REPORT ON ACTIVITIES
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
IN THE FIRST HALF OF 2015

AUGUST 2015

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I. Poland's economy in the first half of 2015

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

Monthly macroeconomic figures indicate a stable, relatively high rate of economic growth in the first half of 2015. Economic growth in the first quarter was higher than expected at 3.6% YoY compared to a 3.3% YoY increase in the third and fourth quarters of 2014. Economic growth continues to be driven primarily by domestic demand but, compared to 2014, the importance of foreign trade has increased distinctly. The higher contribution of net exports to GDP growth derived both from a relatively high increase in exports, supported by foreign demand, and a decrease in imports, largely driven by oil prices which were much lower than a year earlier. An increase of foreign and domestic orders helped to grow industrial production, which stepped up from 1.7% YoY in the second half of 2014 to 4.7% YoY in the first half of 2015, adjusted for business days.

Strong private consumption in the first half is reflected in the acceleration of retail sales growth in real terms up to 4.2% YoY from 3% YoY in the second half of 2014. Sound consumption is attributable both to gradual improvement of the situation in the labor market and low inflation rate which supports disposable household incomes in real terms. The increase of wages and salaries in the corporate sector was stable in the first half of 2015 compared to the second half of 2014 at 3.5% YoY. At the same time, the growth rate of employment was 1.1% YoY, which was higher than 0.8% in the second half of 2014, although it peaked early in the year and later gradually decelerated. Inflation reached its low of -1.6% YoY in February and then started to rise gradually while its positive contribution to real disposable incomes was falling. Food and fuel prices remained the main factors keeping inflation low. Consumer prices fell by 0.8% YoY in June 2015 compared to 1% in December 2014. The registered unemployment rate decreased to less than 11%, the lowest level since 2009.

In view of the expected long period of deflation, the Monetary Policy Council (RPP) lowered the NBP reference rate by 50 bps down to the historical low of 1.50%. At the same time, RPP signaled that its decision marked the end of the monetary policy easing cycle.

In the first half of 2015, the Polish zloty appreciated against the euro and weakened against the US dollar. The EUR/PLN exchange rate dropped to 4.19 at the end of June from 4.29 at the end of 2014. On the other hand, the USD/PLN exchange rate climbed to 3.76 from 3.54, respectively. The euro's depreciation against the US dollar and the Polish zloty was attributable to the launch of the assets purchase program by the European Central Bank in March, whereas the US currency was supported by the expected start of interest rate increases in the US. Furthermore, sound economic activity figures and continued shrinking of the current account deficit both supported the Polish zloty in the initial months of 2015. The problems faced by Greece had an adverse impact on the zloty in the second quarter.

As regards the debt market, the yields increased and the yield curve grew steeper in the first half of 2015. Higher yields were supported by the end of the interest rate cut cycle, the reversal of the downward trend in inflation, and an uptrend in bond yields on the core debt markets. The yields of 2Y bonds stood at 1.98% at the end of first half of 2015 compared to 1.77% at the end of 2014. On the other hand, the yields of 10Y bonds rose to 3.33% from 2.54%, respectively. The yield rates recorded their historic lows at the end of January at, respectively, approx. 1.52% for two-year bonds and 2% for ten-year bonds. The 3M WIBOR amounted to 1.72% at the end of June 2015 compared to 2.06% at the end of 2014.

2. Capital market

The capital market in the first half of 2015 followed two diverse trends. The announcement of the government bond purchase program by the European Central Bank, a new interest rate cut decided by the Monetary Policy Council and capital flows, relatively small as they were, into small and mid-cap funds all bolstered a positive sentiment in the domestic equity market in the first quarter of 2015. The market conditions declined in the second quarter due to concerns with the implementation of unfavorable regulations governing FX loans in the banking sector as well as the risk of Grexit.

All main indices closed in the first half in the black. The main index WIG gained 3.7%. The large-cap index WIG20 rose notionally (+0.1%) and was outperformed by the small cap index (+6.6%) and the mid-cap index (+5.8%).

Among the sector indices, the fuel company index was a strong performer as it gained 49% in the period. Good performance was also reported by the construction industry index (+24.4%) and the chemical industry index (+24.7%). On the other hand, the underperformers included the commodity industry index (-8.6%) and the banking industry index (-7.1%).

The IPO market showed clear signs of recovery in the first half. The Main Market of the Warsaw Stock Exchange (WSE) reported 10 IPOs in the period (compared to 13 IPOs in the first half of 2014) and the total value of the offerings was more than PLN 1.3 billion (IPOs in the first half of 2014 were worth only PLN 455 million).

Shares of 473 companies were traded on the Warsaw Stock Exchange at the end of June (including 421 domestic companies) and their market value was more than PLN 1,210 billion (+34% YoY or -9% YoY net of Banco Santander).

Warsaw Stock Exchange (WSE) Equity Indices as of June 30, 2015

Index	30.06.2015 (1)	31.12.2014 (2)	Change (%) (1)/(2)	30.06.2014 (3)	Change (%) (1)/(3)
WIG	53,328.98	51,416.08	3.7%	51,934.94	(1.0%)
WIG-PL	54,697.00	52,805.46	3.6%	53,233.97	(0.8%)
WIG-div	1,178.57	1,151.73	2.3%	1,144.52	0.6%
WIG20	2,317.84	2,315.94	0.1%	2,408.81	(3.9%)
WIG20TR	3,742.78	3,680.89	1.7%	3,732.84	(1.4%)
WIG30	2,540.32	2,487.52	2.1%	2,585.55	(3.8%)
mWIG40	3,685.49	3,483.45	5.8%	3,446.01	1.1%
sWIG80	12,901.55	12,108.06	6.6%	12,778.30	(5.2%)
Sector sub-indices					
WIG-Banks	7,397.98	7,960.97	(7.1%)	8,125.78	(2.0%)
WIG-Construction	2,666.88	2,143.29	24.4%	2,072.14	3.4%
WIG-Chemicals	14,197.29	11,383.76	24.7%	12,084.55	(5.8%)
WIG-Developers	1,369.31	1,340.47	2.2%	1,500.68	(10.7%)
WIG-Energy	4,162.55	4,268.12	(2.5%)	4,353.38	(2.0%)
WIG-IT	1,639.99	1,386.48	18.3%	1,247.43	11.1%
WIG-Media	4,204.91	3,840.32	9.5%	3,693.72	4.0%
WIG-Fuel	5,036.24	3,381.16	49.0%	3,280.15	3.1%
WIG-Food	2,945.16	2,468.65	19.3%	2,743.83	(10.0%)
WIG-Commodities	3,182.74	3,481.62	(8.6%)	4,164.49	(16.4%)
WIG-Telecoms	968.10	924.52	4.7%	1,033.16	(10.5%)

Source: WSE, Dom Maklerski Banku Handlowego S.A. ("DMBH")

Equity, bond and derivatives trading volumes on WSE in the first half of 2015

	1st half of 2015	Change (%) 1H15/2H14	2nd half of 2014	Change (%) YoY	1st half of 2014
Equity (PLN million)*	227,890	(1.1%)	230,354	(3.2%)	235,376
Bonds (PLN million)	766	(24.4%)	1,013	(21.0%)	970
Futures ('000 contracts)	8,017	3.9%	7,716	(22.1%)	10,288
Options ('000 contracts)	401	(24.3%)	530	(6.3%)	428

** figures excluding calls*
Source: WSE, DMBH

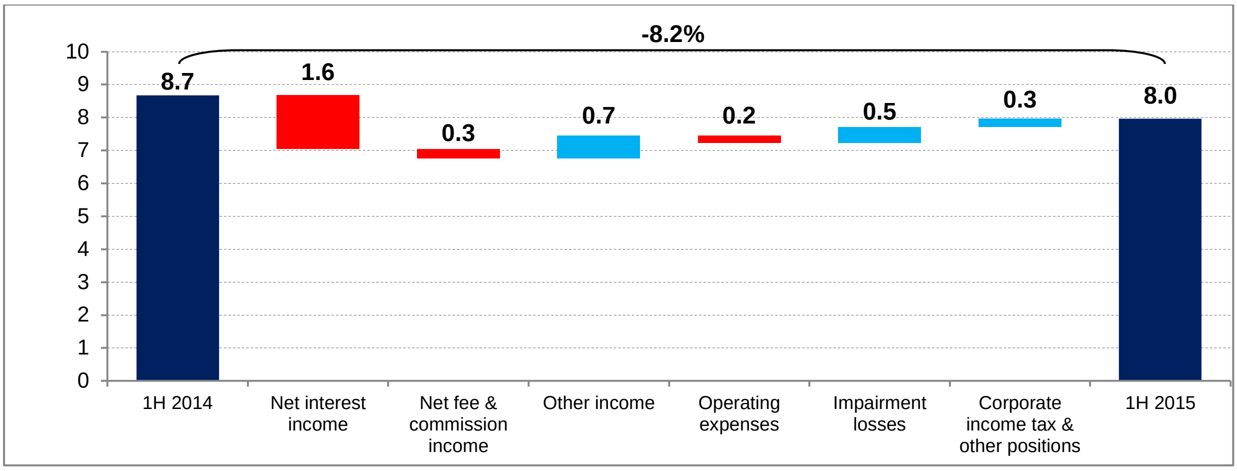
The activity in the equity market was modestly weaker in the first half of 2015. The total value of trade in shares was over PLN 227.9 billion, representing a decrease compared to the first half of 2014 (-3.2%) and the second half of 2014 (-1.1%).

In the same period there was a visible slump in debt securities trading. The volume of bond trading declined significantly both YoY and compared to the second half of 2014 (by 21% and 24.4%, respectively).

The volume of trade in the futures market was more than 8.02 million instruments, representing an increase of 3.9% compared to the second half of 2014. However, the activity of investors in this segment declined significantly YoY (-22.1%). Within the same period, the volume of trade in options was 401,000 instruments and was on a decrease both compared to the first half of 2014 (-6.3%) and the second half of 2014 (-24.4%).

3. Banking sector

Net profit of the banking sector (PLN billion)

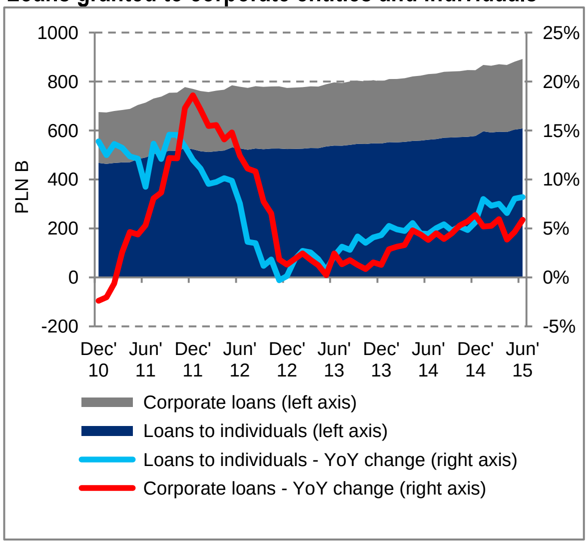


Source: NBP, own calculations

The net profit of the banking sector decreased by -8% YoY (PLN -0.7 billion) in the first half of 2015. The decrease was mainly driven by a reduction of the net interest income by -9% YoY (PLN 1.6 billion) following interest rate cuts. The net fee and commission income decreased by -4% YoY (PLN 0.3 billion). Those weak results were partially offset by the net income on other activities, which increased by as much as 16% YoY (PLN +0.7 billion), however, mainly due to one-off events reported by some of the banks in the first quarter of 2015. As a result, the total revenue of the banking sector decreased by -4% YoY to PLN 28.6 billion. The net profit of the banking sector was bolstered by a decrease of net impairment provisions by -12% YoY (PLN -0.5 billion). Operating costs increased modestly in the period by 1% YoY (PLN 0.2 billion).

The reduction of net impairment provisions was accompanied by a marked improvement in the quality of the retail loan portfolio. The non-performing loans (NPL) ratio of retail loans decreased from 7.0% at the end of first half of 2014 to 6.6% at the end of the first half of 2015. The decrease was mainly driven by a strong improvement of the quality of consumer loans (improvement by 1.9 p.p. to 12.3%). The NPL ratio for mortgage loans declined modestly in the period (from 3.2% to 3.4%) due to significant decline in the CHF loan market. The NPL ratio of loans denominated in foreign currencies increased from 2.6% to 3.3% YoY. The aggregate NPL ratio of corporate loans remained stable in the last 12 months at 10.9%. The quality of loans to large corporations declined modestly at the end of June 2015 (+0.1 p.p. YoY to 8.8%) while the quality of loans to small and medium-sized enterprises improved (-0.2 p.p. to 12.4%).

Loans granted to corporate entities and individuals



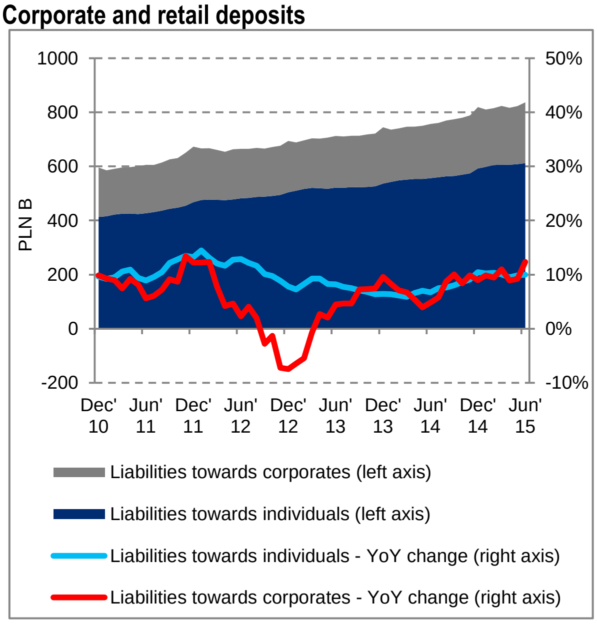
Source: NBP, own calculations

The effectiveness of the sector as measured by the cost/income ratio declined substantially. The ratio increased from 50.5% in the first half of 2014 to 55% in the first half of 2015.

The growth rate of loans to the non-financial sector gradually improved in the last 12 months and reached +7% YoY at the end of June 2015 (increase of PLN 66 billion to PLN 1,001 billion). The value of loans granted to enterprises increased by +6% YoY and stood at PLN 284 billion in the first half of 2015. From the perspective of the purpose of corporate loans, the growth rate of investment loans was strong (+8% YoY, PLN +7 billion to PLN 97 billion) and was combined with a fast growth of loans with original maturities from 1 to 5 years (an increase of 5% YoY, PLN +4 billion to PLN 73 billion) and over 5 years (+8% YoY, PLN +10 billion to PLN 130 billion).

Loans granted to individuals also followed a positive trend. With a growth rate of 8.7% YoY, the volume of loans increased by PLN +41 billion to PLN 518 billion. The increase was mainly driven by a high growth rate of real estate loans (+10% YoY, PLN +34 billion to PLN 376 billion). The main driver was a dramatic depreciation of the zloty against the Swiss franc (CHF/PLN +18% YoY), which caused the value of the FX mortgage loan portfolio to increase (+7% YoY, PLN +12 billion to PLN 175 billion). Loans denominated in the local currency increased by +12% YoY (PLN +22 billion to PLN 201 billion). Non-mortgage loans increased by +5% YoY (PLN 7 billion). As a result, the total value of non-mortgage loans in the retail sector reached PLN 142 billion in June 2015.

Corporate and retail deposits



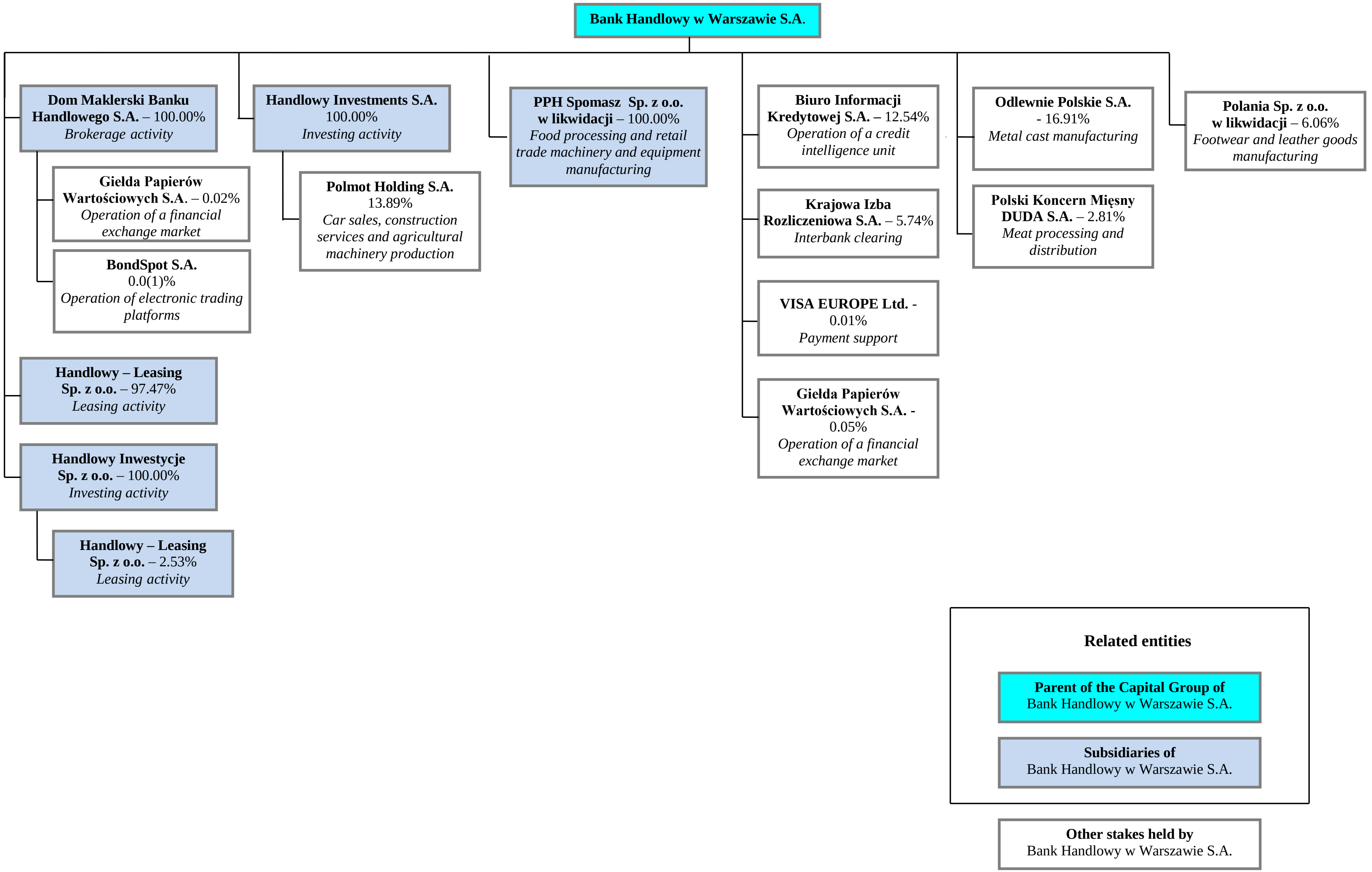
Source: NBP, own calculations

Deposits of the non-financial sector increased by PLN +57 billion YoY (+6% to PLN 940 billion). Deposits of individuals represented a major part of the increase: their growth rate was +10% YoY at the end of June 2015. In these, the volumes of current deposits grew more (PLN +30 billion to PLN 282 billion) than term deposits (PLN +20 billion to PLN 289 billion).

Corporate deposits also grew noticeably. With a growth rate of +12% YoY, their volume increased by PLN 25 billion to PLN 225 billion. The growth was driven by a significant increase of current deposits (+15% YoY, PLN +16 billion to PLN 127 billion). Term deposits increased by +9% YoY (PLN +8 billion to PLN 98 billion).

