INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OF THE CAPITAL GROUP OF

BANK HANDLOWY W WARSZAWIE S.A.

FOR THE FIRST QUARTER 2020

MAY 2020

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	First quarter accruals	First quarter accruals	First quarter accruals	First quarter accruals
	period from 01.01.20 to 31.03.20	period from 01.01.19 to 31.03.19	period from 01.01.20 to 31.03.20	period from 01.01.19 to 31.03.19
Data related to the interim condensed consolidated financial statements				
Interest income and similar	352,834	338,705	80,257	78,809
Fee and commission income	161,823	155,731	36,809	36,235
Profit before tax	34,638	102,954	7,879	23,955
Net profit	26,359	59,499	5,996	13,844
Comprehensive income	71,113	7,841	16,176	1,824
Net cash flows	(2,899,790)	(6,877,857)	(659,598)	(1,600,320)
Total assets*	62,278,491	51,978,543	14,624,514	12,205,834
Amounts due to banks*	3,702,956	2,125,495	869,545	499,118
Amounts due to customers*	46,011,185	39,787,802	10,804,552	9,343,149
Equity*	7,145,768	7,074,655	1,569,705	1,661,302
Ordinary shares*	522,638	522,638	114,807	121,507
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)*	54.69	54.15	12.01	12.71
Total capital adequacy ratio (%)*	17.0	17.2	17.0	17.2
Earnings per share (PLN / EUR)	0.20	0.46	0.04	0.11
Diluted earnings per share (PLN / EUR)	0.20	0.46	0.04	0.11
Data related to the interim condensed standalone financial statements				
Interest income and similar	352,557	338,424	80,194	78,744
Fee and commission income	150,422	146,423	34,216	34,069
Profit before tax	30,842	102,782	7,015	23,915
Net profit	23,440	59,485	5,332	13,841
Comprehensive income	67,869	7,826	15,438	1,821
Net cash flows	(2,899,799)	(6,877,739)	(659,600)	(1,600,293)
Total assets*	62,192,943	51,897,712	14,604,425	12,186,853
Amounts due to banks*	3,702,844	2,125,383	869,518	499,092
Amounts due to customers*	46,103,699	39,849,772	10,826,277	9,357,702
Equity*	7,091,572	7,023,703	1,557,800	1,632,926
Ordinary shares*	522,638	522,638	114,807	121,507
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)*	54.28	53.76	11.92	12.50
Total capital adequacy ratio (%)*	16.7	17.0	16.7	17.0
Earnings per share (PLN/EUR)	0.18	0.46	0.04	0.11
Diluted earnings per share (PLN / EUR)	0.18	0.46	0.04	0.11
Declared or paid dividends per share (PLN/EUR)**	-	3.74	-	0.87

** Comparative data according as at 31 December 2019.*

*** The Bank's Management Board recommended leaving the entire net profit of the Bank for 2019 undivided. The proposal is in line with the recommendation of the Polish Financial Supervision Authority in connection with the state of the pandemic announced in Poland and possible further negative economic consequences of this state, as well as their expected impact on the banking sector. The presented ratios for the comparative period relate to the dividend paid out in 2019 from the 2018 profit distribution.*

**** The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 31 March 2020 – 4.3013 (as at 31 December 2019: PLN 4.2585; as at 31 March 2019 – PLN 4.3013); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the first quarter of 2020 - PLN 4.3963 (in the forst quarter of 2019: PLN 4.2978).*

Contents

Condensed consolidated income statement

PLN '000	Note	I quarter accruals period from 01.01.20 to 31.03.20	I quarter accruals period from 01.01.19 to 31.03.19
Interest income	6	327,630	316,274
Similar income	6	25,204	22,431
Interest expense and similar charges	6	(50,879)	(61,357)
Net interest income	**6**	**301,955**	**277,348**
Fee and commission income	7	**161,823**	155,731
Fee and commission expense	7	(20,836)	(21,867)
Net fee and commission income	**7**	**140,987**	**133,864**
Dividend income		**101**	**76**
Net gain/(loss) on trading financial instruments and revaluation	**8**	**(7,279)**	**91,182**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**104,754**	**29,295**
Net gain/(loss) on equity investments and other at fair value through income statement	**25**	**(1,693)**	**5,922**
Net gain/(loss) on hedge accounting		**(2,754)**	**(412)**
Other operating income	9	**6,279**	6,892
Other operating expenses	9	(6,649)	(7,076)
Net other operating income and expense	**9**	**(370)**	**(184)**
General administrative expenses	**10**	**(352,656)**	**(363,002)**
Depreciation and amortization		**(23,575)**	**(20,967)**
Profit on sale of other assets		**(376)**	**1**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	**11**	**(93,467)**	**(28,278)**
Operating income		**65,627**	**124,845**
Share in net profits of entities measured using equity method		**-**	**-**
Tax on certain financial institutions		**(30,989)**	**(21,891)**
Profit before tax		**34,638**	**102,954**
Income tax expense	**12**	**(8,279)**	**(43,455)**
Net profit		**26,359**	**59,499**
Including:			
Net profit attributable to Bank's shareholders		26,359	59,499
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		0.20	0.46
Diluted net earnings per share (in PLN)		0.20	0.46

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

Condensed consolidated statement of comprehensive income

PLN '000	I quarter period from 01.01.20 to 31.03.20	I quarter period from 01.01.19 to 31.03.19
Net profit	**26,359**	**59,499**
Other comprehensive income, that might be subsequently reclassified to income statement:		
Changes of financial assets measured at fair value through other comprehensive income	44,429	(51,659)
Currency translation differences	325	1
Other comprehensive income net of tax	**44,754**	**(51,658)**
Total comprehensive income	**71,113**	**7,841**
Including:		
Comprehensive income attributable to Bank's shareholders	71,113	7,841

