,502,802	3,478,495
Impairment	179,806	352	141,982	766
Net value	11,007,581	1,602,382	12,360,820	3,477,729
Total net value	11,981,071	1,602,382	13,299,526	3,477,729

<i>In thousands PLN</i>	30.06.2010		31.12.2009	
	Receivables from customers	Receivables from banks	Receivables from customers	Receivables from banks
Impairment value for receivables with recognized value loss				
Impairment value for receivables assessed individually				
Risk category II	11,556	-	52,136	-
Risk category III	172,443	-	153,524	-
Risk category IV	468,844	-	565,374	-
	652,843	-	771,034	-
Impairment value for receivables assessed collectively				
Risk category II	6,112	-	7,783	-
Risk category III	15,441	-	9,014	-
Risk category IV, including:	640,845	-	531,176	-
<i>from physical persons</i>	571,091	-	446,519	-
	662,398	-	547,973	-
Incurred but not recognized (IBNR) losses on receivables from customers and banks (no physical persons) according to risk rating				
Risk rating 1–4	1,265	314	1,061	523
Risk rating 5–6	13,561	38	12,081	243
Risk rating 7–8	15,106	-	12,073	-
on receivables from physical persons according to payment arrears period				
0 – 30 days, including:	97,109	-	71,158	-
<i>with repayment extension</i>	17,679	-	10,970	-
31 – 90 days, including:	52,765	-	45,609	-
<i>with repayment extension</i>	14,555	-	9,030	-
	179,806	352	141,982	766
Total net value	1,495,047	352	1,460,989	766

<i>In thousands PLN</i>	30.06.2010	31.12.2009
Receivables with incurred but not recognized (IBNR) losses		
Regular receivables		
0–30 days	12,445,832	15,814,978
Overdue receivables		
31–90 days	277,888	161,678
91–180 days	40,890	2,368
181–365 days	2,112	227
over 366 days	23,399	322
Gross value	12,790,121	15,979,573

Reserves in relation to accounts receivable are presented in the table below:

<i>In thousands PLN</i>	30.06.2010	31.12.2009
Gross value		
Accounts receivable with established value loss, including	2,288,731	2,257,713
<i>Accounts rated individually</i>	1,316,784	1,432,211
<i>Accounts rated by portfolio</i>	971,947	825,502
Accounts receivable with no established value loss	12,790,121	15,984,297
Total Gross Value	15,078,852	18,239,010
Value loss		
Accounts receivable with established value loss, including	1,315,241	1,319,007
<i>Accounts rated individually</i>	652,843	771,034
<i>Accounts rated by portfolio</i>	662,398	547,973
Accounts receivable with no established value loss	180,158	142,748
Total Gross Value	1,495,399	1,461,755
Net Value		
Accounts receivable with established value loss, including	973,490	938,706
<i>Accounts rated individually</i>	663,941	661,177
<i>Accounts rated by portfolio</i>	309,549	277,529
Accounts receivable with no established value loss	12,609,963	15,838,549
Total Net Value	13,583,453	16,777,255
Reserves to accounts receivable with established value loss ratio	57.47%	58.4%

As of 30th June 2010 accounts receivable with no established value loss concerning cash credits granted to individuals with maximal two months period of credit extension amount to gross value of PLN 156,386 thousands (31th December 2009: PLN 133,842 thousands).

Market Risk

Market risk management encompasses two principal risk areas: liquidity risk and price risk.

Liquidity risk is defined as the risk that the Group may not be able to meet its financial commitments to customers or counterparties when due.

Price risk is the risk of negative impact on the Group's earnings or value of the capital resulting from the changes in market interest rates, foreign exchange rates, and equity prices as well all volatilities of these rates and prices.

The objective of price risk management is to ensure that the extent of price risk accepted within the scope of

Group corresponds to the level acceptable to shareholders and banking supervision authorities, as well as to ensure that all exposures to market risk are properly reflected in the calculated risk measures, communicated to relevant persons and bodies responsible for the management of the Group.

In 1H 2010 Bank Handlowy implemented a new methodology of stress test for banking book interest rate risk. In addition to the existing economic value sensitivity element the bank included the element of interest rate margin changes for the next 12 months. For the trading book the bank obtained regulatory approval for application of the sensitivity model for calculation of the capital requirements for general interest rate risk.

Liquidity risk

The levels of the modified gap in financial flows and the level of liquid assets as at 30 June 2010 and 31 December 2009 are shown in the tables below.

The liquidity gap as at 30 June 2010 in real terms:

<i>In thousands of PLN</i>	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	9,522,396	-	-	-	30,612,282
Liabilities	8,145,818	36,967	656,550	14,223	31,281,120
Balance sheet gap in the period	1,376,578	(36,967)	(656,550)	(14,223)	(668,838)
Off-balance sheet transactions – inflows	9,689,410	2,856,556	5,227,854	2,195,695	6,406,934
Off-balance sheet transactions – outflows	9,574,232	2,810,254	5,146,078	2,238,331	6,626,429
Off-balance sheet gap in the period	115,178	46,302	81,776	(42,636)	(219,495)
Cumulative gap	1,491,756	1,501,091	926,317	869,458	(18,875)

The liquidity gap as at 31 December 2009 in real terms:

<i>In thousands of PLN</i>	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	6,299,562	28,303	-	-	31,305,198
Liabilities	5,929,337	92,777	733,525	17,102	30,860,322
Balance sheet gap in the period	370,225	(64,474)	(733,525)	(17,102)	444,876
Off-balance sheet transactions – inflows	4,944,444	2,756,240	4,595,140	2,746,777	3,386,498
Off-balance sheet transactions – outflows	4,860,474	2,783,460	4,575,245	2,728,165	3,594,798
Off-balance sheet gap in the period	83,970	(27,220)	19,895	18,612	(208,300)
Cumulative gap	454,195	362,501	(351,129)	(349,619)	(113,043)

The liquid assets and the cumulative liquidity gap up to 1 year:

<i>In thousands of PLN</i>	30.06.2010	31.12.2009	Change
Liquid assets, including:	19,986,768	14,358,026	5,628,742
obligatory reserve in NBP and stable part of cash	1,084,443	3,792,008	(2,707,565)
debt securities held for trade	1,499,394	2,275,793	(776,399)
debt securities available for sale	17,402,931	8,290,225	9,112,706
Cumulative liquidity gap up to 1 year	869,458	(351,129)	1,220,587
Coverage of the gap with liquid assets	Positive gap	4,089%	

Pricing risk

Two types of portfolios have been divided in pricing risk management: trade and bank portfolios.

The following risk measures are applied to quantify the banking book interest rate risk:

- Interest rate gap analysis determining the level of asset/liabilities repricing risk exposure;
- Value at close method that estimates the market value of the entire banking book instruments (excluding the market value of credit margin) assuming that all interest rate positions would be closed at current market rates and Total Return consisting of three elements: interest rate margin result, realized P&L being a result of asset/liabilities liquidation or sell-off (mainly it refers to AFS realized P&L) and change in Value at Close;
- Interest Rate Exposure- IRE that measures the changes in interest rate P&L in 12 months time horizon assuming that the level of interest rate moves up by 100 basis points;
- Basis point value method (DV01) that measures the sensitivity of available for sale portfolio to interest rate changes. In other words it estimates what would be the value of securities belonging to AFS if the entire yield curve went up by 1bps;
- Stress test.

The IRE measures for the Group as at 30 June 2010 and 31 December 2009 are presented below. The list has been broken down into the main currencies, i.e. PLN, USD and EUR, which jointly account for over 90% of the Group's balance sheet.

<i>In thousands of PLN</i>	30.06.2010		31.12.2009	
	IRE 12M	IRE 5L	IRE 12M	IRE 5L
PLN	(16,254)	49,430	(25,017)	30,599
USD	653	(659)	4,196	13,497
EUR	1,703	(1,622)	5,709	9,752

The table below depicts the risk measured with DV01 for the portfolio of securities available for sale broken down into currency portfolios:

<i>In thousands of PLN</i>	30.06.2010	Overall between 01.01.2010 and 30.06.2010		
		Average	Maximum	Minimum
PLN	(1,607)	(1,602)	(1,852)	(1,349)
USD	(167)	(30)	(168)	-
EUR	(337)	(236)	(337)	(172)

In thousands of PLN	31.12.2009	Overall between 01.01.2009 and 31.12.2009		
		Average	Maximum	Minimum
PLN	(1,631)	(1,500)	(1,695)	(1,253)
USD	-	(42)	(104)	-
EUR	(180)	(605)	(880)	(180)

Both base risk and the risk of the options of the customer of bank's portfolio were considered as intangible.

The following methods are used in measuring the risk of trading portfolios:

- Sensitivity Factor,
- Value at Risk (VaR),
- Stress testing.

The values of significant exposures of the bank portfolios to the interest rates risk in terms of DV01 in the first half of 2010 have been listed in the table below:

In thousands of PLN	30.06.2010	31.12.2009	Overall between 01.01.2010 and 30.06.2010		
			Average	Maximum	Minimum
PLN	(21)	(192)	20	353	(281)
EUR	30	54	68	290	(32)
USD	(14)	1	3	74	(71)

The average exposure to the interest rates risk in the first half of 2010, compared with that in the same period of 2009, remains on a much lower level. The FX structure of the positions has not changed significantly as positions in LCY, EUR and USD were still the majority. The highest exposure was taken in LCY, although the average DV01 indicator was at the level of only 20 thousand PLN in comparison to -169 thousand PLN in the first half of 2009. The average risk appetite for instruments denominated in EUR amounted to 68 thousand PLN and was higher than that in the first half of 2009. As far as maximum risks taken by the Treasury are concerned, they were significantly lower than those from the corresponding period of the year 2009 with reference to all main currencies. (e.g. highest risk exposure in PLN was 353 thousand PLN in comparison to -655 thousand PLN in 2009, in USD it was 74 thousand PLN with -82 thousand PLN last year).

The table below shows the levels of risk measured using the VaR broken down into the FX risk and the interest rate risk positions in the first half of 2010:

In thousands of PLN	30.06.2010	31.12.2009	Overall between 1.01.2010 and 30.06.2010		
			Average	Maximum	Minimum
FX risk	1,340	267	3,462	7,775	1,167
Interest rate risk	2,457	2,703	2,716	7,574	257
Overall risk	2,695	2,741	4,888	12,410	1,491

The overall average price risk of trade portfolios in the first half of 2010 was lower than the average price risk in the first half of 2009 by about PLN 5 million mainly because of significant reduction in both FX exposure and the number of positions exposed to interest risk in trade portfolios. The lower variation of major market factors also contributed to the final effect. As far as maximum risks are concerned, they were significantly lower in comparison to the corresponding period of the last year. Maximum price risk amounted to PLN 12.4 million while in 2009 it settled at PLN 17.6 million.