II. Organizational chart of the Capital Group of Bank Handlowy w Warszawie S.A.

The organizational chart below depicts the structure of the Capital Group of Bank Handlowy w Warszawie S.A. (“Bank”) as of June 30, 2015; the Bank’s share interest in each specified.


Bank Handlowy w Warszawie S.A.
Dom Maklerski Banku Handlowego S.A. – 100.00% *Brokerage activity*
Gielda Papierów Wartościowych S.A. – 0.02% *Operation of a financial exchange market*
BondSpot S.A. 0.0(1)% *Operation of electronic trading platforms*
Handlowy – Leasing Sp. z o.o. – 97.47% *Leasing activity*
Handlowy Inwestycje Sp. z o.o. – 100.00% *Investing activity*
Handlowy – Leasing Sp. z o.o. – 2.53% *Leasing activity*
Handlowy Investments S.A. 100.00% *Investing activity*
Polmot Holding S.A. 13.89% *Car sales, construction services and agricultural machinery production*
PPH Spomasz Sp. z o.o. w likwidacji – 100.00% *Food processing and retail trade machinery and equipment manufacturing*
Biuro Informacji Kredytowej S.A. – 12.54% *Operation of a credit intelligence unit*
Krajowa Izba Rozliczeniowa S.A. – 5.74% *Interbank clearing*
VISA EUROPE Ltd. - 0.01% *Payment support*
Gielda Papierów Wartościowych S.A. - 0.05% *Operation of a financial exchange market*
Odlewnie Polskie S.A. - 16.91% *Metal cast manufacturing*
Polski Koncern Mięsny DUDA S.A. – 2.81% *Meat processing and distribution*
Polania Sp. z o.o. w likwidacji – 6.06% *Footwear and leather goods manufacturing*
Related entities
Parent of the Capital Group of Bank Handlowy w Warszawie S.A.
Subsidiaries of Bank Handlowy w Warszawie S.A.
Other stakes held by Bank Handlowy w Warszawie S.A.

III. The organizational structure of the Capital Group of Bank Handlowy w Warszawie S.A.

The Capital Group of Bank Handlowy w Warszawie S.A. ("Group") consists of a parent company and subsidiaries:

BANK HANDLOWY W WARSZAWIE S.A. GROUP ENTITIES FULLY CONSOLIDATED

Entity	Core business	Capital relationship	% of authorized capital held	Accounting method	Equity (PLN '000) 30 Jun 2015
Bank Handlowy w Warszawie S.A.*	Banking	parent	-	-	6,533,483
Dom Maklerski Banku Handlowego S.A. ("DMBH")	Brokerage activities	subsidiary	100.00%	full consolidation	99,756
Handlowy - Leasing Sp. z o.o.	Leasing activities	subsidiary	100.00%**	full consolidation	136,574
Handlowy Investments S.A.	Investing activity	subsidiary	100.00%	full consolidation	43,621
PPH Spomasz Sp. z o.o. w likwidacji	Ceased operations	subsidiary	100.00%	full consolidation	Entity under liquidation

** Equity of Bank Handlowy w Warszawie S.A. as per statement of financial position of the Bank for the first half of 2015*
*** Including indirect participations*

BANK HANDLOWY W WARSZAWIE S.A. GROUP ENTITIES NOT FULLY CONSOLIDATED

Entity	Core business	Capital relationship	% of authorized capital held	Accounting method	Equity (PLN '000) 30 Jun 2015
Handlowy Inwestycje Sp. z o.o.	Investing activity	subsidiary	100.00%	equity valuation	10,936

IV. Selected financial data of the Capital Group of Bank Handlowy w Warszawie S.A.

1. Summary financial data of the Group

PLN million	30 Jun 2015	31 Dec 2014
Total assets	51,661.0	49,843.7
Total equity	6,584.5	7,410.8
Amounts due from customers*	17,429.2	16,770.5
Customer deposits*	25,716.7	29,499.9
Net profit	367.2	947.3
Capital adequacy ratio	16.6%	17.5%

** Amounts due from and deposits of non-banking entities of the financial sector, entities of the non-financial sector, including the public sector.*

2. Financial result of the Group for the first half of 2015

Below financial results based on 2015 semi-annual Report of the Capital Group.

2.1 Income statement

In the first half of 2015, the Group posted a net profit of PLN 367.2 million, representing a decrease of PLN 146.7 million (i.e. 28.5%) compared to the net profit of PLN 513.9 million for the first half of 2014. The profit before tax for the first half 2015 was PLN 459.0 million, representing a decrease of PLN 168.5 million as compared to the first half of 2014.

The revenue of the Group decreased by PLN 182.9 million (i.e. 14.4%) in the same period and stood at PLN 1,088.8 million. The main drivers of the decrease of the revenue included a reduction of the net interest income following further interest rate cuts and a decrease of the net result on Treasury operations.

In the first half of 2015, the Group continued the policy of cost discipline and reduced operating costs and general administrative expenses as well as depreciation by PLN 18.4 million (i.e. 2.9%) to PLN 624.4 million.

The Group reported a low cost of risk: net impairment losses on financial assets and provisions for financial and guarantee commitments stood at PLN -5.5 million compared to PLN -2.0 million in the corresponding period of the previous year.

Selected income statement items

	1st half of		Change	
PLN'000	2015	2014	PLN'000	%
Net interest income	496,786	595,204	(98,418)	(16.5%)
Net fee and commission income	310,032	324,127	(14,095)	(4.3%)
Dividend income	7,177	5,682	1,495	26.3%
Net income on trading financial instruments and revaluation	157,626	231,325	(73,699)	(31.9%)
Net gain on investment debt securities	118,800	105,288	13,512	12.8%
Net gain on investment equity instruments	-	2,855	(2,855)	(100.0%)
Net loss on hedge accounting	910	(709)	1,619	228.3%
Net other operating income	(2,567)	7,867	(10,434)	(132.6%)
Total income	**1,088,764**	**1,271,639**	**(182,875)**	**(14.4%)**
General administrative expenses and depreciation:	(624,375)	(642,766)	18,391	2.9%
General administrative expenses	(589,262)	(606,582)	17,320	2.9%
Depreciation and amortization	(35,113)	(36,184)	1,071	3.0%
Profit on sale of non-financial assets	72	297	(225)	(75.8%)
Net impairment losses on financial assets and provisions for granted financial liabilities and guarantees	(5,484)	(1,997)	(3,487)	(174.6%)
Share in net profits/losses of entities valued at equity method	48	313	(265)	(84.7%)
Profit before tax	**459,025**	**627,486**	**(168,461)**	**(26.8%)**
Income tax expense	(91,808)	(113,587)	21,779	19.2%
Net profit	**367,217**	**513,899**	**(146,682)**	**(28.5%)**

2.1.1 Revenues

The net interest income in the first half of 2015 was PLN 496.8 million compared to PLN 595.2 million in the first half of 2014; the decrease of PLN 98.4 million (i.e. 16.5%), due to the reduction in interest rates to a historically low level. Consequently, interest income from amounts due from the non-financial sector customers declined by PLN 100.7 million (or 21.2%), which was partially offset by a lower level of interest expense on amounts due to non-financial sector entities by PLN 42.9 million (or 42.2%) and on amounts due to financial sector entities by PLN 21.3 million (or 46.1%). A significant drop in interest income was also recorded in the case of debt securities available-for-sale by PLN 67.9 million (or 34.2%), while interest income from debt securities held-for-trading went up by PLN 10.9 million (or 27.1%).

The net fee and commission income was PLN 310.0 million in the first half of 2015 compared to PLN 324.1 million in the first half of 2014; the decrease by PLN 14.1 million (i.e. 4.3%), was mainly the effect of lower revenues from payment and credit cards in connection with the implementation of the lowered interchange fee as of 29 January 2015 (reduction to 0.2% - 0.3%), partially offset by an increase in sales of installment products for credit cards and a decrease of costs in connection with the rationalization of the product offer of credit cards. In the financial market segment, the result on brokerage activities decreased by PLN 10.2 million (i.e. 38.2%) due to the lower trade on the Warsaw Stock Exchange while the result on custody activities increased by PLN 7.3 million (i.e. 13.5%).

The net income on trade financial instruments and revaluation was PLN 157.6 million in the first half of 2015 compared to PLN 231.3 million in the first half of 2014; the decrease of PLN 73.7 million (i.e. 31.9%), was due to a lower net income on interbank market operations.

The net income on investment debt securities in the first half of 2015 was PLN 118.8 million, representing an increase of PLN 13.5 million as compared to the first half of 2014.

2.1.2 Expenses

The operating costs, general administrative expenses and depreciation of the Group stood at PLN 624.4 million in the first half of 2015 compared to PLN 642.8 million in the first half of 2014. The decrease of expenses by PLN 18.4 million (i.e. 2.9%), was mainly owed to reduction of staff expenses by PLN 10.9 million (i.e. 3.6%) following workforce reductions. In addition, general administrative expenses decreased by PLN 6.4 million, mainly due to lower costs of co-operation with selected third-party partners providing services to the Bank, which decreased by PLN 19.4 million (i.e. 73.7%), partially offset by an increase of technology expenses by PLN 11.8 million (i.e. 13.4%).

2.1.3 Net impairment losses on financial assets and provisions for granted financial liabilities and guarantees

Net impairment losses and provisions

PLN'000	1st half of		Change	
	2015	2014	PLN'000	%
Net impairment losses incurred but not reported (IBNR)	8,421	11,064	(2,643)	(23.9%)
Net impairment losses on loans and provisions for financial and guarantee liabilities	(15,630)	(13,293)	(2,337)	(17.6%)
classifiable (individual assessment)	(8,547)	(12,008)	3,461	28.8%
delinquency managed (portfolio assessment)	(7,083)	(1,285)	(5,798)	(451.2%)
Other	1,725	232	1,493	643.5%
Net impairment losses on financial assets and provisions for granted financial liabilities and guarantees	**(5,484)**	**(1,997)**	**(3,487)**	**174.6%**

In the first half of 2015, net impairment losses on financial assets and provisions for financial and guarantee commitments stood at PLN -5.5 million compared to PLN -2.0 million in the first half of 2014. The impairment losses in the Corporate Bank decreased by PLN 1 million among others due to the improved quality of exposures. The Consumer Banking Segment reported an increase in net impairment losses by PLN 4.4 million, primarily due to individual clients' exposures increase.

2.1.4 Ratio analysis

Selected financial ratios

	1st half of 2015	1st half of 2014
Return on equity (ROE) *	12.4%	13.1%
Return on assets (ROA) **	1.6%	1.8%
Cost/Income (C/I)	57.3%	50.5%
Non-financial sector loans to non-financial sector deposits	74%	74%
Non-financial sector loans to total assets	32%	35%
Net interest income to total revenue	46%	47%
Net fee and commission income to total revenue	28%	25%

** Net profit to average equity (excluding net profit for the current year) calculated on a quarterly basis.*

*** Net profit to average total assets calculated on a quarterly basis.*

Employment within the Group

FTEs	1st half of 2015	1st half of 2014	Change	
			FTEs	%
Average no. of jobs in the period	4,193	4,424	(231)	(5.2%)
No. of jobs at the end of the period	4,186	4,332	(146)	(3.4%)

There was a further drop in employee number in the Group in the first half of 2015 compared to the same period of the previous year, following started in October 2013 and ended in October 2014 process of employment restructuring.

2.2 Consolidated statement of financial position

As at 30 June 2015, the total assets of the Group reached PLN 51.7 billion and were 3.6% higher than at the end of 2014.

Consolidated statement of financial position

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
ASSETS				
Cash and balances with the Central Bank	5,347,946	1,522,949	3,824,997	251,2%
Amounts due from banks	3,622,715	2,065,685	1,557,030	75,4%
Financial assets held-for-trading	9,645,331	12,721,573	(3,076,242)	(24,2%)
Hedging derivatives	41,311	-	41,311	-
Debt securities available-for-sale	13,161,858	14,435,099	(1,273,241)	(8,8%)
Equity investments valued at equity method	7,753	7,765	(12)	(0,2%)
Equity investments available-for-sale	8,257	8,211	46	0,6%
Amounts due from customers	17,429,221	16,770,482	658,739	3,9%
Tangible fixed assets	363,926	366,857	(2,931)	(0,8%)
Intangible assets	1,381,209	1,387,745	(6,536)	(0,5%)
Current income tax receivables	4,044	13,255	(9,211)	(69,5%)
Deferred tax asset	222,945	157,319	65,626	41,7%
Other assets	422,579	384,612	37,967	9,9%
Non-current assets held-for-sale	1,928	2,113	(185)	(8,8%)
Total assets	**51,661,023**	**49,843,665**	**1,817,358**	**3,6%**
LIABILITIES				
Amounts due to banks	9,452,169	5,122,576	4,329,593	84,5%
Financial liabilities held-for-trading	7,569,403	6,770,922	798,481	11,8%
Hedging derivatives	593	-	593	-

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Amounts due to customers	26,056,387	29,632,598	(3,576,211)	(12,1%)
Provisions	25,295	26,409	(1,114)	(4,2%)
Current income tax liabilities	45,978	186	45,792	-
Other liabilities	1,926,681	880,214	1,046,467	118,9%
Total liabilities	**45,076,506**	**42,432,905**	**2,643,601**	**6,2%**
EQUITY				
Ordinary shares	522,638	522,638	-	-
Share premium	3,001,525	3,000,298	1,227	0,0%
Revaluation reserve	(169,582)	52,873	(222,455)	(420,7%)
Other reserves	2,868,541	2,893,523	(24,982)	(0,9%)
Retained earnings	361,395	941,428	(580,033)	(61,6%)
Total equity	**6,584,517**	**7,410,760**	**(826,243)**	**(11,1%)**
Liabilities and equity	**51,661,023**	**49,843,665**	**1,817,358**	**3,6%**

2.2.1 Assets

Gross amounts due from customers

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Non-banking financial institutions	1,037,892	1,040,446	(2,554)	(0.2%)
Non-financial companies	10,663,670	10,155,119	508,551	5.0%
Individuals	6,382,973	6,280,166	102,807	1.6%
Public sector entities	138,648	93,643	45,005	48.1%
Non-commercial institutions	6	4	2	50.0%
Total gross receivables from clients	**18,223,189**	**17,569,378**	**653,811**	**3.7%**

In the first half of 2015, gross receivables from customers grew by PLN 0.7 billion (i.e. 3.7%), compared to the end of 2014 and amounted to PLN 18.2 billion.

The increase was caused by expansion of lending to non-financial customers (PLN +0.7 billion, i.e. 4.2%). Receivables from the non-financial sector increased including both institutional customers (PLN 0.6 billion, i.e. 5.7%; the increase was mainly recorded for customers of the Commercial Bank) and individual customers (PLN 0.1 billion, i.e. 1.7%; here, non-secured loans and mortgage loans both increased).

Customer net receivables

PLN '000	As of		Change	
	30.06.2015	31.12.2014	PLN '000	%
Receivables from financial sector entities, including:	**1,020,642**	**1,021,364**	**(722)**	**(0.1%)**
Reverse repo transactions	565,294	599,899	(34,605)	(5.8%)
Receivables from non-financial sector entities, including:	**16,408,579**	**15,749,118**	**659,461**	**4.2%**
Institutional customers*	10,426,274	9,864,270	562,004	5.7%
Individual customers, including:	5,982,305	5,884,848	97,457	1.7%
Unsecured receivables	4,702,896	4,648,480	54,416	1.2%
Mortgage loans	1,279,409	1,236,368	43,041	3.5%
Total net customer receivables	**17,429,221**	**16,770,482**	**658,739**	**3.9%**

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

Debt securities portfolio

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Treasury bonds, including:	13,415,277	15,697,616	(2,282,339)	(14.5%)
Bonds hedged in the fair value hedge accounting	4,685,763	-	4,685,763	-
Bonds issued by banks	1,278,726	1,319,809	(41,083)	(3.1%)
Bonds issued by non-financial institutions	-	14,799	(14,799)	(100.0%)
Bonds issued by financial institutions	37,052	-	37,052	-
The Central Bank (NBP) cash bills	2,999,742	4,499,750	(1,500,008)	(33.3%)
Debt securities, total	**17,730,797**	**21,531,974**	**(3,801,177)**	**(17.7%)**

The debt securities portfolio decreased by PLN 3.8 billion (i.e. 17.7%) in the first half of 2015 year to date mainly due to a decrease of positions in Treasury bonds held-for-trading as well as a decrease of positions in NBP cash bills classified as available-for-sale.

2.2.2 Liabilities

Liabilities towards customers

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Deposits from financial sector entities	**3,429,413**	**3,115,435**	**313,978**	**10.1%**
Deposits of non-financial sector entities, including:	**22,287,289**	**26,384,513**	**(4,097,224)**	**(15.5%)**
non-financial companies	12,310,968	13,841,863	(1,530,895)	(11.1%)
non-commercial institutions	571,262	421,085	150,177	35.7%
individual customers	7,967,805	7,661,993	305,812	4.0%
public sector units	1,437,254	4,459,572	(3,022,318)	(67.8%)
Other liabilities	**339,685**	**132,650**	**207,035**	**156.1%**
Liabilities towards customers, total	**26,056,387**	**29,632,598**	**(3,576,211)**	**(12.1%)**
Deposits of financial and non-financial sector entities, including:				
in PLN	19,330,789	23,797,009	(4,466,220)	(18.8%)
in foreign currency	6,385,913	5,702,939	682,974	12.0%
Deposits from financial and non-financial sector entities, total	**25,716,702**	**29,499,948**	**(3,783,246)**	**(12.8%)**

In amounts due, the biggest change occurred in amounts due to banks, which increased by PLN 4.3 billion, i.e. 84.5% year to date. Customer deposits decreased by PLN 3.6 billion (i.e. 12.1%), mainly due to a high base of balances in current accounts of institutional clients including public bodies as at the end of 2014. At the same time, balances in current accounts of individual customers increased for another consecutive six months by PLN 0.4 billion (i.e. 5.9%) year to date.

2.2.3 Source and use of funds

PLN'000	30 Jun 2015	31 Dec 2014
Source of funds		
Banks	9,452,169	5,122,576
Customers	26,056,387	29,632,598
Own funds including net income	6,584,517	7,410,760
Other	9,567,950	7,677,731
Total source of funds	**51,661,023**	**49,843,665**
Use of funds		
Amounts due from banks	3,622,715	2,065,685
Amounts due from customers	17,429,221	16,770,482
Securities, shares and other financial assets	22,823,199	27,172,648
Other	7,785,888	3,834,850
Total use of funds	**51,661,023**	**49,843,665**

2.3 Equity and the capital adequacy ratio

The value of the Group's equity (net of the financial result) as at the end of the first half of 2015 decreased by PLN 246.1 million (i.e. 3.8%) in comparison with the end of 2014. The decrease was driven by the revaluation of the investment debt securities portfolio (PLN -222.5 million) and other reserves (PLN -24.9 million).

Equity*

	As of		Change	
PLN'000	**30 Jun 2015**	**31 Dec 2014**	**PLN'000**	**%**
Ordinary shares	522,638	522,638	-	-
Share premium	3,001,525	3,000,298	1,227	0.0%
Reserve capital	2,349,602	2,374,496	(24,894)	(1.0%)
Revaluation reserve	(169,582)	52,873	(222,455)	(420.7%)
General risk reserve	521,000	521,000	-	-
Other equity	(7,883)	(7,857)	(26)	0.3%
Total equity	**6,217,300**	**6,463,448**	**(246,148)**	**(3.8%)**

** Equity net of net profit.*

Capital funds are fully sufficient to ensure financial security to the Group and the deposits it accepts, and to ensure its financial growth.