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

Condensed consolidated statement of financial position

PLN '000 as at	31.03.2020	31.12.2019
ASSETS		
Cash and balances with the Central Bank	641,027	3,736,706
Amounts due from banks	2,029,502	1,165,684
Financial assets held-for-trading	9,239,948	5,446,511
Debt financial assets measured at fair value through other comprehensive income	23,501,572	15,484,578
Equity and other instruments measured at fair value through income statement	60,945	62,638
Amounts due from customers	24,397,211	23,731,874
Tangible fixed assets	496,525	499,753
Intangible assets	1,436,306	1,443,139
Current income tax receivables	2,536	3,016
Deferred tax asset	290,187	238,065
Other assets	182,732	166,579
Total assets	**62,278,491**	**51,978,543**
LIABILITIES		
Amounts due to banks	3,702,956	2,125,495
Financial liabilities held-for-trading	4,011,835	1,877,898
Hedging derivatives	22,087	19,226
Amounts due to customers	46,011,185	39,787,802
Provisions	65,789	65,199
Current income tax liabilities	31,834	41,725
Other liabilities	1,287,037	986,543
Total liabilities	**55,132,723**	**44,903,888**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	3,002,767	3,003,290
Revaluation reserve	159,322	114,893
Other reserves	2,867,705	2,867,358
Retained earnings	593,336	566,476
Total equity	**7,145,768**	**7,074,655**
Total liabilities and equity	**62,278,491**	**51,978,543**

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

Condensed consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2020	**522,638**	**3,003,290**	**114,893**	**2,867,358**	**566,476**	**-**	**7,074,655**
Total comprehensive income, including:	-	-	44,429	325	26,359	-	71,113
Net profit	-	-	-	-	26,359	-	26,359
Currency translation differences from the foreign operations' conversion	-	-	-	325	-	-	325
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	44,429	-	-	-	44,429
Dividends paid	-	-	-	-	-	-	-
Transfer to capital	-	(523)	-	22	501	-	-
Balance as at 31 March 2020	**522,638**	**3,002,767**	**159,322**	**2,867,705**	**593,336**	**-**	**7,145,768**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2019	**522,638**	**3,003,290**	**84,372**	**2,883,838**	**562,612**	-	**7,056,750**
Total comprehensive income, including:	-	-	(51,659)	1	59,499	-	7,841
Net profit	-	-	-	-	59,499	-	59,499
Currency translation differences from the foreign operations' conversion	-	-	-	1	-	-	1
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(51,659)	-	-	-	(51,659)
Balance as at 31 March 2019	**522,638**	**3,003,290**	**32,713**	**2,883,839**	622,111	**-**	**7,064,591**

PLN'000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2019	**522,638**	**3,003,290**	**84,372**	**2,883,838**	**562,612**	**-**	**7,056,750**
Total comprehensive income, including:	-	-	30,521	(4,073)	480,124	**-**	506,572
Net profit	-	-	-	-	480,124	**-**	480,124
Currency translation differences from the foreign operations' conversion	-	-	-	(47)	-	**-**	(47)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	30,521	-	-	**-**	30,521
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	(4,026)	-	**-**	(4,026)
Dividends paid	-	-	-	-	(488,667)	**-**	(488,667)
Transfer to capital	-	-	-	(12,407)	12,407	-	-
Balance as at 31 December 2019	**522,638**	**3,003,290**	**114,893**	**2,867,358**	**566,476**	**-**	**7,074,655**

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

Condensed consolidated statement of cash flows

PLN '000	I quarter accruals period from 01.01.20 to 31.03.20	I quarter accruals period from 01.01.19 to 31.03.19
Cash at the beginning of the reporting period	**3,796,861**	**7,474,978**
Cash flows from operating activities	(2,879,711)	(6,858,740)
Cash flows from investing activities	(14,575)	(11,917)
Cash flows from financing activities	(5,504)	(7,200)
Cash at the end of the reporting period	**897,071**	**597,121**
Increase/(decrease) in net cash	**(2,899,790)**	**(6,877,857)**

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

Supplementary notes to the interim condensed consolidated financial statements

1 General information about the Bank and the Capital Group

Bank Handlowy w Warszawie S.A. ("parent company", „the Bank", "Citi Handlowy") Head Office is located in Warsaw at Senatorska 16, 00-923 Warszawa. The Bank was established on the strength of Notarial Deed of 13 April 1870 and was registered and entered into the Register of Companies by the District Court for the capital city of Warsaw, XII Economic Department of the National Court Register.

The Bank was registered under entry No. KRS 0000001538 and was granted a statistical REGON No. 000013037 and tax identification No. (NIP) 526-030-02-91.

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

Share equity of the Bank equals PLN 522,638,400 and is divided into 130,659,600 common shares, with nominal value of PLN 4.00 per share. The Bank is a listed company on the Warsaw Stock Exchange.

The Group is a member of Citigroup Inc. The Bank is a subsidiary of Citibank Overseas Investments Corporation with headquarters in New Castle, USA. Citibank Overseas Investment Corporation is a subsidiary of Citibank N.A. with headquarters in New York, USA, whereas the ultimate parent is Citigroup Inc.

The Bank is a universal bank that offers a wide range of banking services for individuals and corporate customers on the domestic and foreign markets. The Bank is also 100% shareholder of Dom Maklerski Banku Handlowego S.A. ("DMBH"), conducting the brokerage activity in the range of wide financial instruments portfolio and services for individual and corporate customers.

This interim condensed consolidated financial statements present financial data of the Capital Group of Bank Handlowy w Warszawie S.A. ('the Group'), that is composed of Bank Handlowy w Warszawie S.A. ('the Bank') as the parent company and its subsidiaries entities.

In the first quarter of 2020 there was no change in the structure of Group's comparing to the end of 2019.

The Group consists of the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2020	31.12.2019
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	100.00

2 Declaration of conformity

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* adopted by European Union and with other applicable regulations.

These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 December 2019.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, No. 757, as amended) the Bank is obliged to publish its financial results for the 3 month period ended 31 March 2020 which is deemed to be the current interim financial reporting period.

3 Significant accounting policies

The interim condensed consolidated financial statement of the Group for the first quarter of 2020 has been prepared in accordance with accounting principles adopted and described in the annual consolidated financial statements of the Group for the financial year ended 31 December 2019.