Capital instruments risk

The Dom Maklerski Banku Handlowego S.A. (DM BH) is the Group's key company transacting the capital

instruments. In order to run its core business, DMBH has been authorized to take up the pricing risk of the trading portfolio of shares, or share rights, traded, or likely to be traded on Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange or WSE), or Centralna Tabela Ofert (Central Bids Table or CTO), WIG20 futures and the Indexed Participation Units, as well as shares on the international stock exchanges of the companies listed on the WSE. The price risk of DM BH's trade portfolio positions should be considered immaterial from the Group's point of view.

Currency structure

Currency structure of assets and liabilities of the Group with main currency is presented in the following table:

30 June 2010

In thousands of PLN

	Balance transaction		Off balance transaction		Net item
	Assets	Liabilities	Assets	Liabilities	
EUR	4,657,225	5,954,076	10,038,269	8,629,101	112,317
USD	2,422,153	3,494,491	5,859,455	4,737,867	49,250
GBP	631,818	695,855	74,586	58,353	(47,804)
CHF	487,829	371,860	465,683	577,801	3,851
Other currencies	286,588	343,953	1,958,430	2,042,032	(140,967)
	8,485,613	10,860,235	18,396,423	16,045,154	(23,353)

31 December 2009

In thousands of PLN

	Balance transaction		Off balance transaction		Net item
	Assets	Liabilities	Assets	Liabilities	
EUR	3,669,009	4,489,670	8,122,778	7,287,217	14,900
USD	1,772,201	2,276,786	3,256,814	2,728,730	23,499
GBP	574,394	614,258	71,514	33,561	(1,911)
CHF	429,129	340,517	183,229	271,488	353
Other currencies	265,233	283,362	1,058,431	1,032,462	7,840
	6,709,966	8,004,593	12,692,766	11,353,458	44,681

Operational risk

In the first half of 2010 there were no significant changes in the Group's operational risk management.

Capital adequacy

In the first half of 2010 the Group fulfilled the prudential regulations as far as Capital adequacy is concerned. Capital adequacy ratio is calculated consistently with respective regulations of the Polish law.

6. Interest income

In thousands of PLN

	01.01. – 30.06. 2010	01.01. – 30.06. 2009
<i>Interest and similar income from:</i>		
Central Bank	13,490	24,361
Placements with other banks	14,108	44,353
Loans, advances and other receivables (in respect of):	602,040	658,911
<i>financial sector</i>	19,964	10,463
<i>non-financial sector</i>	582,076	648,448
Debt securities available-for-sale	307,514	272,288
Debt securities held-for-trading	52,732	83,911
	989,884	1,083,824
<i>Interest expense and similar charges for:</i>		
Central Bank	(11,779)	(13,772)

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Deposits from other banks	(9,780)	(14,847)
Deposits from financial sector (excl. banks)	(33,814)	(52,193)
Deposits from non-financial sector	(183,237)	(218,985)
Loans and advances acquired	(4,412)	(10,049)
	(243,022)	(309,846)
	746,862	773,978

Net interest income for the first half of 2010 includes interest on impaired loans, of PLN 12,887 thousand (for the first half of 2009: PLN 8,641 thousand).

7. Net fee and commission income

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
<i>Fee and commission income:</i>		
Sales intermediary of insurance and investment products	63,726	67,095
Payment and credit cards	113,585	78,996
Payment services	61,564	58,516
Custody services	37,338	30,158
Cash credit fees	6,446	7,745
Brokerage activity	38,089	22,261
Cash management	15,362	15,933
Off-balance sheet guarantee liabilities	7,916	8,226
Off-balance sheet financial liabilities	3,638	4,044
Other	14,199	13,345
	361,863	306,319
<i>Fee and commission expense:</i>		
Payment and credit cards	(25,187)	(30,002)
Brokerage activity	(10,227)	(10,187)
Fees paid to the National Depository for Securities (KDPW)	(5,791)	(3,544)
Brokers fees	(1,325)	(1,970)
Other	(2,487)	(3,809)
	(45,017)	(49,512)
	316,846	256,807

The net commission result for the first half of 2010 comprises commission incomes (other than incomes covered by the calculation of the effective interest rate process), which are related to financial assets and liabilities not valued at their fair value through profit and loss account in the amount of PLN 118,242 thousand (for the first half of 2009: PLN 83,808 thousand) and commission expenses in the amount of PLN 25,187 thousand (for the first half of 2009: PLN 30,002 thousand).

8. Net gain on financial instruments and revaluation

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
<i>Net income on financial instruments valued at fair value through profit and loss account:</i>		
Debt instruments	(256)	14,361
Capital instruments	873	797

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Derivative instruments (in respect of):	(4,547)	(22,585)
<i>Interest rate derivatives</i>	(4,972)	(23,451)
<i>Equity derivatives</i>	234	745
<i>Commodity derivatives</i>	191	121
	(3,930)	(7,427)
<i>Net income on FX operations</i>		
Operations on FX derivative instruments	134,679	(168,181)
FX gains and losses (revaluation)	25,896	290,185
	160,575	122,004
	156,645	114,577

Included in net income on financial instruments and revaluation are results of increased counterparty credit risk on derivative transactions in the amount of PLN 15,449 thousand (for the first half of 2009: net impairment losses PLN 62,842 thousand). The losses were determined through the assessment of the clients' financial standing and their needs to use derivative instruments. The amounts at which the derivative transactions will be settled remain uncertain and the actual losses depend on the changes in the future foreign exchange rates and counterparties' financial standing.