The table below presents financial data needed for calculation of capital adequacy ratio based on the consolidated financial statements of the Group.

Capital adequacy ratio*

	PLN'000	**30 Jun 2015**	**31 Dec 2014**
I	**Tier I capital**	**4,797,302**	**4,944,496**
II	**Total capital requirements, including:**	**2,307,932**	**2,256,721**
	credit risk capital requirements	1,623,464	1,581,701
	counterparty risk capital requirements	106,249	87,247
	credit valuation capital requirements	74,144	54,648
	excess concentration and large exposures risks capital requirements	82,769	64,549
	total market risk capital requirements	75,026	108,215
	operational risk capital requirements	337,933	350,484
	other capital requirements	8,347	9,877
	Tier I capital ratio	**16.6%**	**17.5%**

**Capital Adequacy 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*

As at 30 June 2015, the Group's capital adequacy ratio stood at 16.6% and was 0.9 p.p. lower than at the end of 2014. This was driven by a decrease of the Group's equity by 3% and a modest increase of the total capital requirement by 2%.

2.4 Earnings forecast for 2015

The Bank as the parent entity did not publish earnings forecast for 2015.

V. Activities of the Capital Group of Bank Handlowy w Warszawie S.A. in the first half of 2015

1. Lending and other risk exposures

1.1 Lending

The Group's lending policy is based on active portfolio management and precisely specified target markets, designed to facilitate exposure and credit risk analysis within a given industry of customer's operations. Besides, each borrower is followed up on an ongoing basis so that any symptoms of deteriorating creditworthiness may be detected early and subsequent corrective actions implemented. In the first half of 2015, the Group continued optimization of the lending process and adjustment of the loans offered to the actual needs of customers and the current situation in the market. The portfolio of individual customers' debts is managed by means of risk management models that take into account risk and profitability of the individual loan groups within the portfolio. Information from the Credit Information Bureau (BIK) is used in the credit risk assessment of Consumer Banking customers, and in particular during scorecard analysis

Gross receivables to customers

PLN'000	As at		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Receivables in PLN	14,847,227	14,725,406	121,821	0.8%
Receivables in foreign currency	3,375,962	2,843,972	531,990	18.7%
Total	**18,223,189**	**17,569,378**	**653,811**	**3.7%**
Receivables from non-financial sector entities	17,185,297	16,528,932	656,365	4.0%
Receivables from financial sector entities	1,037,892	1,040,446	(2,554)	(0.2%)
Total	**18,223,189**	**17,569,378**	**653,811**	**3.7%**
Non-banking financial institutions	1,037,892	1,040,446	(2,554)	(0.2%)
Non-financial sector entities	10,663,670	10,155,119	508,551	5.0%
Individuals	6,382,973	6,280,166	102,807	1.6%
Public sector entities	138,648	93,643	45,005	48.1%
Non-commercial institutions	6	4	2	50.0%
Total	**18,223,189**	**17,569,378**	**653,811**	**3.7%**

As at 30 June 2015, the gross credit exposure to customers was PLN 18.2 billion, increasing by 3.7% in comparison to 31 December 2014. The biggest part of the non-banking loan portfolio is loans to non-financial businesses, which increased by 5% to PLN 10.7 billion in the first half of 2015. Amounts due from private individuals increased by PLN 0.1 billion, i.e. 1.6% in comparison to the end of 2014 and stood at PLN 6.4 billion.

The currency structure of loans as at the end of June 2015 changed slightly as compared to the end of 2014. The share of FX loans as at 30 June 2015 was 18.5%, an increase in comparison with 31 December 2014. It must be noted that the Group extends loans mainly in PLN, while FX loans are granted to corporate clients, who are able – in the opinion of the Group – to bear the foreign exchange risk without affecting their financial condition.

The Group monitors the concentration of its exposures on a regular basis, seeking to avoid a situation where the portfolio is exposed to a limited group of clients. As at the end of June 2015, the credit exposure of the Group to non-banking sector was within the legal concentration limit

Concentration of exposures – non-bank clients

PLN'000	30 Jun 2015			31 Dec 2014		
	Balance sheet exposure*	Granted financial and guarantee liabilities	Total exposure	Balance sheet exposure*	Granted financial and guarantee liabilities	Total exposure
GROUP 1	501,326	551,659	1,052,985	85,160	916,365	1,001,525
GROUP 2	375,755	532,203	907,958	660,806	107,837	768,643
GROUP 3	2	756,616	756,618	2	756,906	756,908
CLIENT 4	550,000	200,050	750,050	575,100	341,450	916,550
CLIENT 5	700,000	-	700,000	550,000	-	550,000
GROUP 6	118,482	504,052	622,534	184,949	442,417	627,366
CLIENT 7	4	508,709	508,713	-	500,051	500,051
GROUP 8	224,197	250,704	474,901	467,864	144,599	612,463
CLIENT 9	450,000	-	450,000	463,200	-	463,200

PLN'000	30 Jun 2015			31 Dec 2014		
	Balance sheet exposure*	Granted financial and guarantee liabilities	Total exposure	Balance sheet exposure*	Granted financial and guarantee liabilities	Total exposure
GROUP 10	229,580	166,784	396,364	220,486	176,527	397,013
Total 10	**3,149,346**	**3,470,777**	**6,620,123**	**3,207,567**	**3,386,152**	**6,593,719**

** Net of equity and other securities exposures*

Concentration of exposure in individual industries *

Sector of the economy according to the Polish Classification of Economic Activity (PKD)*	30 Jun 2015		31 Dec 2014	
	PLN'000	%	PLN'000	%
Wholesale trade, excluding trade in vehicles	4,170,662	18.1%	3,806,391	16.8%
Manufacture and supply of electricity, gas, steam, hot water and air conditioning	2,071,390	9.0%	2,191,652	9.7%
Retail trade, excluding retail trade in vehicles	1,974,662	8.6%	1,561,013	6.9%
Financial services, excluding insurance and pension funds	1,671,251	7.3%	2,198,632	9.7%
Production of food and beverages	1,257,028	5.5%	1,376,794	6.1%
Mining of metal ores	1,052,900	4.6%	1,001,440	4.4%
Production and processing of coke and petroleum products	838,227	3.6%	831,431	3.7%
Public administration and national defence; compulsory social security	670,221	2.9%	624,132	2.7%
Warehousing and supporting transport service activity	604,340	2.6%	611,550	2.7%
Manufacture of motor vehicles, trailers and semi-trailers, excluding motorcycles	603,115	2.6%	627,480	2.8%
Top 10 business sectors	**14,913,796**	**64.8%**	**14,830,515**	**65.3%**
Manufacture of rubber and plastic products	585,732	2.5%	614,839	2.7%
Production of metal goods, excluding machines and equipment	578,534	2.5%	565,328	2.5%
Construction of buildings	556,138	2.4%	491,077	2.2%
Electric machines production	550,377	2.4%	393,911	1.7%
Wholesale and retail sale of cars, car repairs	526,031	2.3%	519,932	2.3%
Production of beverages	362,970	1.6%	290,061	1.3%
Non-metallic mineral products' production	342,691	1.5%	440,597	1.9%
Furniture production	334,840	1.5%	330,924	1.5%
Production of basic pharmaceutical substances, medicines and other pharmaceutical products	330,764	1.4%	416,413	1.8%
Machines and machinery production, not listed elsewhere	316,986	1.4%	348,669	1.5%
Top 20 business sectors	**19,398,859**	**84.3%**	**19,242,266**	**84.7%**
Other sectors	**3,614,300**	**15.7%**	**3,468,846**	**15.3%**
Total	**23,013,159**	**100.0%**	**22,711,112**	**100.0%**

**Gross balance-sheet and off-balance-sheet exposure to institutional customers (including banks).*

1.2 Loan portfolio quality

All of the Group's receivables are allocated to two portfolios depending on the existing risk of their impairment: the portfolio of receivables without recognized impairment and the portfolio of receivables with recognized impairment. Depending on the materiality of the receivables and their risk management method, the portfolio with recognized impairment is then classified into assets assessed individually or collectively.

Loans to customers by portfolio with/without recognized impairment

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Loans without recognized impairment, including:	17,295,171	16,630,827	664,344	4.0%
non-financial sector entities	16,274,413	15,609,377	665,036	4.3%
institutional clients*	10,374,750	9,811,191	563,559	5.7%
individual customers	5,899,663	5,798,186	101,477	1.8%

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Loans with recognized impairment, including:	846,471	847,540	(1,069)	(0.1%)
non-financial sector entities	829,337	828,544	793	0.1%
institutional clients*	346,027	346,564	(537)	(0.2%)
individual customers	483,310	481,980	1,330	0.3%
Amounts due from matured transactions in derivative instruments	81,547	91,011	(9,464)	(10.4%)
Total gross loans to customers, including:	**18,223,189**	**17,569,378**	**653,811**	**3.7%**
non-financial sector entities	17,103,750	16,437,921	665,829	4.1%
institutional clients*	10,720,777	10,157,755	563,022	5.5%
individual customers	6,382,973	6,280,166	102,807	1.6%
Impairment, including:	**(793,968)**	**(798,896)**	**4,928**	**(0.6%)**
Amounts due from matured transactions in derivative instruments	(73,200)	(81,134)	7,934	(9.8%)
Total net amounts due from customers	**17,429,221**	**16,770,482**	**658,739**	**3.9%**
Impairment provisions coverage ratio**	**85,2%**	**84,7%**		
institutional clients*	87,5%	87,5%		
individual customers	82,9%	82,0%		
Non-performing loans ratio (NPL)	**4,7%**	**4,9%**		

* Institutional *clients include enterprises, the public sector, state-owned and private companies, co-operatives, individual enterprises, non-commercial institutions acting for the benefit of households.*

*** Including IBNR provision.*

In the first half of 2015, the coverage ratio (impairment losses to receivables with recognized impairment) increased modestly by 0.5 p.p. compared to the end of 2014 and stood at 85.2%.

The share of non-performing loans decreased compared to the end of 2014 and represented 4.7% of the gross amounts due from customers at the end of June 2015.

As at 30 June 2015, portfolio impairment losses stood at PLN 794 million, which represented a modest decrease by PLN 4.9 million (i.e. 0.6%) compared to the end of 2014. Impairment losses on receivables assessed individually decreased by PLN 8.3 million (i.e. 2.5%) compared to the end of 2014. As at 30 June 2015, impairment losses on the portfolio assessed collectively increased by PLN 7.8 million (i.e. 2%) compared to 31 December 2014.

Impairment of the customer loan portfolio

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Impairment due to incurred but not reported (IBNR) losses	66,881	71,307	(4,426)	(6.2%)
Impairment of receivables	727,087	727,589	(502)	(0.1%)
classifiable (individual assessment)	331,562	339,901	(8,339)	(2.5%)
delinquency managed (portfolio assessment)	395,525	387,688	7,837	2.0%
Total impairment	**793,968**	**798,896**	**(4,928)**	**(0.6%)**
Impairment provision coverage ratio (on total receivables)	4,4%	4,5%		

The Management Board believes that impairment provisions represent the best estimate of the actual impairment of the portfolio, taking into account the discounted forecast of future cash flows of the receivables' repayment.

1.3 Contingent liabilities

As at 30 June 2015, the Group's off-balance sheet exposure amounted to PLN 18.3 billion, representing an increase by PLN 1.7 billion (i.e. 9.9%) compared to the end of 2014.

Contingent off-balance sheet liabilities granted

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Guarantees	2,026,026	1,779,425	246,601	13.9%
Import letters of credit issued	136,437	207,208	(70,771)	(34.2%)
Export letters of credit confirmed	-	918	(918)	(100.0%)

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Credit commitments	13,444,217	13,161,336	282,881	2.1%
Securities issuance guarantees granted to other issuers	1,123,050	1,264,450	(141,400)	(11.2%)
Other	1,558,680	223,233	1,335,447	598.2%
Total	**18,288,410**	**16,636,570**	**1,651,840**	**9.9%**
Provisions for contingent liabilities granted	9,907	13,238	(3,331)	(25.2%)
Provisions coverage ratio	0.05%	0.08%		

The total value of collateral on borrower's accounts or assets was PLN 3,489 million as at 30 June 2015 and PLN 3,428 million as at 31 December 2014.

In the first half of 2015, the Group issued 2,788 enforcement titles as the total amount of PLN 64.5 million, while in the first half of 2014 it issued 4,598 enforcement titles for a total amount of PLN 64.9 million.

At the end of the first half of 2015, the total value of guarantees or sureties issued by the Bank or its subsidiary to one entity or its subsidiary was not higher than 10% of the Group's equity.

2. External funding

At the end of June 2015, the Group's external funding from banks totaled PLN 9.5 billion and was higher by PLN 4.3 billion (i.e. 84.5%) than the figure reported at the end of 2014. The increase was mainly reported in term deposits.

Total amounts due to customers stood at PLN 26.1 billion as at the end of the first half of 2015, which represented a decrease of PLN 3.6 billion (i.e. 12.1%) compared to the seasonally high deposit base at the end of 2014. The seasonality impacts deposits of public bodies and institutional customers, which increase at the end of each calendar year. On the other hand, the uptrend of the individual customer deposit portfolio continued (an increase of PLN 0.3 billion, i.e. 4.0% compared to the end of 2014). Deposits of financial customers also increased (PLN +0.3 billion, i.e. 10.1%).

Funding from banks

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Current accounts	2,369,274	663,831	1,705,443	256.9%
Term deposits	6,579,102	2,370,212	4,208,890	177.6%
Loans and advances received	272,417	351,533	(79,116)	(22.5%)
Liabilities due to sold securities under repurchase agreements	231,365	1,726,049	(1,494,684)	(86.6%)
Other liabilities	11	10,951	(10,940)	(99.9%)
Total funding from banks	**9,452,169**	**5,122,576**	**4,329,593**	**84.5%**

Funding from customers

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
Deposits from financial sector entities				
Current accounts	277,656	238,351	39,305	16.5%
Term deposits	3,151,757	2,877,084	274,673	9.5%
	3,429,413	**3,115,435**	**313,978**	**10.1%**
Deposits from non-financial sector entities				
Current accounts, including:	15,692,642	19,299,093	(3,606,451)	(18.7%)
corporate customers	8,269,706	8,594,113	(324,407)	(3.8%)
individual customers	6,751,547	6,372,762	378,785	5.9%
public sector units	671,389	4,332,218	(3,660,829)	(84.5%)
Term deposits, including:	6,594,647	7,085,420	(490,773)	(6.9%)
corporate customers	4,612,524	5,668,835	(1,056,311)	(18.6%)
individual customers	1,216,258	1,289,231	(72,973)	(5.7%)

PLN'000	As of		Change	
	30 Jun 2015	31 Dec 2014	PLN'000	%
public sector units	765,865	127,354	638,511	501.4%
	22,287,289	**26,384,513**	**(4,097,224)**	**(15.5%)**
Total deposits	**25,716,702**	**29,499,948**	**(3,783,246)**	**(12.8%)**
Other liabilities				
Liabilities due to securities sold under repurchase agreements	237,726	-	237,726	-
Other liabilities, including:	101,959	132,650	(30,691)	(23.1%)
Cash collateral	69,928	78,153	(8,225)	(10.5%)
Other liabilities, total	**339,685**	**132,650**	**207,035**	**156.1%**
Total amounts due to customers	**26,056,387**	**29,632,598**	**(3,576,211)**	**(12.1%)**

3. Institutional Bank

3.1 Segment results summary

PLN'000	1st half of 2015	1st half of 2014	Change	
			PLN'000	%
Net interest income	216,478	268,660	(52,182)	(19.4%)
Net fee and commission income	137,556	142,020	(4,464)	(3.1%)
Dividend income	1,462	2,114	(652)	(30.8%)
Net income on trading financial instruments and revaluation	142,329	215,920	(73,591)	(34.1%)
Net gain on investment debt securities	118,800	105,288	13,512	12.8%
Net gain on investment equity instruments	-	2,855	(2,855)	(100.0%)
Net loss on hedge accounting	910	(709)	1,619	228.3%
Net other operating income	6,821	19,913	(13,092)	(65.7%)
Total income	**624,356**	**756,061**	**(131,705)**	**(17.4%)**
General administrative expenses and depreciation	(270,486)	(277,572)	7,086	2.6%
Profit on sale of other assets	7	296	(289)	(97.6%)
Net impairment losses on financial assets and provisions for granted financial liabilities and guarantees	(1,026)	(1,967)	941	47.8%
Share in net profits/(losses) of entities valued at equity method	48	313	(265)	(84.7%)
Profit before tax	**352,899**	**477,131**		
Cost/Income	**43%**	**37%**		

The profit before tax of the Institutional Banking Segment in the first half of 2015 compared to the first half 2014 was driven mainly by the following factors:

- decrease of the net interest income mainly due to lower income on debt securities available-for-sale (PLN -56.9 million) and from non-financial customers (PLN -40.2 million), partially offset by lower interest costs (PLN -28.5 million). The net interest income in the financial sector increased by PLN 23.3 million;
- decrease of the net fee and commission income, mainly from the brokerage activity, largely due to lower net income from the brokerage activity (PLN -10.2 million, i.e. 38.2%), due to lower volumes of trading on the Warsaw Stock Exchange. On the other hand, the net fee and commission income on custody services increased (PLN +7.3 million, i.e. 13.5%);
- the net income on trade financial instruments and revaluation of interbank market operations decreased;
- the net income on investment debt securities stood at PLN 118.8 million in the first half of 2015, representing an increase of PLN 13.5 million (i.e. 12.8%), due to gains realized under favorable conditions in the domestic debt market in the first quarter of 2015;

- decline of general administrative expenses stemming mainly from lower real estate maintenance and rent-related expenses;
- decrease in provisions of PLN 0.9 million (i.e. 47.8%), among others due to higher exposures and improved quality of exposures.

3.2 Institutional Bank and the Capital Markets

3.2.1 Institutional Bank

As regards institutional banking, the Bank provides comprehensive financial services to the largest Polish companies and strategic enterprises with a strong growth potential as well as to the largest financial institutions and public sector entities.

At the end of the first half of 2015, the number of corporate customers (including strategic customers, global customers and corporate customers) was 6,900, a drop by 8% compared to the end of the first half of 2014, when the number of customers totaled 7,400. Within the Corporate and Commercial Bank (small and medium-sized enterprises, large companies and the public sector), the Bank served 4,600 clients at the end of the first half of 2015, a decrease of 12% compared to 5,300 clients served at the end of the first half of 2014. The main reason for decline is related to the new regulation covering the transfer of judicial deposits to the state bank.

What institutional banking clients have in common is their demand for advanced financial products and advisory in financial services. In that area, the Bank provides coordination of the offered investment banking, treasury and cash management products, and prepares loan offers involving diverse forms of financing. The innovative, competitive and modern financing structures rely on a combination of the expertise and experience of the Bank and its cooperation within the global Citigroup structure.