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2020 to 31 March 2020 and for the consolidated statement of financial position as at 31 March 2020. Comparative financial data are presented for the period from 1 January 2019 to 31 March 2019 and for the consolidated statement of financial position as at 31 December 2019.

The financial statements are presented in PLN (currency of presentation), rounded to the nearest thousand.

The preparation of interim condensed consolidated financial statements of the Group with accordance to International Financial Reporting Standards requires that the Management should make certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. This financial statement are based on the same estimation rules which were used in the annual consolidated financial statements of the Group for the financial year ended 31 December 2019, including the reasons and sources of uncertainty as at the balance sheet date.

The estimations and respective assumptions are made based on historical data available and multiple other factors which under given conditions are considered proper and which form the basis for estimation regarding balance sheet values of assets and liabilities whose value cannot be determined clearly based on other sources. Real values may differ from estimation values.

The estimations and respective assumptions are subject recurring to reviews. Changes of estimations are recognized in the period in which the estimation was modified if the adjustment concerns only this period or in the period of the change and future periods if the adjustment concerns both this period and the future periods.

The key estimates were presented in the annual Consolidated Financial Statements of the Group for 2019. Additionally, with respect to interim financial statements, the Group applies the principle of recognizing the financial result income tax charges based on the estimate of the annual effective income tax rate expected by the Group in the full financial year.

Standards and interpretations awaiting European Union's approval:

- IFRS 17 „Insurance" replacing IFRS 4 „Insurance contracts" and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities. Standard eliminates differences in accounting of insurance contracts depending on local jurisdictions, allowed by IFRS 4,
- IFRS 3 'Business combinations' amendment - introducing a clarification of the definition of a project that helps to distinguish between acquisitions as a group of assets or a project,
- IAS 1 'Presentation f financial statements' amendment – in the area of classification of liabilities as current or non-curent, clarifying criteria for classification a liability as long-term.

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 January 2020:

- Amendments in the Conceptual Framework introducing comprehensive clarifications in respect of financial reporting, among others regulating the area of measurement and its basis, presentation and disclosures, derecognition of assets and liabilities from balance sheet, and updates and explanations of specific terms - the amendment does not have a significant impact on the financial statements.
- IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' to clarify the definition of the term 'significant' and to align it with the definition used in the conceptual assumptions - the amendment does not have a significant impact on the financial statements.
- IFRS 9, IAS 39 and IFRS 7 applicable to all hedging relationships directly affected by interest rate benchmark reform and uncertainties it gives rise to. Amendments introduce temporary exceptions from applying specific hedge accounting requirements that allow not to discontinue hedging relationships. Changes require entities to disclose additional information on hedging relationships that are affected by the above mentioned uncertainties - the amendment does not have a significant impact on the financial statements.

Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual result, that is, the estimated average annual effective income tax rate applied to the pre-tax result of the interim period. The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base.

Foreign currency

The statement of financial position and contingent liabilities received and granted denominated in foreign currencies are converted to PLN equivalents using the average exchange rate of the currency determined by the Governor of the National Bank of Poland ("NBP") prevailing at the date of preparation of the statement of financial position.

Foreign currency transactions are converted at initial recognition to the functional currency (PLN) using the exchange rates prevailing at the date of transactions.

Foreign exchange profits and losses resulting from revaluation of the statement of financial position items denominated in foreign currencies and settlement of transactions in foreign currencies are included in net profit on foreign exchange, within the trade financial instruments and revaluation income.

The exchange rates of the major currencies applied in the preparation of these financial statements are:

PLN		31 March 2020	31 December 2019	31 March 2019
1	USD	4.1466	3.7977	3.8365
1	CHF	4.3001	3.9213	3.8513
1	EUR	4.5523	4.2585	4.3013

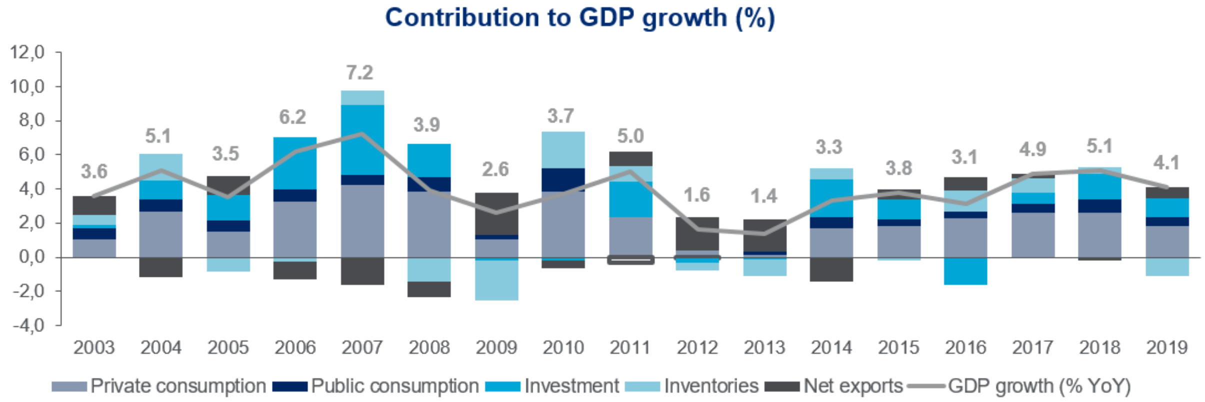
4 Macroeconomic conditions and the situation in money, foreign exchange and capital markets

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

It is most probable that in the first quarter of 2020 GDP growth slowed down from 3.2% in the fourth quarter of 2019. The first two months were still the time of relatively good macroeconomic data, which indicated that the slowdown may be short and the economy was on a way to revival. However, the unprecedented scale of expansion of the SARS-Cov-2 virus to more and more countries forced the World Health Organisation (WHO) to officially declare the state of pandemic on 11 March 2020. This in turn led to movement restrictions in many countries and, in consequence, the collapse of sentiment among consumers and companies and a decline in economic activity in both Europe and United States. The restrictions implemented step by step in Poland from mid-March caused a significant decrease, in constant zlotys, in March: retail sales by 9% YoY and industrial output by 2.3% YoY, and a slowdown in the construction sector. In the entire first quarter of 2020, industrial output growth slowed down to 1.0% from 2.4% in the fourth quarter of 2019, retail sales growth slowed down to 0.7% from 4.2%, but on the other hand and construction output growth accelerated to 5.8% from minus 4.3%. In addition, the market situation indices for the services sector, which will probably suffer the most, slumped to all time lows.