Net income from debt instruments includes the net results on trading in government securities, corporate debt securities and money market instruments.

Income from derivative instruments comprises net income on interest rate swaps, options, futures and other derivatives.

Net result on FX operations contains gains and losses from revaluation of assets and liabilities denominated in foreign currency and from FX derivative instruments like forward, swap and options. Net result on FX operations also contains margin executed on current and fixed currency transactions.

9. Net gain on investment debt securities

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Profits realized on available-for-sale securities	57,692	35,279
Losses realized on available-for-sale securities	-	(34)
	57,692	35,245

10. Net other operating income

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
<i>Other operating income:</i>		
Income from data processing for related entities	24,883	30,146
Income from office rental	1,165	1,922
Income related to premises held as investments	252	1,043
Other	9,136	15,140
	35,436	48,251
<i>Other operating expenses:</i>		
Vindication expenses	(6,487)	(4,349)

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Expenses related to premises held as investments	(1,690)	(395)
Expenses related to paid compensations	(3,000)	-
Expenses related to provisions for rebuying bonds of bankrupt bank Lehman Brothers Treasury CO. B.V. from customers*	(10,697)	-
Expenses related to fixed assets held for sale	-	(2,980)
Other	(10,311)	(10,109)
	(32,185)	(17,833)
	3,251	30,418

*On 22 January 2010, the Management Board of the Bank decided to make an offer for the client of the Bank, who has bought with the mediation of the Bank, the bonds of Lehman Brothers Treasury B.V. and guaranteed by the Lehman Brothers Holdings Inc., to buy those bonds by the Bank or the other entity of the Capital Group of the Bank, for the amount of 60% of their original price in the specific currency.

11. General administrative expenses

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Staff costs		
Remuneration costs, including:	(274,683)	(267,183)
<i>Provisions for retirement benefits</i>	(8,632)	(8,305)
Perks and rewards including:	(57,383)	(70,836)
<i>Payments related to own equity instruments</i>	(7,066)	(4,202)
	(332,066)	(338,019)
Administrative expenses		
Telecommunication fees and hardware purchases costs	(79,791)	(81,887)
Advisory, audit, consulting and other services costs	(67,435)	(86,776)
Building maintenance and rent costs	(56,291)	(63,889)
Marketing	(17,130)	(15,146)
Transaction costs	(28,102)	(28,247)
Postal services, office supplies and printmaking costs	(15,906)	(19,888)
Training and education costs	(2,788)	(3,896)
Bank supervision costs	(3,819)	(4,482)
Other expenses	(40,733)	(42,050)
	(311,995)	(346,261)
	(644,061)	(684,280)

Staff expenses in first half of 2010 include PLN 8,014 thousand of remuneration and bonuses paid and payable to current and former members of the Management Board (in first half of 2009: PLN 7,565 thousand).

12. Net impairment losses

Net impairment write-downs of financial assets

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Impairment write-downs:		
Loans and advances valued at amortized cost	(350,492)	(317,347)
Receivables resulting from matured derivative transactions	6,795	(124,336)
Other	(12,887)	(8,641)

Net impairment write-downs of financial assets

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
	(370,174)	(450,324)
Reversals of impairment write-downs:		
Loans and advances valued at amortized cost	168,606	148,633
Receivables resulting from matured derivative transactions	11,998	-
	180,604	148,633
	(189,570)	(301,691)

Net charges to/(releases) of provisions for off-balance sheet liabilities:

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Charges to provisions for off-balance sheet commitments	(24,707)	(45,521)
Releases of provisions for off-balance sheet commitments	48,094	14,216
	23,387	(31,305)
Net impairment losses	(166,183)	(332,996)

13. Income tax expense**Recognized in the income statement**

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Current tax:		
Current year	(98,865)	(121,940)
Adjustments for prior years	(398)	(640)
	(99,263)	(122,580)
Deferred tax:		
Origination and reversal of temporary differences	2,231	78,550
Changes in receivables arising from tax deductions	(100)	(376)
	2,131	78,174
Income tax expense	(97,132)	(44,406)

Reconciliation of effective tax rate:

<i>In thousands of PLN</i>	01.01. – 30.06. 2010	01.01. – 30.06. 2009
Profit before tax	446,502	161,964
Income tax at the domestic tax rate of 19%	(84,836)	(30,774)
Expenses not tax deductible, including <i>actualization write-downs expenses</i>	(11,620) (2,421)	(11,620) (10,831)
Taxable income not recognized in income statement	16	(46,167)
Deductible expenses not recognized in income statement	1,309	38,665
Non taxable income	(1,915)	6,917
Other	(86)	(1,427)
Income tax expense	(97,132)	(44,406)
Effective tax rate	22%	27%

Deferred tax recognized directly in equity

Deferred tax recognized directly in equity as at 30 June 2010 is related to debt and capital instruments available-for-sale and capital rewards program and amounts to PLN 4,254 thousand (30 June 2009: PLN 30,926 thousand).

14. Statement of changes in other comprehensive income

Deferred income tax and reclassification recognized in other comprehensive income are related to the valuation of financial assets available-for-sale (AFS).