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

Assets*

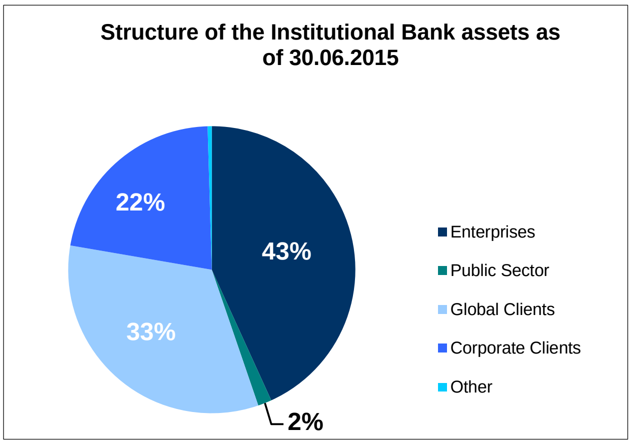
PLN million	30 Jun 2015	31 Dec 2014	30 Jun 2014	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	in PLN	%	in PLN	%
Enterprises**, including:	4,672	4,357	4,221	315	7%	451	11%
SMEs	1,906	1,769	1,790	137	8%	115	6%
MMEs	2,767	2,588	2,431	178	7%	336	14%
Public Sector	167	126	185	41	33%	(18)	(10%)
Global Clients	3,565	3,531	3,583	33	1%	(18)	(1%)
Corporate Clients	2,361	2,503	2,998	(141)	(6%)	(637)	(21%)
Other***	50	68	77	(18)	(27%)	(27)	(35%)
Total Corporate and Commercial Bank	**10,815**	**10,586**	**11,063**	**230**	**2%**	**(248)**	**(2%)**

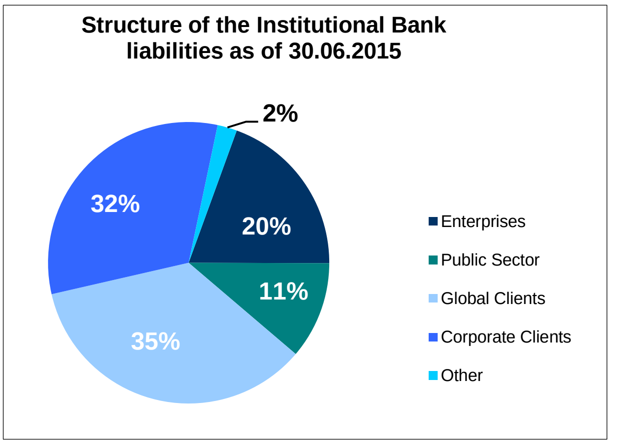
Liabilities

PLN million	30 Jun 2015	31 Dec 2014	30 Jun 2014	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	in PLN	%	in PLN	%
Enterprises**, including:	3,383	3,315	2,920	68	2%	463	16%
SMEs	2,320	2,203	2,112	116	5%	207	10%
MMEs	1,063	1,111	808	(48)	(4%)	255	32%
Public Sector	1,940	4,855	2,921	(2,915)	(60%)	(981)	(34%)
Global Clients	6,105	8,393	5,925	(2,289)	(27%)	180	3%
Corporate Clients	5,535	4,624	6,261	911	20%	(726)	(12%)
Other***	389	413	389	(24)	(6%)	-	0%
Total Corporate and Commercial Bank	**17,351**	**21,600**	**18,416**	**(4,249)**	**(20%)**	**(1,065)**	**(6%)**

** In 2015 there was a change in the classification of customers by segment.*

*** Enterprises include clients with annual turnover from PLN 8 million to PLN 150 million (SMEs) and from PLN 150 million to PLN 1.5 billion (MMEs).*
**** 'Other' includes, among others, clients under restructuring and clients of Handlowy Leasing Sp. z o.o. who are not clients of the Bank.*





Key transactions and successes of the Corporate and Commercial Bank in the first half of 2015:

- In the Corporate Clients segment:
  - The Bank signed an agreement for a large-amount acquisition loan for one of the leading Polish companies in the FMCG sector;
  - The Bank rolled over bond financing for a company held by the State Treasury and acquired a major amount of the bonds (PLN 450 million);
  - Arrangement of a bond issue for a financial institution at PLN 1.39 billion;
  - The Bank obtained the mandate and signed the Term Sheet for a loan for one of the oil and gas companies;
  - Arrangement of a bond issue for one of the banks specializing in car loans and cash loans;
  - Establishment of a new business relationship in the area of bank account maintenance and cash management products for one of the leading international insurers operating in the Polish market;
  - Establishment of a new business relationship in the area of bank account maintenance, cash management, foreign exchange and financing for one of the international lease providers;
- In the Global Clients segment:
  - Signing of agreements with two companies from the construction sector concerning the handling of their development projects;
  - Issuance of 800 Visa Business cards for the leading company from the pharmaceutical sector;
  - Successful tendering for issuance of a complete set of guarantees for construction of an expressway for a leading construction company in Poland;
  - Successful tendering for comprehensive banking services for a leading automotive company;
  - Syndicated financing of PLN 700 million for a leading international power company over 7 years;
  - Successful tendering for banking services for a leading petrochemical maintenance and drilling company;
  - An automotive company transferred from one of Poland's biggest banks to the Bank;
  - Successful tendering for banking services for an electronics and household goods company;
  - Successful tendering for long-term financing of an electronics company;
  - Established cooperation with two companies of a group which is the Bank's strategic client;
  - Opened accounts for a new customer relationship (logistics company);
  - PLN 105 million short-term financing for a drugstore chain leader;
  - Long-term financing for a leading retail chain in Poland.

- In the first half of 2015, the Bank closed among others the following transactions with Commercial Bank customers: metals and metal ores wholesaler – PLN 40 million revolving loan; PLN 45 million buyer trade credit for a railway engine and rolling stock manufacturer; PLN 22 million payment credit for a fuels and derivative products wholesaler; electrical installations provider – increase of a guarantee line by PLN 38 million; connectors and screws manufacturer – PLN 21.2 million trade credit; perfumes and cosmetics wholesale – PLN 30 million overdraft facility; poultry breeding and farming – PLN 18.1 million long-term investment loan and PLN 11 million multi-purpose credit line; wood, construction materials and sanitary equipment wholesale – PLN 22 million trade credit.
- In the Commercial Bank, 186 new customers were acquired in the first half of 2015, including 23 Large Enterprises, 156 Small and Medium-sized Enterprises, and 7 Public Sector Customers. The Bank acquired 25 client relations in the Strategic Clients and Global Clients segment.

3.2.2 Achievements of the Sub-Sector Financial Markets

- In in the first half 2015, the Bank remained a leader in the overall ranking in a competition organized by the Ministry of Finance to select the Treasury Securities Dealer for 2016. Furthermore, the Bank earned a record-high score (95%) as the rating of its cooperation with the Ministry of Finance improved;
- In February 2015, Citi Handlowy once again received the Treasury BondSpot Poland award as the leading Market Maker in recognition of the highest turnover in the spot market in the previous year;
- Electronic foreign exchange channels continued to attract strong interest of customers. Nearly 80% of all foreign exchange transactions are made over the electronic channels. Thanks to the electronic platform CitiFX Pulse, clients can trade on their own 24/7, access market data before closing the deal, and use functionalities supporting the analysis of currency exposure after settlement. In the first quarter 2015, the electronic banking system CitiDirect was integrated with the CitiFX Pulse platform, enabling the clients to manage foreign exchange transactions more easily;
- According to the “Rating & Market” report by Fitch Ratings, at the end of in the first half 2015 the Bank held a 14.9% market share as an arranger of issues of bonds and certificates of deposit for banks and ranked second among market participants;
- Activity in the debt securities market was strong in in the first half 2015. Furthermore, the Bank was the Co-arranger and Participant of a bank club which issued a five-year merger and acquisition (M&A) loan to an FMCG company. The loan amount totaled PLN 1 billion and the Bank’s contribution was PLN 333 million. The Bank issued several series of bonds for a leasing client in a total amount in excess of PLN 80 million.

3.2.3 Transaction services

The Bank is a leading provider of transactional banking services in Poland. The transactional banking offer includes the following products and services:

- Cash management products: deposits and current accounts, liquidity management products, MicroDeposits and e-banking;
- Cards;
- Payment and receivable processing: Direct Debit and Speedcollect;
- Cash products;
- EU-oriented advisory services; and
- Trade finance products.

A strategic direction of development for the Bank is to establish closer relations with Poland’s biggest companies and industry leaders in order for Citi Handlowy to become their bank of choice. The extensive offer of transactional services provides the Bank’s key clients with comprehensive service: from liquidity management in groups of companies, through payment and receivable processing, to Supplier Finance and Channel Finance.

Deposits and current accounts

A current account enables its holder to access the full product range offered by the Bank. A key element of the Bank's strategy is its focus on acquiring and serving operating accounts: bank accounts used to process the key operating cash flows of account holders.

Excess funds accumulated by a client in a current account, i.e. funds that are not required to finance day-to-day operations, may be invested in term deposits. In addition to term deposits, the Bank sells negotiated deposits, automatic deposits and blocked deposits.

Liquidity management products

Liquidity management structures are advanced instruments that optimize cash flows within a capital group. The liquidity management products offered by the Bank make it possible to ensure optimized management of excess cash generated by overly liquid firms and companies. The Bank's liquidity management products include:

- physical cash pooling;
- virtual consolidation;
- net balance.

These liquidity management structures can reduce the overall debt and its servicing costs at no liquidity risk.

Electronic banking

Key information about electronic banking in the first half 2015:

- The total number of transactions processed electronically by CitiDirect and CitiDirect EB (CitiDirect Ewolucja Bankowości) was nearly 13 million in the first half 2015;
- The number of corporate clients who are active users of the system was approximately 4,700;
- The number of institutional clients activated in the online banking system was 3,500 for CitiDirect and 3,100 for CitiDirect EB at the end of in the first half of 2015;
- The number of clients with mobile access to both electronic banking systems was 3,300 at the end of the first half of 2015. Clients processed more than 60,000 transactions totaling more than PLN 8.6 billion in January-June 2015;
- More than 11,000 transactions in a total amount exceeding PLN 492 million were closed using the dedicated application for tablets in the first half of 2015.

In the first half of 2015, new changes and improvements were made to the e-banking offering for the Bank's institutional clients:

- The Bank implemented new improvements in the access to CitiDirect e-banking system by extending the time of presentation of the history of balances and transactions in the accounts from 3 to 24 months;
- The service of automatic confirmation of execution of outgoing funds transfers was developed. It currently involves generating confirmations for all types of outgoing transactions, i.e.:
  - domestic transfers, including social security and tax (ZUS/US), SORBNET;
  - internal transfers; and
  - international transfers (including SEPA).

Two "refreshed" CitiDirect modules were implemented: Reports & Analyses, and Queries and Search. The modifications ensured:

- an improved user interface which is simple to navigate;
- more search options;
- direct access from the CitiDirect EB portal (Java not required).

In the coming months, the Bank is planning to implement modifications of further CitiDirect modules in order to improve customer satisfaction with the e-banking solutions.

Business cards

As regards Charge and Guaranteed Business Cards, the Bank recorded a significant growth in the number and value of executed non-cash transactions compared to the corresponding period of 2014, by 5% and 11%, respectively. That was attributable to the consistent policy of attracting high transaction volumes and activation of the portfolio of the existing clients

Prepaid cards

In the first half of 2015, the Bank reported a significant increase in the value of non-cash transactions executed with Prepaid Cards compared to the same period of 2014. The number of non-cash transactions increased by 12% whiles the value of transactions with Prepaid Cards increased by 9% YoY.

The Bank also increased the number of issued cards by more than 7% compared to the first half of 2014.

Direct Debit

The Bank provides its clients with comprehensive receivables processing. The direct debit market is a segment of such services. In the first half of 2015, the Bank strengthened its position of market leader and processed the biggest number of direct debits as the creditor's bank, maintaining the record-high 40% market share.

Speed Collect

SpeedCollect is a service that allows automated booking of receivables for creditors who are recipients of mass payments. In the first half of 2015, the Bank remained one of the top leaders in Poland's market in terms of volumes of processed transactions. The volume of transactions remains high at the level comparable to the same period of 2014.

Foreign bank transfers

The Bank boasts a comprehensive and very extensive settlement offering in over 130 currencies throughout the world. The integrated settlement services include compilation of remote access channels and of the product offering in the area of international settlements. Responding to the clients' needs, the Bank introduced a multi-currency account which enables the clients to execute fund transfers in exotic currencies in a simple, convenient and effective manner with no need for opening foreign currency accounts and maintaining local accounts abroad. The Bank's offering provides a unique approach in the Polish market given the range of available currencies.

Cash products

The Bank offers comprehensive cash services to clients. A vast majority of over-the-counter deposits are closed, i.e., they are delivered to the Bank in sealed packages and counted without the customer being present.

Cash deposits may be made directly into clients' accounts with the Bank. However, in view of clients' needs for automation of cash deposit management processes and correct identification of deposits originating from different client locations or from different payers, the Bank offers clients the option to make cash deposits into virtual accounts; as a result, information necessary to identify deposits is included directly in the account number, which minimizes the risk of incorrect (unidentified) payments.

In addition to cash deposits, clients of the Bank also use cash withdrawals, both traditional withdrawals at the counter and collection of sealed cash packages.

With a view to better alignment with clients' needs and a focus on customer service at locations that are key to the clients, the Bank has transformed its branch network. To ensure continuous service, cash desks have been set up and the partnership with Bank Pocztowy S.A. and Poczta Polska S.A. was extended. This ensures direct contacts with clients.

The Bank also provides services targeting a more narrow group of clients. In addition to standard cash deposits and withdrawals in sealed packages, the following were added to the Bank's offer:

- open cash deposits;
- cash withdrawals ordered in the Bank's e-banking system.

These services are available in the network of more than 4,500 branches and outlets of Poczta Polska S.A. throughout Poland.

EU-oriented advisory services

In the first half of 2015, the Bank started the implementation of its strategy for the new EU Financial Perspective 2014-2020 where banks are important partners in the distribution of European funds and in financing of investments co-financed with subsidies and repayable instruments.

Furthermore, the Bank prepared and submitted to the European Commission two projects concerning a new instrument of financing energy efficiency investments under the Horizon 2020 Program. The projects are dedicated to SME and public sector clients. The Bank also started to prepare for the implementation of the ELENA initiative as part of the Horizon 2020 Program. The ELENA program is implemented under an agreement with Kreditanstalt für Wiederaufbau concerning distribution of funds under energy efficiency programs among local government units.

Trade finance products

In the first half 2015, the Trade Finance Department used the state-of-the-art electronic platform to continue focusing on the development of supplier finance programs enabling suppliers to finance debt in respect of deliveries to clients of the Bank.

The Bank's other activity in the area of trade finance initiated in early 2015 consisted in enabling international vendors to finance receivables purchase transactions under the laws of third-party jurisdictions.

At the same time, a range of promotion campaigns were pursued for trade finance products both among corporate clients and SMEs.

The key trade finance transactions in the first half 2015 include:

- Successful tendering for handling of bank guarantees for one of the largest companies in the construction sector for a total amount of PLN 200 million;
- Increase of aggregate credit limits of financing under the Supplier Finance Programs scheme by PLN 200 million (mining industry, trade);
- Development of financial programs within the Loan for Buyer and Discounting of Receivables scheme for a total amount of PLN 380 million.

3.2.4 Custody services

The Bank holds the leading position among the custodian banks in Poland. It offers custody services both to foreign institutional investors and domestic financial entities, in particular pension funds, investment funds and unit-linked insurance plans.

As part of its statutory activities, carried out under a permit from the Securities and Exchanges Commission (now the Polish Financial Supervision Authority), the Bank operates securities accounts, collective accounts, clears securities trades, effects dividend and interest payments, performs asset portfolio valuations, provides individual reports, and arranges representation of clients at general shareholders' meetings of listed companies. The Bank also maintains a register of foreign securities, including intermediary services to clear transactions of domestic clients in foreign markets.

In the reporting period, the Bank maintained its position of market leader in clearing securities transactions executed for the benefit of remote members of the Warsaw Stock Exchange and BondSpot S.A. In addition, the Bank participated in the settlement of transactions closed by institutional clients on the electronic debt securities trading platform Treasury BondSpot Poland organized by BondSpot S.A.

As at 30 June 2015, the Bank maintained over 10,500 securities accounts.

At the same time, the Bank was the custodian for five open pension funds (OFE): Metlife OFE, Aviva OFE Aviva BZ WBK, ING OFE, Pekao OFE, Nordea OFE; five voluntary pension funds (DFE): MetLife DFE, Nordea DFE, Generali DFE, ING DFE, DFE Pekao; and two employee pension funds: Pracowniczy Fundusz Emerytalny "Słoneczna Jesień" and Pracowniczy Fundusz Emerytalny Orange Polska.

The Bank was also a custodian for investment funds managed by the following Investment Fund Companies (TFI): BZ WBK TFI S.A., PKO TFI S.A., Pioneer Pekao TFI S.A., Legg Mason TFI S.A., Aviva Investors Poland TFI S.A.

3.2.5 Brokerage activities

The Group pursues brokerage activities on the capital market via Dom Maklerski Banku Handlowego S.A. ("DMBH") which is wholly owned by the Bank.

In the first half of 2015, DMBH brokered session transactions representing 11% of equities trade in the secondary market and once again ranked first in the market. The value of session transactions executed via DMBH in the equities market on the Warsaw Stock Exchange (WSE) amounted to PLN 22.5 billion and declined by 24.5% in relation to the corresponding period of the preceding year while trading on the WSE decreased by 4.7% YoY. The primary reason for such significant shifts in the recorded turnover dynamic is the overhaul of the open pension fund system and the overall unfavorable business climate in the Polish equity market. As the market leader with the largest market share, the Bank's brokerage house (DMBH) was particularly hit by the changes given its large share of foreign clients whose attention was drawn to the other markets under the circumstances.

In the first half of 2015 saw continued increased activity of retail customers using the CitiFX Pro transactional platform enabling purchase or sale of shares and ETF units traded on the largest foreign exchanges as well as OTC FX instruments using the financial leverage. The functionalities which are very popular with the clients include the option to transfer to investment account maintained by DMBH and actively manage held portfolios of foreign stocks. Furthermore, the clients gladly use foreign currency accounts which enable them to make investments using held currency assets with no need for making any conversions.

At the end of in the first half of 2015, DMBH was the Market Maker for the shares of 31 companies listed on the Warsaw Stock Exchange (including 20 covered by the WIG20 stock market index). That represented 6.55% of all shares traded on the WSE main market.

DMBH maintained 10,100 investment accounts at the end of the first half of 2015, an increase of 4.1% compared to the end of 2014 and 1.9% compared to the end of Q1 2015. The number of accounts increased due primarily to a steady growth in the number of brokerage service agreements for forex and foreign market services on CitiFX Pro platform.

In the first half 2015, DMBH closed the following deals on the capital market:

- Alior Bank S.A. – DMBH acted as the Joint Bookrunner in the accelerated sale of a PLN 163.8 million stake held by EBRD (January 2015);
- BZ WBK S.A. – DMBH acted as the Joint Bookrunner in the accelerated sale of a PLN 172.1 million stake held by EBRD (May 2015);
- Philips Lighting Poland S.A. – DMBH was the intermediary in a non-public transaction (June 2015).

Summarized financial data as of June 30, 2015

Company	Headquarter	% of authorized capital held by the Bank	Total assets 30 Jun 2015	Total equity 30 Jun 2015	Net financial result for the period of 1 Jan – 30 Jun 2015
		%	PLN'000	PLN'000	PLN'000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	422,140	99,756	4,741

3.2.6 Leasing activities

In connection with the decision of the Bank's Management Board to limit the scope of leasing activities of the Bank's Group, taken in March 2013, the scope of activities of Handlowy-Leasing Sp. z o.o. ("Handlowy-Leasing" or "HL") has been restricted only to handling lease agreements entered into by 30 April 2013. No new leasing agreements were concluded after that date by HL. The goal of HL is to continue performance of existing agreements, maintaining the service quality and ensuring process continuity and the economic efficiency in its business.

The leasing product continues to be offered by the Bank; however, it is made available as part of the "open architecture", i.e. the Bank's cooperation with organizations from outside its Group, treated as partners. Currently, leasing services are provided under a cooperation agreement by two partners: Europejski Fundusz Leasingowy S.A. and CorpoFlota Sp. z o.o.