Although in the first quarter of 2020 the growth of average pay in the companies sector accelerated to 7% from 5.8% in the fourth quarter of 2019, this was mainly a result of the 15% raise of the minimum wage at the beginning of 2020. Surveys carried out by the NBP indicated a gradual decline in wage pressure already in 2019, and in March 2020 some companies decided to reduce salaries temporarily. In addition, in March the employment growth rate went down to 0,3% YoY as compared to 2.7% in 2019. The labor market should be supported by the anti-crisis programs initiated by the government to protect jobs.

The economic restrictions connected with the pandemic imposed in Poland and other countries are likely to lead to a deep GDP decline in the second quarter of 2020. Lifting the restrictions and returning to the level of economic activity from before the crisis can take a lot of time and will depend on the incidence curve and the development of the pandemic in the world, as well as on the permanence of changes in consumer behaviors and the readiness of companies to invest. We expect that GDP will be declining throughout 2020 and a recovery only in 2021. The economy will be supported by the fiscal packages presented by the government, which can exceed 10% of GDP, and also by monetary easing.



Source: Chief Statistical Office

Prices of consumer goods and services rose by 4.5% YoY in the first quarter of 2020, as compared to 2.8% YoY in the fourth quarter of 2019 and 2.3% in the entire 2019. Higher inflation was mainly caused by the rapid growth of food prices, an increase in energy prices and net inflation to about 3.5%. It is likely that inflation reached its peak in February 2020, at the level of 4.7%, and it will be declining in the next quarters to a level below the inflation target as a result of the collapse of domestic demand. The impact of weak demand can be more important than the likely continuance of high food prices as a result of possible drought.

In response to a significant deterioration in economic outlook and the expected decline in inflation, the Monetary Policy Council (RPP) reduced the reference rate twice, each time by 50 bps, in March and April 2020. As a result, the reference rate reached the level of 0.50%. Simultaneously, the RPP narrowed the interest rate band and reduced the compulsory reserve rate. In addition, the NBP started a program of purchase of treasury bonds, repo operations and launched promissory note loans.

After many months of exceptional stabilization, the Polish zloty visibly depreciated to the Euro, to about PLN/EUR 4.50-4.60, in the first quarter of 2020. The main contributors were an increase in risk aversion in the world in fear of global recession, which adversely affected the entire basket of emerging market currencies. In addition, the Polish currency depreciated probably also because of the interest rate cuts by the NBP and the decline in the difference to Eurozone interest rates. The EUR/PLN rate ended up at the end of March 2020 at the level of 4.55 against 4.26 at the end of 2019. The USD/PLN rate, in turn, increased as at the end of March to 4.13 from 3.79. At the beginning of the second quarter of 2020, the PLN/EUR rate stabilized at a level above 4.50.

In the first quarter of 2020, yields decreased significantly. Higher bond prices and lower swap rates are a result of change in the stance of the Monetary Policy Council, interest rate cuts and expected further activities of the RPP. The decline in treasury bond yields was partially offset by significant fiscal easing and the expected growth of fiscal deficit and public debt. The decision of the National Bank of Poland to start buying bonds slowed down the growth of credit spreads. The yield of 2-year bonds decreased to 0.92% as at the end of March from 1.49% as at the end of 2019, while the yield of 10-year bonds dropped by 45 bp to 1.69%. The WIBOR 3M rate decreased as at the end of March to 1.17% as compared to 1.71% at the end of 2019. The yield decline trend was continued at the beginning of the second quarter of 2020.

2. Capital market situation

The key event that affected the situation in the financial markets in the first quarter of 2020 was the spread of COVID-19 pandemic. Its outbreak in China brought manufacturing to standstill and forced the shut-down of production plants there, which adversely affected goods and services supply chains. In addition, the dramatic growth of the number of patients with confirmed COVID-19 in the world forced the governments to declare the state of emergency and movement restrictions (air traffic was reduced, mass events were cancelled and shopping centers were closed). The services sectors were hit the hardest by those activities (restaurants, hotels, transport, cinemas). The outlook of recession in the global economy led to withdrawal of investors from risky assets and, in consequence, deep declines, mainly in the equity and corporate bond markets. Those events forced the central banks and governments to launch large-scale stimulation programs and plans to alleviate the outcomes of the pandemic and to ensure liquidity in the economy.

In the context of global events, all main indices plunged. The WIG index dropped by 28%. Blue chip indices declined to a similar extent (WIG20 by nearly 30%) and the medium caps index, mWIG40, plummeted by 27.1%. Small caps turned out to be more resistant to that trend and their index declined by 14.8%.

At the sector level, only the video game companies resisted the decline (WIG-GAMES index appreciated by 8.8%). On the other hand, the deepest drops were experienced by clothing companies (-47.5%), banks (-38.6% as compared to the end of 2019) and mining companies (-38.1%).

In the first quarter of 2020, no IPOs were carried out on the Warsaw Stock Exchange (WSE) (in the same period of prior year three IPOs were completed for a total amount of PLN 10 million). In the same period, two companies were delisted. As at the end of March 2020, 447 companies were listed on the main WSE market (as compared to 461 in the same period of prior year), including 48 foreign companies.

As at the end of March 2020, the capitalization of the companies listed on the WSE was PLN 782 billion (with Polish companies accounting for 52% of that amount) and declined by 29% QoQ. Capitalization was lower by 34% YoY.