<i>In thousands of PLN</i>	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2010	(100,190)	19,164	(81,026)
Change in valuation of AFS	147,937	(23,112)	124,825
Valuation of sold AFS moved to income statement	(57,692)	10,961	(46,731)
Balance as at 30 June 2010	(9,945)	7,013	(2,932)

<i>In thousands of PLN</i>	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2009	(177,832)	33,722	(144,110)
Change in valuation of AFS	43,671	(8,122)	35,549
Valuation of sold AFS moved to income statement	(35,245)	6,697	(28,548)
Balance as at 30 June 2009	(169,406)	32,297	(137,109)

15. Financial assets and liabilities held-for-trading

In thousands of PLN **30.06.2010** **31.12.2009**

Financial assets held for trading**Debt securities held for trading**

Bonds and notes issued by:

Banks	51,290	40,729
State Treasury	1,442,890	2,235,064
Local government	5,215	-
	1,499,395	2,275,793

In respect of:

Listed	815,194	2,274,966
Unlisted	684,201	827

Capital instruments

In respect of:

Listed	3,303	27,483
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Derivatives

3,409,247 **3,093,849**

4,911,945 **5,397,125**

Financial liabilities held- for- trading*In thousands of PLN*

	30.06.2010	31.12.2009
Liabilities regarding short selling of securities	117,080	10,412
Derivatives	3,257,810	3,098,081
	3,374,890	3,108,493

As at 30 June 2010 and 31 December 2009 the Group did not hold any financial assets and liabilities designated for valuation at fair value through the profit and loss account at initial recognition.

As at 30 June 2010 derivative financial assets were adjusted due to increased counterparty credit risk by the amount of PLN 27,949 thousand (as at 31 December 2009: PLN 47,239 thousand).

Derivative financial instruments as at 30 June 2010*In thousands of PLN*

	Notional amount of derivatives with remaining life of				Total	Fair values	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	20,216,961	40,728,685	57,293,502	23,121,011	141,360,159	2,756,378	2,702,224
Currency instruments	13,333,773	5,434,053	3,861,891	797,432	23,427,149	644,703	546,546
Securities transactions	2,079,813	6,080	45,558	-	2,131,451	5,705	6,579
Commodity transactions	201,472	-	-	-	201,472	2,461	2,461
Derivative instruments total	35,832,019	46,168,818	61,200,951	23,918,443	167,120,231	3,409,247	3,257,810

Derivative financial instruments as at 31 December 2009*In thousands of PLN*

	Notional amount of derivatives with remaining life of				Total	Fair values	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	11,356,209	45,658,001	51,760,004	23,799,938	132,574,152	2,317,902	2,418,582
Currency instruments	9,204,422	4,772,425	3,611,725	732,273	18,320,845	769,890	673,672
Securities transactions	153,350	12,000	51,640	-	216,990	5,751	5,521
Commodity transactions	-	13,176	-	-	13,176	306	306
Derivative instruments total	20,657,856	50,602,252	55,423,369	24,532,211	151,125,163	3,093,849	3,098,081

16. Debt securities available-for-sale

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
Bonds and notes issued by:		
Central Banks	7,699,252	-
Other banks	497,508	-
Non-financial sector	32,111	34,230
State Treasury	9,174,060	8,236,979
Local government bodies	-	19,016
	17,402,931	8,290,225
<i>In respect of:</i>		
Listed instruments	8,183,678	7,911,470
Unlisted instruments	9,219,253	378,755

17. Loans, advances and other receivables

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
<i>Loans, advances and other receivables to the financial sector:</i>		
Current accounts of banks	648,944	20,036
Loans, placements and advances, including:	1,269,993	3,769,573
<i>placements in banks</i>	852,872	3,380,479
Purchased receivables	17,679	14,774
Receivables related to reverse repo transactions	141,012	992,911
Other receivables	45,641	27,588
Total gross value	2,123,269	4,824,882
Impairment write-offs	(21,873)	(22,320)
Total net value	2,101,396	4,802,562
<i>Loans and advances to the non-financial sector:</i>		
Loans and advances	11,591,627	11,882,677
Purchased receivables	345,342	359,982
Realized guarantees	9,714	18,733
Other receivables	1,008,900	1,152,736
Total gross value	12,955,583	13,414,128
Impairment write-offs	(1,473,526)	(1,439,435)
Total net value	11,482,057	11,974,693
<i>Loans, advances and other receivables</i>	13,583,453	16,777,255

Finance lease receivables

The Group operates on the leasing market through its subordinated entity Handlowy-Leasing Sp. z o.o. The Group provides finance leases of vehicles, machines and equipment.

Included in loans, advances and other receivables to the non-financial sector are the following amounts relating to finance lease receivables:

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
Gross finance lease receivables	1,083,228	1,253,065
Unearned finance income	(79,223)	(102,501)
Net finance lease receivables	1,004,005	1,150,564

As at 30 June 2010 impairment for unrecoverable finance lease receivables amounted to PLN 75,920 thousand (as at 31 December 2009 amounted PLN 73,600 thousand).

Finance lease income is presented in interest income.