Summary financial data as of June 30, 2015

Company	Headquarter	% of authorized capital held by the Bank	Total assets 30 Jun 2015	Total equity 30 Jun 2015	Net financial result for the period of 1 Jan – 30 Jun 2015
		%	PLN'000	PLN'000	PLN'000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	216,858	136,574	1,375

4. Consumer Bank

4.1 Segment results summary

PLN'000	1st half of 2015	1st half of 2014	Change	
			PLN'000	%
Net interest income	280,308	326,544	(46,236)	(14.2%)
Net fee and commission income	172,476	182,107	(9,631)	(5.3%)
Dividend income	5,715	3,568	2,147	60.2%
Net income on trading financial instruments and revaluation	15,297	15,405	(108)	(0.7%)
Net other operating income	(9,388)	(12,046)	2,658	22.1%
Total income	**464,408**	**515,578**	**(51,170)**	**(9.9%)**
General administrative expenses and depreciation	(353,889)	(365,194)	11,305	3.1%
Profit/loss on sale of non-financial assets	65	1	64	-
Net impairment losses on financial assets and provisions for granted financial liabilities and guarantees	(4,458)	(30)	(4,428)	-
Profit before tax	**106,126**	**150,355**	**(44,229)**	**(29.4%)**
Cost/Income	**76%**	**71%**		

The main factors that determined gross profit of Consumer Bank in the first half of 2015 compared to the corresponding period of 2014 were:

- decrease of interest income as a result of reduced interest rates (in aggregate by 5 percentage points on average in the first half of 2015 compared to in the first half of 2014) following changes of market interest rates, partially offset by an increase of the credit product portfolio (+6% YoY) and reduced interest costs. Despite a significant increase in deposit volumes (+8% YoY), the decrease of interest costs was driven by a reduction of interest rates which were brought in line with the market rates (interest rates were reduced mainly for savings accounts and deposits), as well as by a positive change in the structure of the deposit portfolio (growing share of current deposits and decreasing share of term deposits);
- decrease of the net fee and commission income mainly due to the reduction of the interchange fee, partially offset by optimization of the cost of loyalty programs and an increase of sales of structured products;
- decrease of operating costs as a result of restructuring; some of the generated savings were invested in technologies and the development of the Ecosystem – 3 SMART branches were opened;
- net impairment losses on financial assets at PLN -4.5 million as a result of individual clients' exposures increase.

4.2 Selected business data

'000	1st half of 2015	1st half of 2014	Change	
Number of individual customers	692.8	771.5	(78.8)	(10.2%)
Number of current accounts, including:	468.9	511.2	(42.3)	(8.3%)
number of operating accounts	302.1	351.6	(49.6)	(14.1%)
Number of operating accounts acquired in the period	32.7	33.3	(0.6)	(1.8%)
Number of savings accounts	163.9	178.8	(14.9)	(8.3%)
Number of credit cards, including:	704.7	760.3	(55.6)	(7.3%)

'000	1st half of 2015	1st half of 2014	Change	
co-branded cards	399.6	453.8	(54.2)	(11.9%)
Number of active credit cards	638.6	680.8	(42.3)	(6.2%)
Number of debit cards, including:	285.7	335.5	(49.7)	(14.8%)
PayPass cards	270.2	312.0	(41.9)	(13.4%)

Receivables from individual clients – management view

PLN '000	30.06.2015	31.12.2014	30.06.2014	Change YTD		Change YoY	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	4,702,896	4,648,480	4,502,548	54,416	1.2%	200,348	4.4%
Credit cards	2,084,171	2,105,549	2,064,394	(21,378)	(1.0%)	19,777	1.0%
Cash loans	2,558,121	2,482,225	2,358,723	75,896	3.1%	199,398	8.5%
Other unsecured receivables	60,604	60,706	79,431	(102)	(0.2%)	(18,827)	(23.7%)
Mortgage loans	1,279,409	1,236,368	1,142,686	43,041	3.5%	136,723	12.0%
Total net individual clients' receivables	**5,982,305**	**5,884,848**	**5,645,234**	**97,457**	**1.7%**	**337,071**	**6.0%**

4.3 Business highlights

Bank accounts

- **Current accounts**

The number of personal accounts decreased to 469,000 at the end of the first half of 2015 (compared to 511,000 at the end of June 2014). Of these, 286,000 were Polish zloty accounts, and 183,000 were foreign currency accounts. The total account balance was more than PLN 3.7 billion, compared to PLN 2.9 billion at the end of June 2014.

- **Savings accounts**

The Bank held 164,000 savings accounts at the end of the first half of 2015. The total balance of funds in the savings accounts was nearly PLN 3.0 billion compared to 179,000 savings accounts with a total balance of PLN 3.2 billion in the same period of 2014.

- **Changes in the offer**

In January 2015, the revised Table of Fees and Commissions took effect, which introduced among others the following:

- uniform criteria of waiver of the account maintenance fee for all clients of Citi Priority segment;
- new, higher average monthly balance at PLN 300,000 in all accounts at the Bank for clients opening a Citigold Personal Account as of 2 January 2015.

The introduced changes are consistent with the Bank's strategy. The new model of fees and commissions encourages the clients to use the remote channels and to deepen their relationship with the Bank so that they satisfy the criteria applicable to Citi Priority or Citigold clients.

Starting from January 2015, the clients of Citi Priority, Citigold and Citigold Select segments have been rewarded with higher interest paid on their funds accumulated in the Savings Account also when they tighten their relationship with the Bank by increasing their exposure to investment products.

The interest paid on PLN term deposits was lowered in March 2015 in the aftermath of further interest rate cuts and the interest paid on savings accounts was reduced in May 2015. The Bank kept higher interest on term deposits opened via Citibank Online Internet banking service consistently with its strategy of encouraging clients to take advantage of remote channels.

The Bank continued to actively support acquisition of clients in Citigold and Citi Priority segments by means of promotional offers for term deposits and new Citigold clients and the CitiGold Recommendation Program.

Credit cards

At the end of the first half of 2015, there were 704,700 credit cards.

The debt balance on credit cards at the end of the first half of 2015 amounted to PLN 2.1 billion, i.e., it was 1% lower than that reported for the same period in the preceding year. As a result, the Bank consolidated its leading position in the credit card market in terms of the value of credit facilities extended in the form of credit cards, holding a market share of 19% according to the figures provided at the end of June 2015 .

In the first half of 2015, the quantity of issued credit cards was lower than in the same period of 2014. Instead, quality of the issued cards and the share of the cards issued on the basis of the clients' documented income data improved considerably, which translated into a higher level of card activations and a greater number of card transactions among the newly acquired clients. The structure of credit cards issued in the first half of 2015 was no longer dominated by classic cards such as Citibank Gold Credit Card which the share decreased to 25% and the share of Citibank Silver Credit Card to 17% in the number of cards issued. Simplicity was a new leader by the share in the number of cards issued in the second quarter: the card was added to the Bank's offer in May and its share in the number of cards issued reached 20% in the first half of 2015 (38% in the second quarter alone). As regards co-branded cards, the highest share in the issued cards was that of Citibank World Credit Card with a share of 26% followed by Citibank PremierMiles Credit Card with a share of 9%.

Cash Loan and Cash Loan to Credit Card Account (ALOP)

Cash advances stood at PLN 2.6 billion at the end of the first half of 2015 following an increase of 9% YoY.

The total cash loan sales, including cash loans sold to credit card holders amounted to PLN 897.3 million in the first six months of 2015.

Mortgage products

In the first half of 2015, the Bank strengthened its strategy based on attractive pricing of the offering of mortgage products for Gold and Priority segment clients by introducing a mechanism of variable margins depending on the client segment. The implemented solution offers very attractive prices of mortgage products for Gold clients while encouraging Priority clients to deepen their relationships with the Bank. In the second quarter 2015, the share of sales to that client segment remained at 80%.

The mortgage loan portfolio stood at PLN 1.3 billion at the end of the first half of 2015, representing an increase of 4% year to date and by 12% YoY.

Investment and insurance products

At the end of the first half of 2015, the total value of investment products (including investment-type insurance products, net of dual currency investments) purchased by retail customers via the Bank was 18% higher than at the end of the same period of 2014.

These assets increased by 11% year to date in the first half of 2015. That growth involved mainly investment funds and structured bonds as well as placements in the instruments accumulated in the accounts maintained by DMBH.

Within the scope of cooperation with DMBH, the Bank granted its clients access to 11 issues of investment certificates of closed-end investment funds.

As regards structured products, the Bank offered 53 structured bond subscriptions denominated in PLN, USD and EUR in the first half of 2015.

In February 2015, the Bank launched a new version of unit-linked life insurance to further improve its offering, among others by eliminating surrender fees.

4.4 Online and Mobile Banking

Online Banking

The number of active Citibank Online users, i.e. those who logged in to Citibank Online service at least once every 30 days, amounted to approx. 319,000 at the end of the first half of 2015, representing a slight decline compared to the corresponding period of 2014. The share of active Citibank Online users in the total portfolio of the Bank's clients amounted to 48% at the end of the first half of 2015, representing an increase by 4 p.p. compared to the first half of 2014.

At the end of the first half of 2015, the number of digital users (i.e. those who have used Citibank Online Internet banking or Citi Mobile and Citi Handlowy for iPad mobile banking on different devices at least once a month) reached 329,300, which accounted for 48.3% of all of the Bank's clients, an increase by over 4 p.p. in relation to the same period of 2014.

The share of transactions executed via the Internet or mobile banking channels in total banking transactions at the end of the first half of 2015 amounted to 95% and grew by 2 p.p. in relation to the corresponding period of 2014.

In the first quarter 2015, sales of credit cards via the Internet channels increased by 4 p.p. compared to the first quarter of 2014 and accounted for 24% of total sales. Online sales of cash advances and installment products increased by 23% QoQ in the second quarter 2015.

Key improvements of basic functionalities are being steadily introduced based on the feedback from clients and online banking users: navigation on websites of the main products and the Mastercard World Card Reward Catalogue has been optimized, online view access to mortgage loans has been implemented, the option of independent card activation has been created for account debit cards and credit cards following log-in to the electronic banking system. The holders of Citi PremierMiles cards have gained access to the user-friendly rewards-for-points system via Citibank Online. The Bank's website has been restructured: it now offers easier comparison of products and services of the Bank, provides information also in English, and the website is optimized for the user's device.

Mobile banking

The number of active Citi Mobile users, i.e. users who accessed mobile banking at least once every 30 days, exceeded 68,000 at the end of the first half of 2015, an increase of 21% compared to the first half of 2014. The share of active users of mobile banking in the total portfolio of Citi Handlowy clients stood at 10%, which represents an increase by 3 p.p. over the same period of 2014.

Since the launch of Citi Mobile mobile banking in May 2010, the application has been downloaded 190,000 times, with Citi Handlowy for iPad alone recording over 12,600 downloads from its introduction in the third quarter of 2013.

Direct acquisition

The Bank's newly created consumer distribution channel called Universal Bankers was launched in the fourth quarter of 2014. Universal Bankers offer the clients professional advice on the Bank's multi-product offering and are mobile owing to their dedicated tools. Relationship managers operate in 6 largest Polish cities at the most attractive locations such as shopping malls, cinemas and Okęcie airport. The new model assumes growth in quality of the portfolio of clients attracted by Universal Bankers and sale of not only credit cards but also bank accounts and cash advances. The channel was further developed in the first half of 2015. Currently there are 55 Universal Bankers mobile relationship managers. Recruitment continues and the target number of Universal Bankers is 80 by the end of 2015.

The sales in the Bank's Universal Bankers channel in the first half of 2015 included:

- 1,676 credit cards with NTB (New To Bank) penetration at 80%;
- 400 Priority Accounts;
- PLN 1.4 million of cash loans.

4.5 Branch network

Smart Banking Ecosystem

In the first half of 2015, the Bank expanded the Smart Ecosystem to include 4 new outlets. After the branches which opened in the first quarter 2015 at Katowice's Centrum Handlowe Silesia, Poznań's Centrum Handlu, Sztuki i Biznesu Stary Browar and Kraków's Centrum Handlowe Bonarka City Center, a new branch at Kraków's Kazimierz Shopping Mall became operational in mid-June.

In January 2015, a part of Citigold HUB, a Smart type branch opened toward the end of 2014 at Neptun Office Center in Gdansk, became operational. This is the first outlet of this kind in Poland. Citigold HUB constitutes a large prestigious space with new top-standard finishing intended for servicing of the clients from Citigold and Citigold Select segments.

At the end of the first half of 2015, the Smart Banking Ecosystem already had 16 branches, varying in format, all of which offered the smart banking model, a coherent and dynamic system customized to the clients' current and future behaviors. State-of-the-art technologies enabling comfortable banking based on mobile and Internet solutions have also been deployed in the branches.

Changes in the branch network

At the end of the first half of 2015, the branch network of the Bank comprised 47 outlets. As part of the optimization process and in implementation of the new banking concept, the Bank closed down the operation of the branch at 167, Wolska St. in Warsaw.

New branches were opened in Katowice, Kraków and Poznań within the scope of expansion of the Smart Banking Ecosystem.

Number of branches and other points of sale / touch points at the end of the period

	30.06.2015 (1)	31.12.2014 (2)	30.06.2014 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**47**	**44**	**57**	**3**	**(10)**
HUB Gold	8	8	11	-	(3)
Smart HUB Gold**	2	1	-	1	2
Blue	20	21	39	(1)	(19)
Investment Center	2	2	2	-	-
Smart branch	14	11	4	3	10
Corporate branch	1	1	1	-	-
Other points of sale/touch points:					
Financial agents (Open Finance, Expander and other)	-	-	274	-	(274)
Airports	1	4	5	(3)	(4)
Shopping malls and cinemas	6	21	52	(15)	(46)
Other (BP petrol stations, aquaparks)	-	-	20	-	(20)
Cash points (Billbird and Brinks)	3	4	4	(1)	(1)
Own ATMs	80	71	80	9	-

** Branches classified according to a type of provided services into: HUB Gold (branches with separate CitiGold customer service zones), Blue (branches without separate CitiGold zones), Investment Center and Smart.*

*** A new type of retail branches included in the reporting of third quarter 2014, due to the advent of the type outlets HUB Gold with a separate part of the Smart dedicated to serve customers primarily from the segment Citi Priority.*

5. Changes in information technology

In the first half of 2015, technology projects were implemented to ensure development of a stable technological platform for retail and institutional banking under the Bank's current strategy and to ensure technology cost reductions while expanding the state-of-the-art product offer and improving the quality of offered services. The Bank's IT processes are executed according to international standards, as confirmed in the first quarter 2015 by a positive outcome of a supervisory compliance audit under ISO 20000 (IT service management), ISO 27001 (information security management) and ISO22301 (business continuity management).

The following solutions were implemented in the first half of 2015:

- continued development of the consumer distribution network in the Smart Banking Ecosystem model – 4 new branches were opened in the first half of 2015: Katowice Silesia, Poznań Stary Browar, Kraków Bonarka, Kraków Kazimierz. The branches deploy state-of-the-art technologies and audiovisual solutions as well as improved sales and operational processes;
- development of the functionalities of the ATM network including among others the introduction of currency deposits;
- changes to the Bank's internet platform improving usability and customer experience;
- harmonization of the Bank's systems with regulatory requirements including eDeclarations;
- implementation of the KDPW OTC clearing solution for the Treasury Division;
- implementation of WiFi infrastructure at further locations of the Bank;
- implementation of VOIP Telephony at further locations of the Bank;

Pending initiatives and system modifications impacting the Bank's activity in the coming periods:

- continued development of the state-of-the-art Consumer Bank distribution network: opening more SMART branches;

- implementation of state-of-the-art mobile solutions for retail clients;
- projects modifying the functionalities of the Bank's online platform for retail clients;
- continued development of the electronic platform for trade finance services in line with business needs;
- implementation of a new platform supporting commercial cards for corporate customers ECS+ and a new version of the prepaid card platform Prime/Online;
- replacement of the main system used by the Treasury Division, Kondor+, with eDealer in order to implement new functionalities, reduce development and operating costs;
- replacement and expansion of the main system supporting the Securities Services Division, SMAC, with SECORE;
- implementation of an integrated Know Your Customer platform in aim to improve the process of identifying customers;
- further harmonization of the Bank's systems with regulatory requirements including EMIR, Basel III;
- implementation of the new version of Elixir and implementation of harmonization measures in satellite systems following the implementation of a new system version by KIR;
- implementation of the Follow the Sun model supporting the Bank's ICT infrastructure services provided by specialized vendors;
- projects implementing additional security measures of the Bank's IT platforms.

6. Equity investments of the Group

Equity investments of the Bank are divided into the strategic investment portfolio and the portfolio of investments intended for sale. In the first half of 2015, the Bank continued its earlier policy of equity investments. The guidelines for the strategic portfolio were: maximize profits over a long-term perspective, increase market share, develop cooperation with the Bank and expand the offering of the Bank, while the objectives for the investments intended for sale were: optimize results of capital transactions and minimize risk in the related areas.

6.1 Strategic investment portfolio

This portfolio includes companies running a business in the financial sector which contribute to the Bank's product offering, bring prestige to the Bank's operations and strengthen its competitive position in the Polish market of financial services.

The strategic companies also include infrastructure companies serving the financial sector. The Bank holds minority interest in such companies but they are of strategic importance to the Bank in view of their operations as well as cooperation with the Bank.

In terms of strategic commitment to infrastructure companies, the Bank plans to maintain its stake and actively participate in working out strategic directions of their development within its voting rights. The overall aim of the Bank when exercising corporate governance over such companies is to maintain their development without affecting their business operations, which is taken advantage of by the Bank as well as other financial market participants.

6.2 Portfolio of investments intended for sale

Companies within this portfolio are those that are held by the Bank without a strategic aim, and include companies held by the Bank directly or indirectly, as well as special-purpose investment vehicles through which the Bank runs capital transactions. Some of the investments intended for sale are restructured debts and were taken over by the Bank as part of debt for capital conversion.

The strategic aims for the Bank with regard to such companies are to gradually reduce the Group commitment. It is assumed that the entities will be sold at the most suitable time, depending on the market situation. The portfolio of companies intended for sale locks capital without a predetermined rate of return. The Bank is not planning to do any new capital investments which would be sold later. The portfolio of companies intended for sale might be increased with additional exposure taken over by the Bank as part of debt for capital conversion or acquired in the course of operating activities.

6.3 Special-purpose investment vehicles

As at 30 June 2015, the Group included two investment vehicles through which the Bank runs capital transactions. The activity of the companies was financed with the partner's returnable contributions to capital and with their net profits.

As the Bank continues to pursue a strategy of restricting the activity run through special-purpose investment vehicles, it is expected that further investment vehicles will be gradually sold or liquidated.