Equity market indices as of 31 March 2020

Index	31 March 2020	31 December 2020	Change (%) QoQ	31 March 2019	Change (%) YoY
WIG	41,624.62	57,832.88	(28.0%)	59,668.03	(30.2%)
WIG-PL	42,523.46	59,064.17	(28.0%)	60,917.81	(30.2%)
WIG-div	752.68	1,051.08	(28.4%)	1,098.55	(31.5%)
WIG20	1,512.84	2,150.09	(29.6%)	2,312.09	(34.6%)
WIG20TR	2,754.28	3,914.45	(29.6%)	4,081.40	(32.5%)
WIG30	1,736.97	2,472.20	(29.7%)	2,655.06	(34.6%)
mWIG40	2,850.06	3,908.20	(27.1%)	4,149.50	(31.3%)
sWIG80	10,261.33	12,044.34	(14.8%)	11,897.39	(13.8%)
WIG-Banki	4,154.68	6,768.39	(38.6%)	7,586.29	(45.2%)
WIG-Budownictwo	1,928.43	2,278.75	(15.4%)	2,197.18	(12.2%)
WIG-Chemia	5,980.66	8,390.97	(28.7%)	11,569.40	(48.3%)
WIG-Energia	1,219.86	1,961.62	(37.8%)	2,335.91	(47.8%)
WIG-Games	20,415.76	18,765.23	8.8%	14,380.87	42.0%
WIG-Górnictwo	1,913.06	3,089.84	(38.1%)	3,864.41	(50.5%)
WIG-Informatyka	2,663.12	2,834.29	(6.0%)	2,243.23	(18.7%)

Index	31 March 2020	31 December 2020	Change (%) QoQ	31 March 2019	Change (%) YoY
WIG-Leki	3,432.33	5,197.43	(34.0%)	5,158.18	(33.5%)
WIG-Media	4,131.82	5,375.11	(23.1%)	4,953.90	(16.6%)
WIG-Motoryzacja	2,471.24	3,521.67	(29.8%)	3,720.99	(33.6%)
WIG-Nieruchomości	1,886.60	2,460.44	(23.3%)	2,213.04	(14.8%)
WIG-Odzież	2,975.82	5,665.06	(47.5%)	6,513.37	(54.3%)
WIG-Paliwa	4,347.45	6,489.03	(33.0%)	7,312.79	(40.6%)
WIG-Spożywczy	2,543.29	3,126.05	(18.6%)	3,483.75	(27.0%)

Source: WSE, DMBH.

Equity and bond trading value and derivatives trading volumes on WSE in the first quarter of 2020

	Q1 2020	Q4 2019	Change (%) QoQ	Q1 2019	Change (%) YoY
Shares (PLN million)*	124,283	90,821	36.8%	105,161	18.2%
Bonds (PLN million)	765	679	12.6%	742	3.1%
Futures (in thousand contracts)	5,979	3,261	83.4%	3,328	79.6%
Options (in thousand contracts)	217	118	84.2%	99	119.5%

**excluding calls*

Source: WSE, DMBH.

5 Banking sector

Despite the restrictions imposed in connection with COVID-19 outbreak, the banking sector is still fully able to carry out operating activities. Customer service has been continued without any significant disruptions in the majority of bank outlets and, first of all, in remote channels.

The data published by the National Bank of Poland show that the loans granted to businesses approached the level of PLN 383 billion as at the end of the first quarter of 2020 (+6.0% YoY). However, a significant contributor to the above growth was the depreciation of the Polish currency to main foreign currencies – the volume of foreign currency loans increased considerably more (+7.9% YoY) than the volume of PLN loans (+5.3% YoY). In terms of time to maturity, the highest growth rate was recorded by loans granted for 1 to 5 years (+7.8% YoY). Loans with time to maturity over 5 years were growing significantly slower (+4.8% YoY) while the negative growth rate leveling at -1.3% YoY was observed for loans with maturity up to 1 year.

By type, the highest rate of growth occurred for investment loans (+9.2% YoY). Current loans were growing at a slower rate (+3.2% YoY) and loans for purchase of real property had the lowest growth rate (+3.0% YoY). Also in this case, the currency of a contract exerted a significant impact – a high share of foreign currency loans in investment loans considerably accelerated the growth of their total volume.

As far as the quality of the loan portfolio is concerned, at present we only have data as at the end of February 2020, i.e. from the period before the economic restrictions connected with COVID-19 outbreak were imposed. The rate of impaired loans (NPL) for loans granted to companies was 8.2% as at the end of February, i.e. it declined by 0.2 p.p. YoY. Improvement was observed for the SME loan portfolio, for which the NPL ratio declined by 0.2 p.p. YoY, to 10.8%, while the quality of the large companies loan portfolio remained unchanged at 5.2%. It should be expected that the upcoming recession caused by the pandemic will lead to a significant deterioration in the quality of the loan portfolio in the banking sector (both in companies and retail segment) and this will translate into an increase in the costs of credit and a decline in the financial results of the sector.

Loans to households reached nearly PLN 778 billion as at the end of the first quarter of 2020 (+7.0% YoY). By type, the main area of growth was real property loans, which rose 9.3% YoY, i.e. by nearly PLN 41 billion. The growth of consumer loans slowed down to 6.6% YoY. According to the Credit Information Bureau, COVID-19 pandemic has caused a slowdown in consumer spending and the related sales of new cash loans and borrowings. And mortgage loans suffered only a short-term decline in demand. Unlike corporate loans, the key contributor behind the growth of volume of household loans was PLN loans, in the segment of both consumer and mortgage loans. However, the PLN depreciation stopped the decline in the volume of foreign currency real property loans (+1.6% YoY, with foreign currency loans slightly over PLN 129 billion and PLN loans amounting to nearly PLN 349 billion).

The quality of the household loan portfolio, measured by the NPL ratio, slightly improved to 5.7% as at the end of February 2020, mainly as a result of decline in non-performing consumer loans (-0.5 p.p. YoY to 10.5%), but also mortgage loans (-0.1 p.p. YoY to 2.3%).

In March 2020, the banking sector recorded a significant increase in companies deposits, which reached nearly 323 billion, i.e. rose by 18.1% YoY, as a result of the rapid growth of foreign currency deposits (+28.9% YoY) and the very strong growth of PLN deposits (+15.6% YoY). Deposits increased only in the current deposit segment (+32.0% YoY), while term deposits declined by 9.3% YoY. However, the outflow of term deposits only reflects the first interest rate cut (ordered by the RPP on 14 March 2020), while on 8 April 2020 the Monetary Policy Council announced another cut, to 0.50%. In consequence, it is reasonable to expect that this trend will be continued in the next months and can even accelerate.