18. Impairment of loans and advances

The change in impairment of loans and advances is as follows:

<i>In thousands of PLN</i>	01.01. - 30.06. 2010	01.01. - 31.12. 2009
Balance as at 1 January	1,461,755	1,464,793
Related to:		
Receivables from banks	766	4,041
Receivables from other customers of financial and non- financial sector	1,460,989	1,460,752
Change in impairment write-downs:	80,555	(3,038)
credit, loans and other receivables write downs	350,492	761,272
write-downs for receivables from finalized transactions on derivatives	(5,203)	104,163
accounts receivable impairment write-downs	(121,420)	(103,287)
termination of credit, loans and other receivables write downs	(168,606)	(368,091)
sales of receivables	(19,974)	(425,596)
transfer form other assets	1,193	32,280
other	(2,838)	(3,779)
Balance as at end of period	1,495,399	1,461,755
Related to:		
Receivables from banks	352	766
Receivables from other customers of financial and non-financial sector	1,495,047	1,460,989

The closing balance of recognized impairment of loans and advances to customers consisted of:

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
Impairment on exposures subject to portfolio impairment assessment	662,398	547,973
Impairment on exposures subject to individual impairment assessment	652,843	771,034
Incurred but not reported losses (IBNR)	180,158	142,748

19. Financial liabilities valued at amortized cost***Financial liabilities valued at amortized cost (by category)***

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
<i>Deposits from financial sector:</i>		
Current accounts, including:	1,819,199	2,240,998
<i>Current accounts of banks</i>	943,314	1,474,356
Deposits, including:	4,198,697	2,490,436
<i>Term deposits of banks</i>	2,978,417	157,871
Accrued interest	3,058	3,826
	6,020,954	4,735,260
<i>Deposits from non-financial sector:</i>		
Current accounts, including:	10,037,186	10,611,554
<i>Corporate customers</i>	4,334,534	3,523,963
<i>Individual customers</i>	4,399,093	4,545,352
<i>Budgetary units</i>	742,871	1,957,517
Deposits, including:	11,116,551	9,939,696
<i>Corporate customers</i>	8,012,396	7,052,771
<i>Individual customers</i>	1,847,356	1,790,952
<i>Budgetary units</i>	729,339	690,391
Accrued interest	20,401	20,708
	21,174,138	20,571,958
<i>Deposits</i>	27,195,092	25,307,218
<i>Other liabilities:</i>		
Loans and advances received	750,787	828,585
Liabilities related to repo transactions	549,172	-
Other liabilities, including:	535,335	221,452
<i>Cash collateral</i>	135,445	150,976
Accrued interest	2,462	2,582
	1,837,756	1,052,619
	29,032,848	26,359,837

20. Financial assets and liabilities by maturity date**As at 30 June 2010**

<i>In thousands of PLN</i>	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Financial assets held for trading							
Debt securities held for trading	15	1,499,395	6,144	349	290,490	872,075	330,337
Financial assets available-for-sale							
Debt securities available-for-sale	16	17,402,931	7,699,252	-	357,133	5,362,484	3,984,062
Loans, advances and other receivables - gross							
Loans, advances and other receivables to the financial sector (in respect of):	17	2,123,269	1,772,965	21,058	312,273	-	16,973
<i>banks and other monetary financial institutions</i>	17	1,602,673	1,563,329	12,571	26,773	-	-
<i>other financial institutions</i>	17	520,596	209,636	8,487	285,500	-	16,973
Loans, advances and other receivables to the non-financial sector	17	12,955,583	6,920,394	562,757	1,642,194	3,440,143	390,095
Financial liabilities valued at amortized cost							
Financial sector (in respect of):	19	7,482,757	6,677,897	29,634	680,869	48,973	45,384
<i>banks and other monetary financial institutions</i>	19	5,407,815	4,621,984	18,418	674,752	47,277	45,384
<i>other financial institutions</i>	19	2,074,942	2,055,913	11,216	6,117	1,696	-
Non-financial sector	19	21,550,091	19,770,228	861,327	878,059	39,680	797

As at 31 December 2009

<i>In thousands of PLN</i>	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Financial assets held for trading							
Debt securities held for trading	15	2,275,793	10,743	1,344,611	73,092	791,478	55,869
Financial assets available-for-sale							
Debt securities available-for-sale	16	8,290,225	-	-	1,542,926	3,941,319	2,805,980
Loans, advances and other receivables – gross							
Loans, advances and other receivables to the financial sector (in respect of):	17	4,824,882	3,757,398	61,481	991,751	-	14,252
<i>banks and other monetary financial institutions</i>	17	3,481,974	3,414,497	61,481	5,996	-	-
<i>other financial institutions</i>	17	1,342,908	342,901	-	985,755	-	14,252
Loans, advances and other receivables to the non-financial sector	17	13,414,128	6,963,244	773,332	1,378,974	3,854,361	444,217
Financial liabilities valued at amortized cost							
Financial sector (in respect of):	19	5,567,570	4,627,120	69,947	766,169	6,617	97,717
<i>banks and other monetary financial institutions</i>	19	2,473,851	1,616,745	3,616	753,723	2,050	97,717
<i>other financial institutions</i>	19	3,093,719	3,010,375	66,331	12,446	4,567	-
Non-financial sector	19	20,792,267	19,077,658	1,193,358	493,477	27,709	65

21. Seasonal or cyclical nature of the business activity

The business activity of the Group does not involve significant events that would be subject to seasonal or cyclical variations.

22. Issue, redemption and repayment of debt and equity securities

No debt or equity securities were issued, bought out or repaid in the first half of 2010.