According to information available as at the date of preparation of the financial statements, the (unaudited) main financial data of the companies in question as at 30 June 2015 were as follows:

Company	Headquarter	% of authorized capital held by the Bank	Total assets 30 Jun 2015	Total equity 30 Jun 2015	Net financial result for the period of 1 Jan – 30 Jun 2015
		%	PLN '000	PLN '000	PLN '000
Handlowy - Inwestycje Sp. z o.o.	Warszawa	100.00	10,999	10,936	101
Handlowy Investments S.A.	Luksemburg	100.00	43,823	43,621	(255)

7. Other information about the Group

7.1 Awards and honors

In the first half of 2015, the Bank, its brokerage house (Dom Maklerski Banku Handlowego S.A.) and the Kronenberg Foundation received a number of prestigious titles and awards:

- On the 25th anniversary of its presence in Poland, the American Chamber of Commerce (AmCham) awarded Citi Handlowy as an **Impact Pioneer**. Citi Handlowy was named one of the biggest investors and strongest financial institutions in Poland which offers state-of-the-art products and services to corporate clients and retail customers.
- Citi Handlowy was awarded in the business credit card category of the **Portfele Wprost 2015** competition. The Bank was awarded for the most prestigious black credit card Citibank World Elite™ MasterCard® Ultime. The award from the *Wprost* weekly was presented at a gala ceremony in Warsaw on 29 June 2015. The Citibank World Elite™ MasterCard® Ultime Credit Card was awarded among others for the insurance cover, assistance and concierge services, the discount program including "A La Carte", as well as the Priority Pass which gives access to Executive Lounges at many airports around the world.
- The renowned financial magazine *Euromoney* named Citi Handlowy Poland's best private banking provider to global clients. The Bank ranked first in the International Clients category of the **Euromoney Private Banking and Wealth Management** ranking.
- Citi Handlowy was named a **Top Employer Polska** for a fifth time. The Top Employer certificate is only awarded to organizations satisfying top Human Resources Management (HRM) standards. The award is based on the outcome of a survey run by the Corporate Research Foundation (CRF), a leading global human resources policy research institution, which analyses main benefits, fringe benefits, working conditions, training and development, as well as professional career development and corporate culture.
- **The Warsaw Stock Exchange** presented Dom Maklerski Citi Handlowy with two awards for its achievements in the Polish capital market in 2014. Citi Handlowy was named the **market making leader** on **Tresury BondSpot Poland**, which was yet another award won by the Bank in this area. Dom Maklerski Citi Handlowy was awarded for the sixth consecutie time for the **highest share in trading at the session and trade in rights to shares** on the Main Market in 2014.
- The Bank won the competition for **Treasury Securities Dealers for 2015** organized by the Ministry of Finance. The Bank came first for the third consecutive time in the prestigious ranking, which confirms its leasing position on the Polish market. The Ministry of Finance selected Treasury Securities Dealers on the basis of the results of a competition open between 1 October 2013 and 30 September 2014. Citi Handlowy earned the highest average score and consequently ranked first in the published list of 15 banks authorised to operate as Treasury Securities Dealers in 2015.
- Citi Handlowy ranked third in the Commercial Bank category of the **Best Bank 2015** competition. The 23rd edition of the competition looked to honor banks that excelled in financial performance. The award in the Commercial Bank category was granted by **Gazeta Bankowa** on the basis of an

analysis of audited data from consolidated or individual financial statements for 2014. Banks were assessed on criteria such as the highest rate of growth, best portfolio structure, best performance, and the opinion of the independent award-giving committee.

7.2 Cultural patronage and sponsorship

- Citi Handlowy was a partner of the **Polish-African Day and Economic Forum** in 2015. The event was organized by the African Institute and the honorary patrons were the Speaker of the Polish Sejm Radosław Sikorski, the Deputy Prime Minister and Minister of the Economy Janusz Piechociński. The event was held at the Column Hall of the Polish Sejm.
- At the **Fifth European Financial Congress**, Citi Handlowy was a partner of a debate on the methods of testing banks' resilience to shocks. Barbara Sobala, Vice President of the Management Board of Citi Handlowy, was a speaker at the debate. The debate was co-hosted by Polityka Insight. The European Financial Congress is an open project designed to put forth and support initiatives improving financial security and stability of Poland and the European Union. The honorary patron of this year's Congress was the President of the European Council Donald Tusk. The main theme was "European integration in the face of a security crisis".
- In May 2015, Citi Handlowy was a partner of the **European Congress of Local Governments** in Kraków, a series of debates and meetings devoted to Polish and European local governments, which brought together more than a thousand participants from all over Europe. As part of initiatives supporting cooperation with the Polish public sector, Citi Handlowy was a partner of the **Economic Committee of the Chamber of Commerce of Urban Transportation** in Poznań. Citi Handlowy supported the **70th anniversary of the Kraków University of Technology**.
- In June 2015, Citi Handlowy and Dom Maklerski Banku Handlowego were strategic partners of the **Warsaw Capital Market Summit 2015**. The Warsaw Capital Market Summit is an international conference devoted to capital markets in Poland and in Central and Eastern Europe. This year's fifth edition took place at the Warsaw Stock Exchange. The event brought together investors, issuers, financial institutions and the public administration, as well as financial journalists from all over the world.
- Citi Handlowy continued its relations with the **Polish Golf Union** as its strategic sponsor for the fifth consecutive year. The Bank is regularly involved in a series of diverse golf events.

7.3 Social commitment of the Bank

The implementation of the Bank's corporate social responsibility strategy is coordinated by the **Leopold Kronenberg Foundation at Citi Handlowy** which supports charity initiatives on behalf of the Bank. In the first half of 2015, the Foundation focused on financial education, protection of Poland's cultural heritage and co-ordination of the Bank's employee volunteering initiatives for those in need.

The implementation of the programs was as follows:

- **My Finances** is the largest financial education program for young people in Poland. It is implemented in cooperation with the Junior Achievement Young Enterprise Foundation and the National Bank of Poland. The program had 109,657 participants in the first half of 2015. The program was offered by 1,647 teachers in more than a thousand schools across Poland.
- **Savings Week** is an educational action in the media to promote savings and the skills of rational management of personal finances among Poles. The campaign is carried out by the Leopold Kronenberg Foundation at Citi Handlowy together with the Think! Foundation. The goal of the program is to develop systemic changes in education focused on management of personal finances. In the first half 2015, one debate on financial education was organized in co-operation with the Economics and Management Faculty of the University of Szczecin. The event also featured competence workshops for university students organized in co-operation with Citi Service Center HR experts.
- **Financial Independence of Women** is a program for women experiencing or exposed to economic violence. The program implemented in cooperation with the Women's Rights Centre covered 720 women in the first half 2015.
- **Bank Handlowy Award** for an outstanding scientific contribution to development of economics and finance – this competition aims to promote the most valuable theoretical publications in the field of economics and finance. The winner of the 20th edition of the Bank Handlowy Award was Dr. hab. Tomasz Berent, Assistant Professor at the Faculty of Financial Management, Chair of Capital

Markets,
Warsaw School of Economics. He was awarded for his work entitled “The General Theory of Financial Leverage”, which analyses problems related to use of debt to finance business activity.

- **Be Entrepreneurial** is a financial education program addressed to students of secondary schools. It is implemented in cooperation with the Junior Achievement Young Enterprise Foundation Poland. Its objective is to provide learning opportunities and teach students the attitudes and skills in the area of broadly defined entrepreneurship by founding and running businesses in the legal form of open partnership. The program reached more than 2,600 students of 220 schools across Poland.

- **Business Startup** is a two-part program which supports young entrepreneurs (assistance in opening and running a business and support for existing companies). It is implemented in cooperation with Academic Incubators of Entrepreneurship. The objective of the project is to promote entrepreneurship among students and to help them make their business vision come true. 350 students and 100 start-ups take part in the program in 2015.

- **Business in Female Hands** is a new program launched in April 2014 at the 4th Conference of the Woman Entrepreneur Network “How to Grow a Successful Company”. It is implemented in cooperation with the Women Entrepreneurship Foundation under the patronage of the Warsaw City Office. The second edition of the program which opened in the first half 2015 accepted nearly 300 women participants.

- **Micro Company of the Year 2015** is a competition for owners of microbusinesses to promote the philosophy of micro-entrepreneurship. The results of the competition were announced on 23 June 2015. The winner was Blix Power Poland sp. z o.o., the producer of an electricity consumption reduction device.
A record-high number of 528 companies entered this year’s edition of the competition. The competition was accompanied by a microbusiness sector survey “Institutional Support for Micro-Companies”.

- **Citi Handlowy Emerging Market Champions Award** – new program launched in 2014. The objective is to promote companies which are successfully expanding internationally. The project includes a survey of the business climate in Poland and the global potential of domestic companies. The competition was opened for entrants in the first half 2015. Work was also started to draft this year’s survey questionnaire focusing on the international competitiveness of Polish companies.

- **Aleksander Gieysztor Award** is the most prestigious award given annually to institutions or individuals in recognition of their efforts for protection of Polish cultural heritage. The winner of the 16th edition was the prominent scientist and renown Polish cultural activist - Professor Franciszek Ziejka.

- **Recovery of Polish Art** is a program which aspires to recover the cultural heritage lost by Poland during and in the wake of WWII. In the first half 2015, the Leopold Kronenberg Foundation at Citi Handlowy continued its cooperation with the Ministry of Culture and National Heritage and the Ministry of Foreign Affairs.

- **Roots** is a program under which the Foundation promotes the history of the Bank and the profile and achievements of its founders, the Kronenberg family. In the first half 2015, a digital copy of the original statute of Bank Handlowy from 1870 (found in late 2014) with the signature of Tsar Alexander II and the Chairman of the Council of State Grand Duke Constantine approving the inception of the Bank was retrieved from the Russian State Historical Archives at St. Petersburg. Search for documents from the history of Bank Handlowy and the Kronenberg Family continued and several hundred digital copies of materials have been added to the repository of digital documents. The Leopold Kronenberg Foundation at Citi Handlowy actively participated in the initiatives of the European Association for Banking and Financial History.

- **Employee Volunteering Program of Citi Handlowy** aims to promote the social commitment of present and former employees of the Bank. In the first half 2015, 202 volunteer projects were implemented and volunteers (including those from outside the organization) were involved more than 3,427 times.

- **Grant Program** is a competition through which the Leopold Kronenberg Foundation at Citi Handlowy supports the most valuable projects conceived by not-for-profit organizations in the area of education and local development. In the first half 2015, 3 grants were allocated.

- **Responsible Business League (Liga Odpowiedzialnego Biznesu)** is a program that promotes the CSR concept as a business standard in the academic community. The program is organized by the Responsible Business Forum in co-operation with the Leopold Kronenberg Foundation and public universities. The next edition of the program started in the academic year 2014/2015. RBL has over 8,000 participants.
- As a socially responsible company, Citi Handlowy was included for an eighth consecutive time in the prestigious **RESPECT Index** published by the Warsaw Stock Exchange. Citi Handlowy has participated in the index since its first edition, which represents third-party confirmation that the Bank's corporate social responsibility policy and top corporate governance and investor relations standards are appreciated by the markets and contribute to building trust in the company. Since 2014, Citi Handlowy has been a member of the **MSCI Global Sustainability Index** – an index of companies which comply with high standards of corporate governance, environmental protection and corporate social responsibility.
- Citi Handlowy ranked first in the 9th Responsible Companies Ranking in the category of banks, insurers and financial companies. The Bank won the highest score in four audited categories: responsible leadership, social commitment, communications with stakeholders, social innovation and responsible management. The Responsible Companies Ranking has been published for many years by *Dziennik Gazeta Prawna* in cooperation with PwC.
- 18 of Citi Handlowy's CSR initiatives were included in the 13th edition of the Responsible Business Forum report published in April 2015 (16 initiatives in 2014), including three new initiatives: Business in Female Hands, Policz Się, and the Emerging Market Champions Award. The publication was launched in 2002 and is the only existing compilation of leading corporate social responsibility initiatives.

7.4 The Bank's commitment to environmental management

The Bank is an environmental management leader in the financial industry: it has implemented the Environmental Management System, holds the Green Office certificate and is the first Polish signatory of the Carbon Disclosure Project. The Bank takes measures addressed to clients, suppliers and subcontractors and supports their environmental initiatives. In the first half of 2015, Citi Handlowy implemented many projects raising the environmental awareness of employees as well as initiatives engaging them in daily efforts in favor of rational energy management.

VI. Key risk factors relating to the operations of the Capital Group of Bank Handlowy w Warszawie S.A.

1. Key risk factors and threats relating to the Group's environment

1.1 Economy and macroeconomic environment

Uncertainty prevails about the direction and pace of change in the US monetary policy. If the US central bank decides to implement quick interest rate hikes, this could cause increased outflows of capital from the emerging markets including Poland. As a result, the zloty and Polish government bonds could depreciate.

Despite a preliminary deal between Greece and its creditors, the risk of a contagion in peripheral countries is relatively high. As a result, the financial markets could face considerable volatility with the Polish currency depreciating and the Swiss franc appreciating. In the event of considerable changes in the currency market, this could pose a threat to some Polish households and as a result affect the condition of part of the Polish banking sector. Greece's possible withdrawal from the Eurozone could also have an adverse effect on economic activity in Western Europe, which would also affect the business climate in Poland.

Similar to previous quarters, rising geopolitical tensions in Eastern Europe remain one of the threats to the Polish economy, potentially resulting in a collapse of demand for some of Poland's export products. In addition, signals of slow-down of Chinese growth could indirectly impair demand for Polish products.

The above factors may affect the Group's performance in the following reporting periods.

1.2 Regulatory risk

Any changes in the economic policies or in the legal system could have a considerable effect on the Group's financial condition. In terms of banking sector regulations, a particularly important role is played by Acts and related implementing regulations, including regulations of the Minister of Finance, resolutions of the Management Board of the National Bank of Poland ("NBP") and orders of the Chairman of NBP, and resolutions of the Polish Financial Supervision Authority ("PFSA"), as well as regulatory recommendations.

The key legal and supervisory regulations include: admissible concentration of exposure and debt limits (Banking Law);

- admissible concentration of exposure and debt limits (Banking Law);
- maximum level of equity investments in the capital market (Banking Law);
- liquidity, solvency and credit risk standards (resolutions of the Polish Financial Supervision Authority);
- risk management at the bank (Banking Law, resolutions of the Polish Financial Supervision Authority);
- calculating and satisfying reserve requirements (NBP Act, Banking Law, resolutions of the Polish Financial Supervision Authority and resolutions of the NBP Management Board);
- regulations concerning taxes and related instruments;
- Act of 7 July 2005 amending the Civil Code and other laws limiting maximum interest on consumer loans and maximum amount of fees and charges related to such loan;
- limits regarding extension of mortgage-secured foreign currency loans, specified in Recommendation S and Recommendation S(II) of the Commission for Banking Supervision;
- Act of 16 February 2007 on protection of competition and consumers;
- Act of 23 August 2007 on counteracting unfair market practices;
- Act of 16 November 2000 on combating money laundering and terrorist financing;
- Act of 29 July 2001 on consumer credit;
- Act of 12 May 2011 on consumer credit;
- Act of 19 August 2011 on payment services;
- Act of 30 May 2014 on consumer rights;
- Act of 29 July 2005 on trading in financial instruments;
- Act of 27 May 2004 on investment funds;
- Act of 28 August 1997 on organization and operation of pension funds;
- Act of 29 July 2005 on public offering and on the terms of introducing financial instruments into organized trading and on public companies;
- Act of 6 December 2013 amending certain Acts in connection with the determination of the terms of payment of pensions from the resources of open pension funds;
- Act of 14 December 1994 on the Bank Guarantee Fund (BFG);
- Act of 28 February 2003 – Bankruptcy and Recovery Law, including consumer bankruptcy;
- Regulation No 648/2012 of the European Parliament and of the Council of 4 July 2012 and European Commission implementing regulations. The Regulation and its implementing regulations impose additional rights and obligations on entities trading in OTC derivatives in order to ensure more security and transparency of the trade. As a rule (with specific exceptions), the Regulation applies to OTC derivatives trade, i.e. trade outside the regulated market. The obligations under the Regulation apply not only to professional financial institutions including banks and brokerage houses but also to all legal entities trading in derivatives;
- Recommendation A of the Polish Financial Supervision Authority on management of risks related to derivative transactions conducted by banks;

- Recommendation T of the Polish Financial Supervision Authority on good management practice concerning risk of retail credit exposure;
- Recommendation I of the Polish Financial Supervision Authority on management of foreign exchange risk in banks and rules of performing transactions subject to foreign exchange risk by banks;
- Recommendation M of the Polish Financial Supervision Authority on the management of operational risk at banks;
- Recommendation U on good practices in bancassurance;
- Recommendation D concerning management of IT areas and ICT environment security at banks. The recommendation has replaced the previous Recommendation D. As compared to the previous version of Recommendation D, provisions have been implemented among others in relation to management of data (including data quality), principles of co-operation between business and technology, the management information system for IT and ICT security and cloud computing. Supervisory expectations have also been updated and clarified as regards strategic planning in the IT area and security of the ICT environment, implementation of new and modification of existing IT solutions, co-operation with third-party service providers and management of risks connected with ICT environment security;
- guidelines of the Polish Financial Supervision Authority of 16 December 2014 on the management of IT and ICT security areas at pension fund management companies, insurance and reinsurance companies, investment fund management companies, entities providing capital market infrastructure, and investment firms. The guidelines are a version of Recommendation D on the management of IT and ICT security areas at banks adapted to the needs of individual sectors. The PFSA expects appropriate measures aimed at implementing the standards set forth in the guidelines to be implemented by the entities subject to supervision no later than by 31 December 2016. These guidelines apply to the Bank in the scope of Brokerage Services Management Unit operations as well as to the DMBH brokerage house;
- Corporate Governance Principles for Supervised Institutions issued in PFSA Resolution of 22 July 2014. The Principles are a set of rules governing internal and external relations of institutions supervised by the PFSA including their relations with shareholders and clients, their organization, the internal supervision function and the key internal functions and systems, as well as statutory bodies and their cooperation. The Principles apply to the Bank as well as to the DMBH brokerage house

Legal and supervisory regulations and their draft amendments which may impact the activity of the Bank in the coming periods:

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (“CRD IV”) on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (“CRR”) – issues regulated by CRD IV include the establishment of banks, capital buffers, supervision, management and corporate governance of banks and investment firms. CRR contains regulations regarding among others own funds, capital requirements, liquidity and leverage. CRD IV is required to be transposed into Polish law while CRR will apply directly in all Members States of the European Union. The Directive must be transposed into national law no later than 1 January 2014. Work is underway on national transposition of CRD IV in Poland and harmonization of the Polish law to directly applicable provisions of CRR. The transposition of CRD IV will be accompanied by implementing regulations issued under the mandate given in the draft act. Furthermore, pursuant to CRR and CRD, technical standards will be implemented in subsequent years. Amendment to the Act on investment funds whose purpose is to implement Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010. Additionally, the draft implements Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions and partly Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of over-reliance on credit ratings. The draft has been tabled for consultation, public consultation and opinion to institutions including the Polish Bank Association, the National Bank of Poland, and the Polish Financial Supervision Authority, as well as to market participants. The Act provides for a six-month grace period during which undertakings can adjust their activities to amended regulations. Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision, which impacts the activity of custodians, took effect on 22 July 2013. According to the opinion of the PFSA of 21 August 2013, in the absence of implementation into the Polish legal system of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 and in the absence of potential identification of the addressees of legal standards indicated in the Regulation within the Polish legal system, it cannot be applied in the Polish legal system. According to the PFSA, until the effective date of the relevant implementing act in which the national legislator definitively decides which entities can be classified as AIFM and AIF, the question of applicability of the Regulation to specific entities remains moot. The changes resulting from the Act and from the EU Regulation will have an impact on the Bank's performance of its role as a custodian and will require amendments to agreements signed by the Bank;

- Draft Act amending the Act on capital market supervision and certain other Acts. The amendment aims to modify the system of financing the cost of activities of the Polish Financial Supervision Authority and its Office. Furthermore, the Act extends the contributions of specific categories of entities active in the capital market towards the cost of market supervision. The Senate passed the Act without amendments on 10 July 2015. The Act comes into force on 1 January 2016.
- Restructuring Law – the Act has been passed and its effective date is 1 January 2016. The draft puts forth solutions which change the methods of operation and handling of entities in financial distress, which could impact credit rating in granting of certain forms of funding as well as the speed of debt collection;
- Draft amendment of the Banking Law eliminating the authorization of banks to issue bank enforcement writs. The proposed amendments will affect the options of quick collection of outstanding debt. The draft is currently in the legislative process. It provides for a short grace period: 14 days from the date of publication;
- Draft amendment of the Act on financial market supervision, the Banking Law, the Act on consumer credit concerning among others regulation of the non-bank lending market, amendment of the rules of reporting to credit information bureaus, introduction of a maximum limit of non-interest costs of consumer credit and a maximum limit of fees for overdue payments. The draft is currently in the legislative process;
- Draft Act on handling of complaints by financial market entities and on the Financial Ombudsman, providing for the introduction of formal requirements for handling complaints filed by consumers and entrepreneurs who are clients of financial market entities (among others: banks, insurers, investment fund management companies, payment institutions). The draft is currently in the legislative process;
- MiFID II and MiFIR were published in the EU Official Journal on 12 June 2014 and take effect in January 2017. The MiFID II package will replace the MiFID I package currently in force (which includes the Directives MiFID 1 and MiFID 2 as well as the MiFID Regulation). The MiFID II system will also include other acts: implementing and delegated regulations. The objective of the new regulations is to strengthen the existing market structures, to regulate the OTC market, to extend the scope of powers (pre- and post-trade transparency) in response to changes in the financial markets (technological developments, new financial products), to strengthen supervision and implement adequate sanctions for regulatory non-compliance, and to improve the protection of investors (both individual and professional). The key consumer protection rules of the MiFID II system include:
    - Limiting the assumption that the professional customer has the knowledge and experience appropriate for the given service limited only to non-complex financial instruments;
    - Clarification of the definition of a professional customer ("based on the assumption");
    - Greater protection of authorized counterparties (principles of fairness and professionalism required of a given company in a given market);

- The MiFID regime will apply to new products previously not covered by MiFID, including insurance capital funds (UFK);
- Implementation of a review of products on offer against the original assumptions;
- Additional requirements for the management of conflicts of interest and incentives (cash or non-cash benefits accepted or given in connection with provided investment services);
- Powers (product interventions) of EBA, ESMA and local regulators (e.g. PFSA) to ban or restrict:
  - Marketing, sales or distribution of a product;
  - Specific activities, e.g., sales practices;

- Until 12 June 2014, the following were published in the Official Journal of the European Union: Regulation No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC – Market Abuse Regulation (MAR), and Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse – Market Abuse Directive (MAD). The adoption of the Market Abuse Regulation will entail among others:
  - Extension of the existing market abuse regulations, among others to abuse of electronic trading platforms;
  - Introduction of a clear ban of abusive strategies based on high frequency trading;
  - Declaring guilty of market abuse and penalizing with severe fines those persons who manipulate reference rates such as LIBOR;
  - Introduction of a ban of abuse in commodity markets and related derivatives market, and strengthened cooperation among financial market and commodity market regulators;
  - Imposing fines of at least three times the gains from market abuse or at least 15% of turnover for enterprises (Member States may additionally decide to increase the minimum rates).