Similar trends could be observed in the household segment, where the total volume of liabilities of banks rose to almost PLN 925 billion (+9.5% YoY), also with a higher contribution of foreign currency deposits (+15,9% YoY) than those denominated in PLN (+8.9% YoY). Also in this segment, an outflow of term deposits was observed (-5.6% YoY), while current deposits rose significantly (+18.2 YoY).

In the first two months of 2020, the banking sector earned the highest net profit after 2016, i.e. PLN 1.8 billion (+58.8% YoY). The improvement of performance still results from an increase in the volume in the first place, which is visible in improvement in net interest income (+6.8% YoY), and from adaptation activities with respect to fees and commissions, reflected by a higher net fees and commissions income (+11.1% YoY). On the other hand, a decline occurred in other revenues (-24.6% YoY). The total revenues of the banking sector reached almost PLN 12 billion, i.e. increased by 4.4% as compared to the prior year period. Higher revenues were accompanied by a slight decline in expenses (-0.8% YoY). The level of costs connected with impairment of financial assets decreased by -4.7% YoY, and the net result of the sector was adversely affected by an increase of encumbrances arising from bank levy (estimated at +5.0% YoY) resulting from a higher tax base.

The presented data related to financial performance of banks do not reflect the effects of COVID-19 pandemic. However, its impact on the results of the first quarter of 2020 will be limited and the full-scale effects will become visible in the next quarters. Information published by banks already shows that their net interest income will drop considerably as a result of the interest rate cuts ordered by the RPP on 14 March and 8 April 2020. As far as revenues are concerned, it is reasonable to expect significant changes in results on debt securities, with substantial differences between banks. However, the negative effects of the pandemic will be visible, first of all, in impairment of financial assets, with its extent depending mainly on the length of time during which the economy will have to run in pandemic mode, the outcomes of anti-crisis activities initiated by the government and the financial condition of companies and households when the crisis ends.

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

1. Consolidated statement of financial position

As of the end of the first quarter of 2020 **total assets** stood at PLN 62.3 billion, up by PLN 10.3 billion (or 19.8%) compared to the end of 2019.

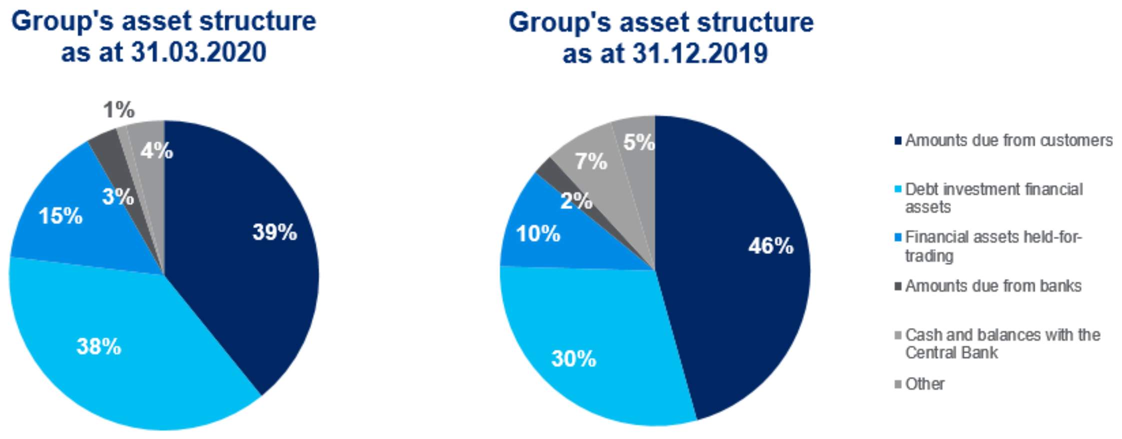
The biggest nominal increase was observed in **debt investment financial assets**. They amounted to PLN 23.5 billion, up by PLN 8.0 billion (or 51.8%) compared to the end of 2019, due to higher volumes of Polish Treasury bonds and NBP monetary bills.

At the same time, assets held for trading also increased significantly compared to the end of 2019, i.e. by PLN 3.8 billion, mainly due to increase in the balance sheet valuation of derivatives resulted from a decrease in reference rates in Poland and the United States and the weakening of the Polish zloty against the dollar and the euro.

Net amounts due from customers had the biggest share in the Group's total assets as at the end of the first quarter of 2020**.** As at the end of March 2020, they accounted for 39.2% of total assets. The value of net amounts due from customers as at the end of the first quarter of 2020 amounted to PLN 24.4 billion, up by PLN 665 million (or 2.8%) compared to the end of 2019.

The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities – corporate clients, increased to PLN 17.2 billion, up by PLN 820 million (or 5.0%) compared to the end of 2019. Excluding deposits backing derivative instruments, the value of loans made to institutional clients grew by 2.2% compared to the end of the previous year. The above increase was due to corporate banking and commercial banking clients and resulted from new transactions mainly.

The volume of net loans made to individual customers dropped by PLN 155 million (or 2.1%) to PLN 7.2 billion compared to the end of December 2019. The drop in loan volumes was due to a lower credit card receivables, partially offset by an increase in mortgage loans (sales increased from PLN 112.1 million in the fourth quarter of 2019 to PLN 121.7 million in the first quarter of 2020).