23. Paid or declared dividends*Declared dividends*

According to Resolution no 29/2010 of the Ordinary General Meeting of 28 June 2010 the profit for year 2009 was declared and the decision to pay out the dividend was made. Record and payment dates were also set. It was decided to pay out PLN 492,586,692.00 as a dividend to stockholders from net profit for the year 2009 which determined the payout for single share at PLN 3.77. The amount of shares eligible to dividend is 130,659,600.

Record date was set to be 5 July 2010 and payment date is 30 August 2010.

24. Changes in the Group's structure

In the first half of 2010 the structure of the Group has not changed as a result of merger, acquisitions or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

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

As at 30 June 2010 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

26. Changes in off-balance sheet liabilities

As at 30 June 2010 in comparison with the end of 2009 there were no significant changes as far as contingent liabilities granted and acquired are concerned. The only change was for the amount of PLN 1,293 million of financial liabilities received concerning deposits with future maturity date.

Other changes in off-balance sheet, in comparison to the end of 2009, concerned mainly liabilities related to the result of buying/selling operations, i.e. an increase in futures transactions volume – regarding FRA transactions.

The off-balance sheet liabilities are as follows:

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
Contingent liabilities		
Commitments granted		
a) financial	11,274,516	11,857,013
<i>Import letters of credit issued</i>	104,588	128,453
<i>Lines of credit granted</i>	10,863,500	11,428,560
<i>Forward placement</i>	6,428	-
<i>Subscription of securities granted to other issuers</i>	300,000	300,000
b) guarantees	2,234,109	1,910,419
<i>Guarantees granted</i>	2,186,909	1,902,396

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
<i>Export letters of credit confirmed</i>	8,350	8,023
<i>Other</i>	38,850	-
	13,508,625	13,767,432
Commitments received		
a) financial (<i>Deposits to be received</i>)	1,292,655	-
b) guarantees (<i>Guarantees received</i>)	2,922,635	3,231,817
	4,215,290	3,231,817
Current off-balance sheet transactions*	4,530,807	989,499
Forward off-balance sheet transactions**	162,589,424	150,135,664
	184,844,146	168,124,412

*Foreign exchange and securities trading, transactions with current value date

** Derivatives: FX, interest rate transactions and options

27. Information about shareholders

As at both 30 June 2010 and the day of releasing this consolidated financial statement for the first half of 2010 the list of shareholders who held 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 (‘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 first half of 2010 or during the period from publishing last interim report for the second quarter 2010 to publishing this consolidated financial statement for the first half of 2010 the structure of major shareholdings of the Bank was not changed.

28. Information on pending proceedings

As at 30 June 2010 there were no individual proceedings regarding receivables of the Group before a court, public administration authority or an arbitration authority, the value of which would be equal to at least 10% of the Group's equity.

The total value of all legal proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Group's equity and equaled PLN 662 million.

The most significant legal proceedings concerning receivables are as follows:

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	74,024	The court declared client's bankruptcy with an option of liquidation in April 2009.	In January 2010 The Bank submitted receivables resulting from credit contracts. The processing is pending.
Creditor: Bank Handlowy w Warszawie S.A.	43,690	12 February 2009 – declaration of client's bankruptcy with an option of agreement.	Case pending. The Bank submitted receivables of credit contract and futures transactions.
Creditor: Bank Handlowy w Warszawie S.A.	65,431	On 30 June 2009 the court declared the secondary bankruptcy of the client of the Bank including liquidation of assets and the official receiver was assigned.	The court called on creditors to submit receivables. The Bank's receivables concern futures transactions. Case pending.

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

As at 30 June 2010, there were no proceedings regarding liabilities of the Group, whose value would be equal to at least 10% of the Group's equity, pending before a court, public administration authority or an arbitration authority. The total value of claims concerning liabilities of the Bank or its subsidiary was not greater than 10% of the Group's equity.

In case of legal proceedings involving the risk of money outflow as a result of meeting Group's commitments the appropriate provisions are created.

Besides legal actions mentioned above, as at 30 June 2010, there was no significant legal action concerning future financial transactions in neither of the areas: receivables or liabilities of the Group.

29. Related parties

Transactions with related parties

Within its normal course of business activities the Group enters into transactions with related entities, in particular with entities of Citigroup Inc., associates and members of the Bank's supervisory board, management and employees.

The transactions with related entities mainly include loans, deposits, guarantees and derivatives transactions.

Transactions with Citigroup Inc. entities

The balance sheet and off-balance sheet receivables and commitments towards Citigroup Inc. companies:

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
Receivables, including:	955,721	1,232,030
<i>Placements</i>	442,223	1,201,701
Liabilities, including:	2,660,883	1,735,533
<i>Deposits</i>	1,379,307	78,175
<i>Loans received</i>	581,418	637,999

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
Balance valuation of derivative transactions		
Assets held-for-trading	2,578,896	2,081,387
Liabilities held-for-trading	2,756,389	2,619,218
Off-balance sheet guarantee liabilities granted	279,622	226,595
Off-balance sheet guarantee liabilities received	17,252	19,007
Off-balance derivative liabilities, including:	103,610,770	100,091,111
Interest instruments	94,320,624	90,797,786
Currency instruments	8,844,964	9,174,229
Securities transactions	344,446	112,508
Goods transactions	100,736	6,588
Interest and commission income in the first half of 2010/2009	19,774	29,581
Interest and commission expense in the first half of 2010/2009	3,247	11,674

The Group makes profit and incurs costs on derivative transactions with entities of Citigroup Inc. in order to protect itself from market risk. These are back to back derivative transactions entered into with the group's other clients. On 30 June 2010 net balance valuation of transactions on derivatives amounted to PLN -177,493 thousands (31 December 2009: PLN -537,831 thousands).