The aforementioned legal acts took effect on 3 July 2014, which started the period of 24 months when the Commission must adopt implementing measures for the regulation and the Member states must transpose the Directive in national law.

The two-year preparatory period before the effective date of the MAR will enable the issuer community to develop new reporting standards acceptable to the regulator.

1.3 Competition in the banking sector

In the first half of 2015, the Polish economy continued to grow at a high rate. According to the Bank's estimates, growth in the second quarter stepped up to approximately 3.7% YoY and continued to be driven by investments and private consumption. Annual growth should reach 3.9% in 2015. The Polish economy is experiencing deflation for the first time in its history; deflation was 1.0% YoY at the end of 2014. However, deflation is gradually weakening in the first half of 2015. Inflation is expected to regain ground at the year's end but it will remain well below the Monetary Policy Council's target. Interest rates are also record low and were cut by another 50 bps to 1.50% in March 2015. According to communications of the Monetary Policy Council, the monetary policy easing process is over. Consequently, the rates should remain stable until almost the end of 2016, when we expect the first rate hikes.

The latest interest rate cut combined with continued reductions of the interchange fee (to 0.2% for debit cards and 0.3% for credit cards) has an adverse effect on the results of the financial sector. Banks are striving to offset the falling net interest income by reviewing their fees and commissions, restructuring their credit card business model, and expanding their lending. Furthermore, the results of the first quarter 2015 were largely impacted by one-offs, which improved the return rate of the sector. We expect that the current pressures on revenue will be fully reflected only in the second quarter results.

An issue relevant to the banking sector is the standing and outlook of SKOKs. The bankruptcies of several SKOKs within the last 12 months have largely reduced the resources of the Bank Guarantee Fund. The necessary replenishment of the reserves has caused the amount of mandatory contributions of banks to almost double. Combined with further potential increase of the contributions following an amendment of the BFG Act, this will exert a strong adverse financial impact on banks in the coming years.

No consolidations of major market players are expected in the nearest future; however, mergers and acquisitions of banks outside the top 10 are not out of the question as they seek to improve effectiveness by achieving scale effect. In the opinion of the regulator, the concentration of the banking industry is "close to optimal", which may imply no green light for further major deals. Co-operation between banks and companies in other sectors is expected to become closer, enabling them to develop a broad offer and boost revenue through cross-selling. The first projects involving alliances between financial institutions and telecoms or insurers have already been forged in the market.

2. Key risk factors and threats relating to the Group and its operations

2.1 Liquidity risk

Maturity mismatches between loans and the underlying deposits are a typical aspect of banking activity, and these occur at the Bank as well. They could give rise to potential problems for current liquidity were there to be a build-up of large payments to customers. Management of the Bank's assets and liabilities, including regulation and control of liquidity risk, is the responsibility of the Assets and Liabilities Committee (ALCO), which maps out a strategy later implemented by the Financial Markets Sub-Sector.

The main task of the Assets and Liabilities Management Committee is management of the balance sheet structure to increase its profitability, defining admissible limits of financial risk undertaken in various areas, coordination of the pricing policy in terms of interest rates and making decisions on transfer pricing in the Bank.

As part of liquidity risk management, ALCO is responsible for preparing and implementing a uniform policy of managing the liquidity risk in the Bank, approving the annual liquidity plans and plans of funding the assets of the Bank, as well as liquidity limits and contingent plans regarding liquidity. It also determines the threshold values (limits) for various sources of funding and conducts regular reviews of liquidity risk reports.

The Bank's deposit base is stable and diversified. Moreover, the Bank has a large portfolio of liquid securities, good access to interbank market funding and adequate capital. Liquidity risk in the first half of 2015 was low.

2.2 Foreign exchange risk

The Bank performs foreign exchange transactions both on behalf of its customers and for its own account, and holds open FX positions within the established limits. Therefore, the Bank is exposed to foreign exchange risk. Control over foreign exchange risk is the responsibility of the Market Risk Department, which cooperates in this area with the Financial Markets Sub-Sector responsible for managing liquidity and the currency position. Market risk of the Bank's proprietary positions was low in the first half of 2015.

2.3 Interest rate risk

As is the case with other Polish banks, the Bank is exposed to a risk of mismatch between the timing of changes in interest rates on its assets and on the underlying liabilities (revaluation gap risk), as well as the risk that debt securities and interest rate based derivatives may be sensitive to market interest rate fluctuations (pricing risk). In terms of revaluation gap risk, interest rate risk may arise where it proves impossible to offset the fall in income caused by lower rates of interest on loans through a corresponding reduction in the rates of interest paid to depositors. Similarly, this risk also occurs when a rise in deposit rates cannot be offset by a corresponding rise in lending rates. As far as pricing risk is concerned, interest rate risk may occur in situations where changes in the market interest rates adversely affect the trading portfolio valuation and consequently the Bank's financial result and the equity of the Bank due to lower valuation of the portfolio of securities available-for-sale. Management of interest rate risk is one of the functions of the Bank's Assets and Liabilities Committee, which – among other things – develops the Bank's pricing policies regarding interest rate risk. The interest rate risk level in the first half of 2015 was medium to high for trading portfolios and for banking portfolios.

2.4 Credit risk and counterparty risk

Credit risk and counterparty credit risk represent a potential loss resulting from a customer's inability to pay its contractual obligations due to insolvency or other reasons, taking account of collateral, unfunded credit protection and other loss mitigating agreements. In the case of counterparty risk, the Bank's exposure is variable over time. Non-settlement of transactions when due exposes the Bank to the additional risk of changes to the value of the contract. The Bank sets limits for the credit risk and counterparty risk it takes at the level of exposure to a given entity or a group of related entities. In addition, portfolio-level limits are established that support the process of management and on-going monitoring of the credit portfolio. The process of proactive portfolio quality management covers not only assigning appropriate ratings to exposures, but also assigning them with appropriate internal classifications, recognizing their impairment and applying relevant corrective or collection actions. For credit exposures, the Bank makes impairment write-offs as required by law. The Management Board of the Bank is of the opinion that the current level of impairment write-offs is adequate. Given a possibility of changes in the external environment or the emergence of other factors that could have a negative impact on the Bank's customers, it is not certain that in the future the need to provide additional impairment provisioning against the existing portfolio will not have an adverse effect on the Bank's financial standing, or that the impairment provisions and collateral in place will prove sufficient to absorb any potential losses arising from lending activity.

2.5 Operational risk

Operational risk is defined as the risk of loss resulting either from inadequate or failing internal processes, people or technology systems or from external events. It includes reputation risk, associated with operational risk events, business practices or market conduct, as well as legal risk and compliance risk. Operational risk does not include strategic risk or the risk of potential loss caused by decisions to accept credit risk, market risk, liquidity risk of insurance business risk.

The strategic objective of operational risk management is to ensure a coherent and effective system of operational risk identification, assessment, mitigation, control, monitoring and reporting and to ensure effective reduction of exposure to operational risk and, consequently, to reduce the number and severity of operational risk events (policy of low tolerance for operational losses).

Another objective of operational risk management is to fully integrate operational risk management processes and business decision making processes (i.e. the business strategy will be supported by operational risk assessment and business will be evaluated on the basis of pre-defined indicators of operational risk and controls).

The Bank's operational risk management system is structured to ensure correct risk management at each stage (identification, assessment, counteraction, control, monitoring and reporting).

The Management Board of the Bank is responsible for the development, implementation and operation of the appropriate operational risk management system by implementing appropriate internal regulations, and for ensuring consistency of the operational risk management system with the Strategy of the Bank and for the proper functioning of the system within the organization by analyzing information that allows the assessment whether the system is adequate for the operational risk profile. Where necessary, the operational risk management system is improved by making appropriate corrections.

The implementation of the strategy by the Management Board of the Bank is evaluated by the Supervisory Board supported by the Audit Committee and the Risk and Capital Committee on the basis of summary reports tabled by the Management Board at least once per year, which define the scale and types of operational risk to which the Bank is exposed, the operational risk management methods, the probability of materialization of operational risk, an assessment of the potential adverse impact of the operational risk management method, and the outcome of monitoring of the operational risk profile and operational risk appetite. Following its assessment, the Supervisory Board may request a revision, where necessary.

The Audit Department is responsible for independent assessment of the effectiveness of operational risk management processes and for assessment of the adequacy and effectiveness of the operational risk management system, including its regular reviews. Internal and external audit findings are integrated into the management information system and into the decision making process related to risk management and management of the Bank.

The total amount of gross operating losses booked in the first half of 2015 was equal to 1% of the revenue in the period and was less than the accepted operational risk appetite.

VII. Prospects for the development of the Capital Group of Bank Handlowy w Warszawie S.A.

1. General objectives for the Group development

The Bank continued its Strategy for 2012-2015 adopted in 2012. It is based on four key pillars: customer segmentation, business model, quality and innovation, and effectiveness.

The Group takes a range of initiatives to improve the attractiveness of services offered by the Consumer Bank and the Corporate Bank with a special focus on the areas where the Bank has a substantive competitive advantage. The key initiatives focus on services provided to affluent customers and customers aspiring to affluence, as well as the credit card segment; the Corporate Bank focuses on global corporations and the biggest Polish companies. Other important areas from the Group's perspective include the forex market, transactional banking, securities services, as well as institutional brokerage activities.

In view of the special importance of relationships with its existing clients, the Bank takes measures aimed at deepening the existing cooperation in order to make it comprehensive and to provide the clients with the best possible product offer. At the same time, the Group continuously plans further initiatives aiming to establish relationships with new clients.

Innovation and top quality of service are the foundation of the Bank's successful strategy. By constantly enriching and updating the Bank's product range, the Group is able to set new development trends in the banking sector and effectively compete in the financial services market.

By analyzing clients' evolving needs and expectations, the Bank aligns its communication models by optimizing the distribution network and developing Smart branches. Convenient locations at venues frequently visited by clients of the Bank ensure high usage rates of new branches. The Group makes all efforts to provide clients with top quality platforms giving access to the offer of the Bank over remote channels. Investment in state-of-the-art technology ensures that clients who use mobile banking services enjoy highest possible security as well as top customer satisfaction, which drives the sales of products.

The strong capital position and high liquidity are the key drivers of unwavering high confidence of clients in the institution. They also determine the Bank's market advantage, leveraged in order to continuously improve the Bank's value. Investment in new technologies allows the Bank to develop and implement break-through innovations and to maintain a high quality of provided services while improving operational effectiveness. This means that the Group can strengthen its existing market position. Clients, in turn, enjoy benefits ensured by the global scope of Citi Handlowy, which provides services all over the world.

1.1 Institutional Bank

The objective of the Corporate and Commercial Bank is to maintain the leading position in serving major local companies and international corporations while growing its market share in the SME segment. To achieve this objective, the Bank strives to expand its cooperation with existing clients and to acquire new clients in promising sectors. The Bank offers active support of clients in their regional and global expansion with its Emerging Market Champions program where clients can enjoy benefits provided by the Bank as a member of the Citi Group. These initiatives are geared to one of the main goals of the Bank: to become the Strategic Partner of Polish companies and to actively support the expansion of Polish industry. The Bank's long-term ambition is also to become the bank of choice in the SME sector. In addition to these goals, the Bank plans to take initiatives necessary to maintain its leading position in the foreign exchange market, cash management products and institutional brokerage operations.

The Bank intends to enhance its effectiveness by focusing on innovations, improving processes and raising the quality of its services. In transactional banking, the Bank is planning to continuously expand and align the product offer for corporate clients in order to increase its share in the current client portfolio and to establish relations with new corporate clients. Being fully aware of the changeability of the market and of the high expectations of partners, the Bank strives to cut the time to market for new solutions.

1.2 Brokerage activities

Domestic and foreign institutional investors are the predominant group of DMBH's clients as measured by their share in revenue. Consequently, the activity of clients in these segments is a key driver of DMBH's business. The introduction of voluntary participation in the second pillar of the pension system and the gradual transfer of savings to the Social Insurance Institution (ZUS) largely affects the inflow of capital to Open Pension Funds (OFE). Furthermore, demand of this client segment for domestic stocks may shrink due to a higher legal cap on foreign investments. The activity of local investment funds depends on the inflow of new cash into the funds, which in turn is determined by the conditions on the stock market.

1.3 Consumer Bank

The Bank will still focus on customer segments and products where it has the competitive advantage. This implies further growth in wealth management and relational banking, focused on the affluent (CitiGold) and aspiring customer segments. In the Gold segment, the Bank will strive to consolidate its position as a leader and ensure that Citi Handlowy remains the bank of choice with a full range of banking products, auxiliary services, privileges and exceptional client-oriented service. In response to the needs of aspiring clients, the Bank launches the Citi Priority service. Product packages, a unique debit card, global privileges and a focus on digital customer service make the offer truly special and address the needs of customers for whom state-of-the-art technology, a global lifestyle and flexible access to banking services are key. Self-service Smart branches and new Citibank Online functionalities support such flexibility.

The leading position in the credit card market is the main competitive advantage of the Bank and generates customer acquisition. The main goal in this area is to maintain the leading position as measured by the number and volume of credit card transactions and to support the acquisition of new card clients by tailoring the credit card offer to the market environment and customers' needs.

Along with the development of the modern Smart branch network, the Bank plans to implement further innovative technological solutions which will accelerate customer service and sales processes.

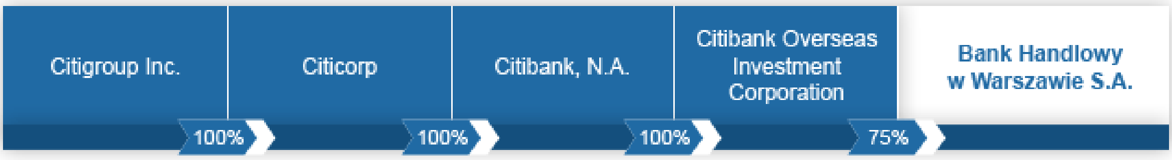
VIII. Investor information

1. The Bank's shareholding structure and performance of its shares on the WSE

1.1 Shareholders

The only shareholder of the Bank that holds at least 5% of the authorized capital and of total voting rights at the General Meeting of Shareholders is Citibank Overseas Investment Corporation (COIC), a company belonging to the Citi Group focused on foreign investments. COIC is at the same time the strategic majority shareholder of the Bank. In the first half of 2015, the number of shares held by COIC as well as its share in the authorized capital and the total voting rights at the General Meeting of Shareholders remained unchanged and amounted to 97,994,700 and 75%, respectively.

The position of Bank Handlowy w Warszawie S.A. within the Citi Group structure is shown in the diagram below:



The remaining shares (32,664,900 shares representing 25% of the share capital) are free floating, which means that they are publicly traded and listed on the Warsaw Stock Exchange (WSE).

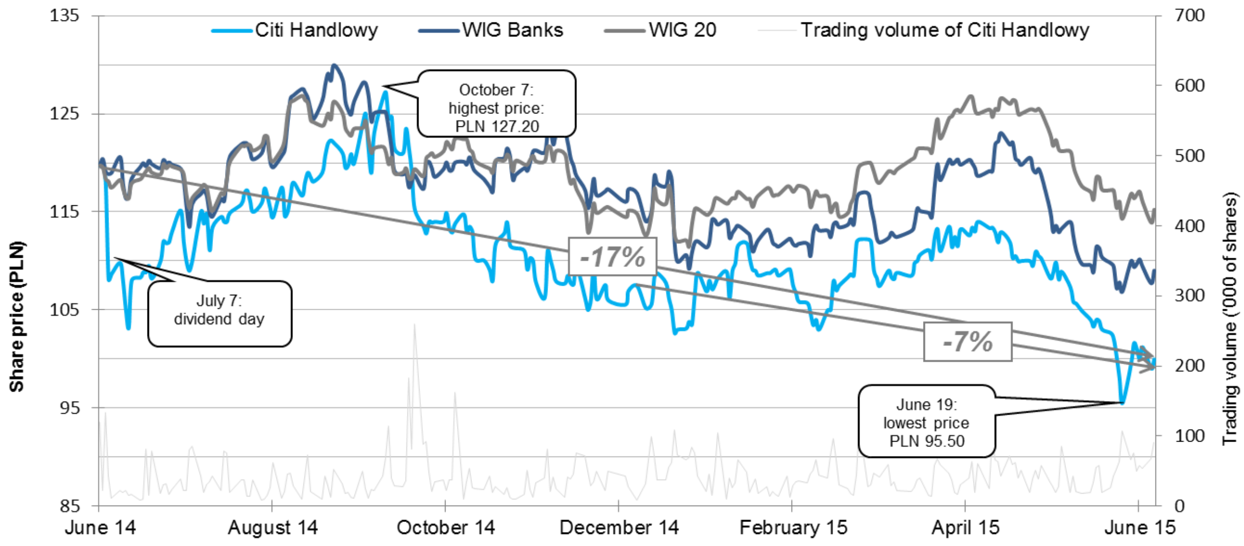
1.2 Performance of the Bank's shares on the WSE

The Bank's share price was PLN 99.96 at the end of the first half of 2015, a decrease of 16.5% YoY (i.e. compared to the closing price of PLN 119.75 on 30 June 2014). The indices WIG-Banks and WIG20 also lost 9.0% and 3.8%, respectively, YoY. WIG, the index of all companies listed on the WSE Main Market, gained 2.7% in the period.

The Bank's share price fell by 7.0% in the first half of 2015 and the industry index WIG-Banks lost 6.7%, which reflects the unfavorable sentiment around the banking sector on the Warsaw stock market. Meanwhile, WIG20 and WIG gained 0.4% and 3.8%, respectively, in the period.