Amounts due from customers

PLN '000	31.03.2020	31.12.2019	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	**3,549,701**	**3,150,586**	**399,115**	**12.7%**
Loans	3,549,701	3,120,369	429,332	13.8%
Receivables related to reverse repo transactions	-	30,217	(30,217)	(100.0%)
Amounts due from non-financial sector entities, including:	**20,847,510**	**20,581,288**	**266,222**	**1.3%**
Institutional clients*	13,622,268	13,201,441	420,827	3.2%
herof: public sector units	25,706	30,769	(5,063)	(16.5%)
Individual clients, including:	7,225,242	7,379,847	(154,605)	(2.1%)
unsecured receivables	5,274,917	5,490,546	(215,629)	(3.9%)
credit cards	3,146,476	3,355,444	(208,968)	(6.2%)
cash loans to private individuals	2,081,528	2,085,656	(4,128)	(0.2%)
mortgage loans	1,950,325	1,889,301	61,024	3.2%
Total receivables from customers	**24,397,211**	**23,731,874**	**665,337**	**2.8%**

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

Amounts due from customers as per credit risk classification

PLN '000	31.03.2020	31.12.2019	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	**21,573,863**	**21,225,119**	**348,744**	**1.6%**
financial institutions	3,552,140	3,152,788	399,352	12.7%
non-financial sector entities	18,021,723	18,072,331	(50,608)	(0.3%)
institutional clients*	11,674,484	11,659,740	14,744	0.1%
herof: public sector units	25,722	30,793	(5,071)	(16.5%)
individual customers	6,347,239	6,412,591	(65,352)	(1.0%)
Receivables not impaired (Stage 2), including	**2,729,476**	**2,355,543**	**373,933**	**15.9%**
financial institutions	18	14	4	28.6%
non-financial sector entities	2,729,458	2,355,529	373,929	15.9%
institutional clients*	1,823,928	1,376,283	447,645	32.5%
herof: public sector units	3	-	3	-
individual customers	905,530	979,246	(73,716)	(7.5%)
Receivables impaired (Stage 3), including:	**863,816**	**831,720**	**32,096**	**3.9%**
financial institutions	**-**	-	-	-
non-financial sector entities	863,816	831,720	32,096	3.9%
institutional clients*	527,986	516,611	11,375	2.2%
individual customers	335,830	315,109	20,721	6.6%

PLN '000	31.03.2020	31.12.2019	Change	
			PLN '000	%
Amounts due from matured derivative instruments (Stage 3)	**10,039**	**10,040**	**(1)**	**-**
Total gross loans to customers, including:	**25,177,194**	**24,422,422**	**754,772**	**3.1%**
financial institutions	3,552,158	3,152,802	399,356	12.7%
non-financial sector entities	21,614,997	21,259,580	355,417	1.7%
institutional clients*	14,026,398	13,552,634	473,764	3.5%
individual customers	7,588,599	7,706,946	(118,347)	(1.5%)
Provisions for expected credit losses, including:	**(779,983)**	**(690,548)**	**(89,435)**	**13.0%**
Amounts due from matured transactions in derivative instruments	(4,174)	(4,241)	67	(1.6%)
Total net amounts due from customers	**24,397,211**	**23,731,874**	**665,337**	**2.8%**
Provisions coverage ratio	**70.5%**	**66.7%**		
institutional clients*	65.8%	60.4%		
individual customers	77.8%	77.1%		
Non-performing loans ratio (NPL)	**3.4%**	**3.4%**		

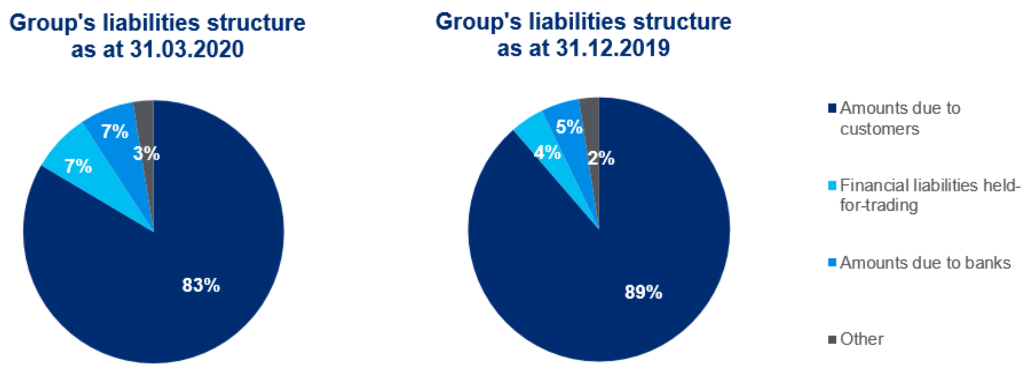
** Institutional clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*

The value of gross receivables as of the end of the first quarter of 2020 does not include contractual interest in the amount of PLN 325,149 thousand accrued from the moment of transferring the exposure to Stage 3 (as at the end of 2019, PLN 311,351 thousand). This does not affect the net value of the receivables qualified for Stage 3 because including them in gross value, in accordance to the guidelines of the *Transition Resource Group for Impairment of Financial Instruments* would also lead to an increase in expected credit losses by the same value.

As of the end of the first quarter of 2020 **total liabilities** amounted to PLN 55.1 billion, up by PLN 10.2 billion (or 22.8%) compared to the end of 2019.

In the first quarter of 2020 **amounts due to customers** were the dominant source of financing of the Group's activity and as of March 31, 2020 they accounted for 73.9% of the Group's liabilities and equity. Total amounts due to customers as of the end of the first quarter of 2020 amounted to PLN 46.0 billion, up by PLN 6.2 billion (or 15.6%) compared to the end of 2019. Amounts due to institutional clients, which increased by PLN 5.2 (or 19.8%) compared to the end of last year, had the largest share in this increase. The above increase resulted from increased acquisition of clients (mainly non-financial clients), and from the increased deposits balance held by financial institutions (mainly TFI), due to the large scale of redemption of participation units.

At the same time amounts due to individual clients rose by PLN 809 million (or 6.0%) compared to the end of 2019, as a result of the inflow of funds to current accounts (the number of clients from the defined target group increased by 3% QoQ).The overall position change was also impacted by the depreciation of PLN.