Furthermore the Group incurs costs and receives income of an operational nature from agreements concluded between Citigroup Inc. entities and the Group for the provision of mutual services. The costs arising and accrued in the first half of 2010 from concluded agreements amounted in total to PLN 58,500 thousand (in the first half of 2009: PLN 75,823 thousand) and related in particular to the costs arising from the provision of services related to the maintenance of the Group's information systems and advisory support for the Group; income of PLN 25,364 thousand (in the first half of 2009: 27,692 thousand) from the provision for data processing and other services rendered by the Group.

Transactions with subordinated entities

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
<i>Loans, advances and other receivables*</i>		
Current accounts	204,816	267,100
<i>Loans, advances and other receivables</i>		
Opening balance	267,100	220,096
Closing balance	204,816	267,100
<i>Deposits</i>		
Current accounts (in respect of):	26,755	13,866
<i>consolidated subordinated undertakings</i>	13,597	94
<i>subordinated undertakings accounted for under the equity method</i>	13,157	13,772
Term deposits (in respect of):	272,514	198,319
<i>consolidated subordinated undertakings</i>	233,292	159,713
<i>subordinated undertakings accounted for under the equity method</i>	39,222	38,606
	299,268	212,185
<i>Deposits</i>		
Opening balance	212,185	231,488
Closing balance	299,268	212,185

<i>In thousands of PLN</i>	30.06.2010	31.12.2009
<i>Contingent liabilities granted**</i>		
Credit lines granted	303,885	176,192
Interest and commission income in the first half of 2010/2009 (in respect of):	5,108	4,040
<i>consolidated subordinated undertakings</i>	5,103	4,034
<i>subordinated undertakings accounted for under the equity method</i>	5	6
Interest and commission expenses in the first half of 2010/2009 (in respect of):	3,284	3,659
<i>consolidated subordinated undertakings</i>	2,509	2,649
<i>subordinated undertakings accounted for under the equity method</i>	775	1,010

* On 30 June 2010 and 31 December 2009 loans, advances and other receivables were related to taken advantage credits in current account of consolidation included units.

** On 30 June 2010 and 31 December 2009, contingent liabilities granted to dependent units concerned obligations granted to consolidation included units.

As at 30 June 2010 and 31 December 2009 any receivables or contingent liabilities of subsidiaries have not been subject to impairment write-offs.

Transactions with employees, members of the Management Board and Supervisory Board

<i>In thousands of PLN</i>	30.06.2010			31.12.2009		
	Employees	Members of the Management Board	Members of the Supervisory Board	Employees	Members of the Management Board	Members of the Supervisory Board
<i>Loans, advances and other receivables</i>						
Loans granted	58,569	43	-	73,112	52	-
Staff benefits	25,389	-	-	24,970	-	-
Prepayments	24	-	-	9	-	-
	83,982	43	-	98,091	52	-
<i>Deposits</i>						
Current accounts	121,325	3,376	4,814	117,417	231	3,689
Term deposits	35,413	550	726	37,846	2,152	1,192
	156,738	3,926	5,540	155,263	2,383	4,881

30. Statement of the Bank's Management Board

Accuracy and fairness of the statements presented

To the best knowledge of the Bank's Management Board, which members are: Mr. Sławomir S. Sikora – President of the Management Board, Mr. Robert Daniel Massey JR – Vice-president of the Management Board, Mr. Michał H. Mrozek – Vice-President of the Management Board, Mrs. Sonia Wędrychowicz-Horbatowska – Vice-President of the Management Board, Mr. Witold Zieliński – Vice-President of the Management Board and Mrs. Iwona Dudzińska – Member of the Management Board, the financial data and the comparative data presented in the 'Condensed Interim Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the period ended 30 June 2010' were prepared consistently with the accounting standards in force and reflect the accurate, true and fair view of assets and financial position as well as the financial profit or loss of the Group. The 'Report on Activities of the Capital Group of Bank Handlowy w Warszawie S.A. in the first half of 2010' contained in this document is a true

representation of the development, achievements and situation (together with a description of the main types of risks) of the Group in the first half of 2010.

Selection of the entity authorized to examine financial statements

The entity authorized to examine financial statements KPMG Audyt Sp. z o.o., reviewing the “Condensed Interim Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. as at 30 June 2010” was selected consistently with the legal regulations. This entity along with the registered auditor reviewing the financial statements met the conditions necessary for issuing an impartial and independent report on the review, consistently with the respective regulations of the Polish law and professional standards.

Signatures of Management Board Members

23.08.2010 Date	Sławomir S. Sikora Name	President of the Management Board Position / function Signature
23.08.2010 Date	Robert Daniel Massey JR Name	Vice-President of the Management Board Position / function Signature
23.08.2010 Date	Michał H. Mrożek Name	Vice-President of the Management Board Position / function Signature
23.08.2010 Date	Sonia Wędrychowicz- Horbatowska Name	Vice-President of the Management Board Position / function Signature
23.08.2010 Date	Witold Zieliński Name	Vice- President of the Management Board Position / function Signature
23.08.2010 Date	Iwona Dudzińska Name	Member of the Management Board Position / function Signature