The Bank's share price was the highest since the end of the first half of 2014 at PLN 127.20 on 7 October 2014. The average share price of the Bank in the last 12 months was PLN 110.87 and the average daily turnover in the Bank's shares was approximately 42,000 shares.

The Bank's share price and trading volume from the end of 1H 2014 vs. WIG-Banks and WIG20 indices
(30/06/2014 = PLN 119.75)



At the end of June 2015, the capitalization of the Bank was PLN 13.1 billion (compared to PLN 14.0 billion as at 30 December 2014 and PLN 15.6 billion as at the end of the first half of 2014). At the end of June 2015, the stock exchange indices were as follows: P/E – 14.2 (compared to 14.8 as at 30 December 2014 and 18.8 as at the end of the first half of 2014), P/BV – 1.8 (compared to 1.9 as at 30 December 2014 and 2.3 as at the end of the first half of 2014).

2. Dividend

On 22 June 2015, the Ordinary General Meeting of the Bank decided to allocate 99.9% of the individual net profit of 2014 to dividend payout, which means that the dividend per share was PLN 7.43.

The table below shows a history of dividends since 1997, i.e., since the debut of the Bank on the WSE.

Financial year	Dividend (PLN)	Earnings per share (PLN)	Dividend per share (PLN)	Dividend payout ratio
1997	130,000,000	6.21	1.40	22.5%
1998	93,000,000	3.24	1.00	30.8%
1999	186,000,000	5.08	2.00	39.4%
2000	130,659,600	1.57	1.00	63.8%
2001	163,324,500	1.25	1.25	99.8%
2002	241,720,260	1.86	1.85	99.6%
2003	241,720,260	1.86	1.85	99.7%
2004	1,563,995,412	3.17	11.97	*)
2005	470,374,560	4.51	3.60	79.8%
2006	535,704,360	4.75	4.10	86.4%
2007	620,633,100	6.19	4.75	76.8%
2008**	-	4.94	-	-
2009	492,586,692	4.02	3.77	94.0%
2010	747,372,912	5.72	5.72	99.9%
2011	360,620,496	5.52	2.76	50.0%
2012	756,519,084	7.72	5.79	75.0%
2013	934,216,140	7.15	7.15	99.9%
2014	970,800,828	7.43	7.43	99.9%

** Dividend-pay-out ratio for 2004 - 100% plus prior year profits.*
*** On June 18, 2009, the Bank's Ordinary General Meeting decided to pay no dividend for 2008 following the recommendation of the Polish Financial Supervision Authority (KNF) for the whole banking sector.*

3. Rating

The Bank is fully rated by international rating agencies: Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch").

On 21 May 2015, Moody's updated the Bank's rating by raising the long-term deposit rating from "Baa3" to "A3" and the short-term deposit rating from "Prime-3" to "Prime-2". The rating updates followed modifications to the rating methodology and the confirmation of the Baseline Credit Assessment ("BCA") rating of "baa3" as well as an increase of the Adjusted Baseline Credit Assessment ("Adjusted BCA") rating from "baa3" to "baa2".

As of June 30, 2015, the Bank had the following ratings awarded by Moody's:

Rating for long-term deposits	A3
Rating for short-term deposits	Prime-2
Baseline Credit Assessments (BCA)	Baa3
Adjusted Basline Credit Assessments (Adjusted BCA)	Baa2
Long-term Counterparty Risk Assessment	A2
Short-term Counterparty Risk Assessment	Prime-1
Rating outlook for long term deposits	stable

As of June 30, 2015, the Bank had the following ratings awarded by Fitch:

Long–term Issuer Default Rating *Outlook*	A- Stable
Short-term Issuer Default Rating	F2
Viability rating (VR)*	bbb+
Support rating	1

** Viability rating represents Fitch's view as to the intrinsic creditworthiness of an issuer excluding any impact of external factors.*

4. Investor relations

Investor relations, which ensure information to the existing and potential investors, capital market analysts and rating agencies, are an integral element of the Bank's information policy, the purpose of which is to cater for information needs of all persons and institutions interested in corporate information. In terms of investor relations, the main tools of the information policy are:

- systematic contacts with investors and analysts in the form of teleconferences and meetings, also at the Bank's premises, attended by members of the Management Board of the Bank;
- support of the Press Office during quarterly press conferences for media, organized after publication of interim reports;
- publishing on the website current information on the Bank and its projects, and all current and interim reports. The website also enables contacts with the Investor Relations Office which has a broad knowledge of the Bank and the Capital Group.

IX. Corporate governance rules in the Group

1. Best practice at the Bank

Since 2003, the Bank has complied with the corporate governance rules approved by the Warsaw Stock Exchange as the Best Practices in Public Companies 2002, the updated Best Practices in Public Companies 2005 and, as of 1 January 2008, the Best Practices for WSE Listed Companies ("Best Practices"), available at www.corp-gov.gpw.pl, the official website of the Warsaw Stock Exchange dedicated to corporate governance of companies listed on the WSE Main Market and NewConnect.

The key objective of adopting the corporate governance rules as a standard of the Bank has been to establish transparent relations among all corporate bodies and entities involved in the Bank's operation as well as to ensure that the Company and its enterprise are managed properly, with due diligence and loyally with respect to all shareholders. The willingness to ensure transparency of the operation of Bank Handlowy w Warszawie S.A., including in particular the relations and processes among the Company's statutory bodies, caused the Bank to adopt the best practices as set forth in the Best Practices for WSE Listed Companies.

The Management Board and the Supervisory Board have expressed the intention that the Bank should follow the corporate governance principles presented in the Code of Best Practice for WSE Listed Companies as amended in 2010, 2011 and 2012, except for:

i. two principles: Principle II.3 (addressed at the Management Board) and Principle III.9 (addressed at the Supervisory Board) regarding Supervisory Board's approval of significant transactions/agreements with related entities, with regard to agreements executed within the operating business of the company, connected especially with liquidity management; and

ii. Recommendation I.12, whereby shareholders should be allowed the opportunity to exercise voting rights at the general meeting, in person or through a proxy, from a location other than the venue of the meeting, using means of electronic communication.

Furthermore, the Management Board convened the Ordinary General Meeting of the Bank in 2015 and decided that the Meeting would not comply with the rule of Section 4.10(2) of the Best Practices concerning mutual real-time communication where shareholders may speak during a general meeting from a location other than the venue of the meeting. In its decision, the Management Board of the Bank considered the existing legal, organizational and technical risks which may affect the proceedings of the meeting. The risks involve technical issues, data transmission latency which prevents participants from speaking, as well as a long period of time when the meeting is waiting for a single shareholder to communicate with the company. Technical problems may generate the risk of shareholders' claims in respect of communication or the inability to vote at the meeting. However, the Bank offers a webcast of the general meeting which is published on the Bank's website.

A separate part of reports on the activities of the Bank and Bank's Capital Group for 2014 is statement of the Management Board on applying corporate governance principles in the Bank in 2014. The statement includes information mentioned in the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as equivalent to information required by the law of a non-member state (consolidated text: Journal of Laws of 2014, item 133).

It should be stressed that the intention to ensure transparency of the operations of the Bank, especially relations and processes among the Company's statutory bodies, has resulted in the introduction of the below-mentioned best corporate practice in the Bank.

1.1 Transparency

The Bank continues to undertake initiatives to achieve better transparency of the Bank's organization, division of rights and responsibilities and operation of its governing bodies and their mutual relations. For that purpose:

- The Bank has been publishing its financial reports in accordance with the International Financial Reporting Standards (IFRS) since 1 January 2005;
- at least half of the Members of the Supervisory Board, including its Chairperson, are Polish citizens, and the Supervisory Board includes independent members;
- as part of the Supervisory Board, Audit Committee has been established, which is composed of two independent members of the Supervisory Board, one being the Committee's Chairman;
- salaries of the members of the Company's governing bodies are adequate to the size of the Company and reflect their scope of responsibilities;
- all important internal regulations, as well as documents and information relating to the General Meetings of Shareholders of the Bank, are available at the head office of the Bank and on its website.

1.2 Protection of minority shareholders

The Bank provides appropriate protection of the rights of minority shareholders within the limits allowed by the capital nature of the Bank and the corresponding supremacy of the majority over the minority. In particular, to ensure equal treatment of its shareholders, the Bank has adopted, among others, the following principles:

- General Meetings of Shareholders of the Bank are always held at the head office of Bank in Warsaw,

- the Bank may organize a General Meeting in a way allowing its shareholders to participate in the General Meeting using electronic means of communication,
- representatives of the media are allowed to be present at the General Meetings of Shareholders,
- according to the adopted practice, all important materials required for a General Meeting of Shareholders, including draft resolutions with a justification and an opinion of the Supervisory Board, are made available to the shareholders at least 14 days before the date of the General Meeting at the head office and on the website of the Bank,
- General Meeting of Shareholders acts according to its bylaws that define in detail the rules of holding meetings and adopting resolutions,
- General Meeting of Shareholders is attended by members of the Supervisory Board and Management Board, who give explanations and information about the Bank to other participants of the Meeting within the scope of their responsibilities,
- members of the General Meeting of Shareholders that object to a resolution have the right to justify their objection. In addition, each participant of the Meeting is allowed a possibility to make a written statement recorded in the minutes of the Meeting.

2. Best practice in Dom Maklerski Banku Handlowego S.A. and Handlowy Leasing Spółka z o.o.

Dom Maklerski Banku Handlowego S.A ("DMBH") and Handlowy Leasing Spółka z o.o ("HL") are not public companies, therefore they are not required to follow the Code of Best Practice for WSE Listed Companies or make any statements in that respect; however, due to their important role in the Capital Group, the following circumstances should be considered.

DMBH is a member of the Brokerage House Chamber and as such it must follow the Code of Best Practice of Brokerage Houses developed by the Brokerage House Chamber. The Code does not regulate questions of corporate governance, but most of all concerns rules of business secret protection, relations with customers, conduct of brokerage house employees, including relations with other brokerage houses. DMBH is an entity that is subject to the Act on trading in financial instruments and, therefore, apart from the Commercial Companies Code, it follows certain elements of corporate governance resulting from the Act and its implementing regulations. Among others, pursuant to Article 103 of the aforementioned Act, the Management Board should consist of at least 2 members with a university degree, at least three years' working experience in financial institutions, and good professional reputation. The Polish Financial Supervision Authority is informed by DMBH on changes in the Management Board. In addition, DMBH must send mandatory reports to the Polish Financial Supervision Authority (including reports on any changes in the composition of the Management Board, or reports on resolutions of the General Meeting of Shareholders). The aforementioned Act also regulates the issue of buying shares of the brokerage house and provides that the brokerage house must have its head office in the territory of Poland.

HL operates as a leasing company. HL operates in accordance with the Commercial Companies Code. HL has a Supervisory Board despite lack of requirement to have one, in order to ensure continuous supervision of the company operations.

3. Governing bodies of the Bank

3.1 Changes in the composition of the Management Board and Supervisory Board during the first half of 2015

3.1.1 Changes in the composition of the Management Board during the first half of 2015

During the first half of 2015 the Management Board of the Bank consisted of:

Sławomir S. Sikora	President of the Management Board
Brendan Carney	Vice-President of the Management Board until June, 22, 201
Maciej Kropidłowski	Vice-President of the Management Board
Barbara Sobala	Vice-President of the Management Board
Witold Zieliński	Vice-President of the Management Board
Iwona Dudzińska	Member of the Management Board
Czesław Piasek	Member of the Management Board

The mandate of Mr. Brendan Carney as Vice President of the Managament Board expired on 22 June 2015, i.e. the date of the Ordinary General Meeting of the Bank. On June 22, 2015 the Supervisory Board of the Bank effective from July 1, 2015 decided to appoint Mr. David Mouillé as Vice President of the Management Board of the Bank for a 3-year term. Furthermore, Ms. Iwona Dudzińska resigned as Member of the Management Board of the Bank on 29 April 2015 effective on 31 July 2015.

3.1.2 Changes in the composition of the Supervisory Board during the first half of 2015

During the first half of 2015 the Supervisory Board of the Bank consisted of:

Andrzej Olechowski	Chairman of the Supervisory Board
Shirish Apte	Vice-Chairman of the Supervisory Board
Adnan Omar Ahmed	Member of the Supervisory Board
Igor Chalupec	Member of the Supervisory Board
Mirosław Gryszka	Member of the Supervisory Board
Frank Mannion	Member of the Supervisory Board
Dariusz Mioduski	Member of the Supervisory Board
Anna Rulkiewicz	Member of the Supervisory Board
Stanisław Sołtysiński	Member of the Supervisory Board
Zdenek Turek	Member of the Supervisory Board
Anil Wadhwani	Member of the Supervisory Board
Stephen Volk	Member of the Supervisory Board

The Ordinary General Meeting of the Bank on 22 June 2015 elected Mssrs. Adnan Omar Ahmed, Shirish Apte, Igor Chalupec, Mirosław Gryszka, Dariusz Mioduski, Andrzej Olechowski, Stanisław Sołtysiński and Zdenek Turek for another three-year term of office on the Supervisory Board.

3.2 Rules of appointing and dismissing members of the Management Board

The Management Board consists of five to nine members. Each member of the Management Board of the Bank is appointed by the Supervisory Board for an individual term of office of three years. At least half of the members of the Management Board should be of Polish nationality. The term of appointment of a Management Board member expires:

- on the day of the General Meeting of Shareholders approving the Management Report on the activities of the Bank and financial report for the full past year of the term of office of the Management Board member,
- upon death of the Management Board member,
- upon dismissal of the Management Board member,
- upon resignation of the Management Board member, submitted in writing to the Chairman of the Supervisory Board.

3.3 Rights of the Management Board members

The Management Board makes decisions in matters concerning the Bank by way of resolutions, provided that decisions in such matters are not restricted by law or Articles of Association to be within the powers of other governing bodies of the Bank.

Through a resolution, the Management Board:

1) defines the Bank's strategy,
2) creates and closes downs the committees supporting the work of the Bank and defines their powers,
3) decides the Management Board's bylaws and submits them to the Supervisory Board for approval,
4) decides the rules of handling special purpose funds created from net profit and submits them to the Supervisory Board for approval,
5) decides on the date of payment of dividend within the timeline defined by the General Meeting of Shareholders,
6) appoints plenipotentiaries, general proxies and proxies with power of attorney and substitution,
7) decides in matters defined in the Management Board bylaws,
8) makes decisions in issues brought by the President, Vice President or Member of the Management Board,
9) independently decides on purchase or sale of real property, or on perpetual usufruct of or share in real property,

10) passes a resolution on the annual budget draft, accepts investment plans and reports of implementation of such plans,
11) accepts reports on the Bank's operations and financial reports,
12) formulates decisions regarding distribution of profit or coverage or losses,
13) approves the Bank's employment policy, credit policy and legal principles of operations,
14) approves the rules of the Bank's equity management,
15) approves the employment structure,
16) establishes the basic structure of the Bank's organization, appoints and dismisses Heads of Sectors, appoints and dismisses Heads of Divisions, and makes decisions on their competence,
17) establishes the control action plan at the Bank and accepts control reports,
18) settles other issues which, according to the Articles of Association, are submitted to the Supervisory Board or the General Meeting of Shareholders,
19) makes decisions on contracting liabilities or disposing of assets, when the total value of such liabilities or assets in relation to a single entity exceeds 5% of the Bank's own funds, or appoints authorized persons to make such a decision; however, in matters within the powers of Committees appointed by the Bank the decisions are made after consulting a relevant Committee.

The Management Board of the Bank designs, implements and ensures operation of the management system, as well as designs, implements and updates written strategies and procedures, and undertakes actions relating to the system of risk management, internal controls and internal capital assessment as well as review of the internal capital assessment and maintenance processes.

4. Other principles

4.1 Information on owners of securities with special control rights towards the Bank

All shares issued by the Bank are common bearer shares and have no special control rights related to them.

4.2 Limitations regarding transfer of ownership of the Bank's shares or exercising the voting rights relating to the Bank's shares

Beside limitations stipulated by the Banking Law (Article 25 et seq.), the Bank's Articles of Association put no limitations with regard to transfer of Bank's shares.

X. Other information on the Bank's governing bodies and management principles

1. Information on the total number of the shares of the Bank held by Management Board or Supervisory Board members

According to the information available to the Bank as the parent company, the Bank's shares are held by the following members of the Management Board and Supervisory Board of the Bank:

Name	Function	Number of shares as at the day of submitting this consolidated semi-annual report for the first half of 2015	Number of shares as at the day of submitting the previous quarterly interim report for Q1 of 2015
Iwona Dudzińska	Member of the Management Board	600	600
Andrzej Olechowski	Chairman of the Supervisory Board	2,200	1,200
Total		**2,800**	**1,800**

Members of the Management Board and Supervisory Board of the Bank do not have any Bank share options.

2. Information on any agreements between the Bank and the Management Board members that provide for compensation in case of resignation or dismissal of such members without a valid reason, or when such dismissal is a result of a merger or acquisition of the Bank

Of all employment agreements between the Bank and members of the Management Board of the Bank, there is only one agreement with a member of the Management Board that provides for financial compensation in case of termination of such agreement with a notice.

Each member of the Management Board has a separate non-competition agreement signed with the Bank. The agreement stipulates that within 12 months from the date of termination of employment (6 months for one member of the Management Board), the Management Board member shall refrain from undertaking any competitive activities against the Bank. In exchange for such restrictions, the Bank shall pay an adequate compensation to such a member of the Management Board.

3. Management policy

During the first half of 2015, no changes in the management principles were made. The management principles are outlined in the Note to the Interim Condensed Consolidated Financial Statements of the Capital Group of Bank.

XI. Statement of the Bank's Management Board

Accuracy and fairness of the statements presented

To the best knowledge of the Management Board of the Bank, composed as at the date of preparation of the financial statements of: Mr. Sławomir S. Sikora – President, Mr. Maciej Kropidłowski – Vice President, Mr. David Mouillé – Vice President, Ms. Barbara Sobala - Vice President, Mr. Witold Zieliński – Vice President and Mr. Czesław Piasek – Member, the semi-annual financial data and comparative data presented in the "Interim Condensed Stand-alone Financial Statements of Bank Handlowy w Warszawie S.A. for the six-month period ended 30 June 2015" and the "Interim Condensed Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the six-month period ended 30 June 2015" were prepared in accordance with the applicable accounting principles and give a true, fair and clear picture of the assets and the financial standing of the Bank and the Group as well as the financial result of the Bank and the Group. The "Report on activities of the Capital Group of Bank Handlowy w Warszawie S.A. in the first half of 2015", contained in the semi-annual consolidated report, gives a true picture of developments, achievements and situation (and describes major risk) of the Group in the first half of 2015.

Selection of the auditor authorized to audit the financial statements

Licensed auditing firm PricewaterhouseCoopers Sp. z o.o., which reviewed the "Interim Condensed Stand-alone Financial Statements of Bank Handlowy w Warszawie S.A. for the six-month period ended 30 June 2015" and the "Interim Condensed Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the six-month period ended 30 June 2015", was appointed in accordance with applicable laws. The firm and certified auditors that performed the review satisfied the conditions necessary for issuing an objective and independent report on the review of those statements, in accordance with applicable laws and professional standards.

Other information required by the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as equivalent to information required by the law of a non-member state (Journal of Laws of 2014, item 133) was provided in the Interim Condensed Consolidated Financial Statements of the Capital Group of the Bank.

Members of Management Board signatures

Date	Name	Position/Function	Signature
21.08.2015	Sławomir S. Sikora	The President of Management Board	
21.08.2015	Maciej Kropidłowski	Vice-president of Management Board	
21.08.2015	David Mouillé	Vice-president of Management Board	
21.08.2015	Barbara Sobala	Vice-president of Management Board	
21.08.2015	Witold Zieliński	Vice-president of Management Board, Chief Financial Officer	
21.08.2015	Czesław Piasek	Member of Management Board	