Amounts due to customers

PLN '000	31.03.2020	31.12.2019	Change	
			PLN '000	%
Current accounts, including:	**32,067,564**	**28,512,209**	**3,555,355**	**12.5%**
financial sector entities	1,114,830	797,540	317,290	39.8%
non-financial sector entities, including:	30,952,734	27,714,669	3,238,065	11.7%
institutional clients*, including:	19,582,746	17,379,160	2,203,586	12.7%
public sector units	3,379,801	3,388,779	(8,978)	0-.3%

PLN '000	31.03.2020	31.12.2019	Change	
			PLN '000	%
individual clients	11,369,988	10,335,509	1,034,479	10.0%
Term deposits, including:	13,421,910	11,007,282	**2,414,628**	**21.9%**
financial sector entities	5,706,155	3,759,106	1,947,049	51.8%
non-financial sector entities, including:	7,715,755	7,248,176	467,579	6.5%
institutional clients*, including:	4,815,155	4,121,754	693,401	16.8%
public sector units	79,825	66,653	13,172	19.8%
individual customers	2,900,600	3,126,422	(225,822)	(7.2%)
Total customers deposits	**45,489,474**	**39,519,491**	**5,969,983**	**15.1%**
Other amounts due to customers	**521,711**	**268,311**	**253,400**	**94.4%**
Total amounts due to customers	**46,011,185**	**39,787,802**	**6,223,383**	**15.6%**

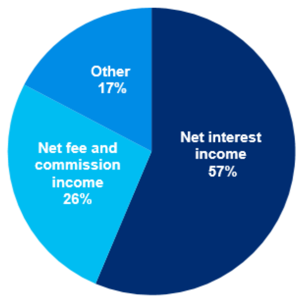
* Institutional *clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*

2. Consolidated income statement

In the first quarter of 2020, the Group delivered **a consolidated net profit of** PLN 26.4 million, down by PLN 33.1 million (or 55.7%) compared to the first quarter of 2019. The lower net profit was driven by higher result on expected credit losses on financial assets by PLN 65.2 million. On the other hand the Group reported a strong increase in core revenues (the sum of net interest income and net fee and commission income), which were higher by PLN 31.7 million (or 7.7%) and amounted to PLN 442.9 million.

The main determinants of the Group's operating result in the first quarter of 2020 when compared to the first quarter of the previous year were the following:

Group's revenue structure as at 31.03.2020



- **net interest income** grew by PLN 24.6 million (or 8.9%) compared to the first quarter of 2019 and amounted to PLN 302.0 million.

  Interest income in the first quarter of 2020 grew by PLN 14.1 million (or 4.2%), compared to the corresponding period of 2019 and amounted to PLN 352.8 million. Interest from amounts due from customers, constituting the main source of interest income, amounted to PLN 243.6 million, up by PLN 3.8 million (or 1.6%) compared to the first quarter of 2019. It was mainly due to the increase in the Institutional Banking segment as a result of growing loan volumes (+11.2 YoY). At the same time interest income from securities being the sum of financial assets measured at fair value through other comprehensive income and debt securities held-for-trading increased by PLN 9.3 million (or 10.5%) YoY primarily due to higher volumes.

  Interest expenses in the first quarter of 2020 declined by PLN 10.5 million (or 17.1%), compared to the corresponding period of 2019. The biggest change was visible in lower interest expenses on amounts due to banks, which dropped by PLN 17.9 million (or 79.4% YoY). On the other hand, interest expenses on amounts due to clientsfrom the non-financial sector) constituting the main source of interest expenses, grew by PLN 6.7 million (or 17.8%), which was visible mainly in the Consumer Banking segment (due to higher volumes).

Net interest income

PLN '000	01.01 – 31.03.2020	01.01 – 31.03.2019	Change	
			PLN '000	%
Interest income	**327,630**	**316,274**	**11,356**	**3.6%**
Financial assets measured at amortized cost	**249,128**	**246,250**	**2,878**	**1.2%**
Balances with the Central Bank	2,000	1,814	186	10.3%
Amounts due from banks	3,538	4,693	(1,155)	(24.6%)
Amounts due from customers, in respect of:	243,590	239,743	3,847	1.6%
financial sector	17,472	12,787	4,685	36.6%
non-financial sector, including:	226,118	226,956	(838)	(0.4%)
credit cards	66,070	70,521	(4,451)	(6.3%)
Financial assets measured at fair value through comprehensive income	**78,502**	**70,024**	**8,478**	**12.1%**

PLN '000	01.01 – 31.03.2020	01.01 – 31.03.2019	Change	
			PLN '000	%
Debt investment financial assets measured at fair value through comprehensive income	78,502	70,024	8,478	12.1%
Similar income	**25,204**	**22,431**	**2,773**	**12.4%**
Debt securities held-for-trading	20,074	19,215	859	4.5%
Liabilities with negative interest rate	5,130	3,174	1,956	61.6%
Derivative instruments in hedge accounting	-	42	(42)	(100.0%)
	352,834	**338,705**	**14,129**	**4.2%**
Interest expense and similar charges for				
financial liabilities measured at amortized cost	(49,910)	(61,075)	11,165	(18.3%)
transactions with the Central Bank	(8)	-	(8)	-
Amounts due to banks	(4,558)	(22,100)	17,542	(79.4%)
Amounts due to customers	(44,265)	(37,561)	(6,704)	17.8%
Amounts due to financial sector entities	(9,513)	(13,130)	3,617	(27.5%)
Amounts due to non-financial sector entities	(34,752)	(24,431)	(10,321)	42.2%
Loans and advances acquired	-	(345)	345	(100.0%)
Amounts due to Leasing	(1,079)	(1,069)	(10)	0.9%
Assets with negative interest rate	**(523)**	**(264)**	**(259)**	**98.1%**
Derivatives in hedge accounting	**(446)**	**(18)**	**(428)**	**2377.8%**
	(50,879)	**(61,357)**	**10,478**	**(17.1%)**
Net interest income				
	301,955	**277,348**	**24,607**	**8.9%**

- **Net fee and commission income** of PLN 141.0 million versus PLN 133.9 million in the first quarter of 2019 – up by PLN 7.1 million (or 5.3%). The above-mentioned increase was reported in the **Institutional Banking** segment, mainly in the recurring areas of activity – transactional banking (mainly liquidity management products and solutions) and custody. At the same time the Group reported a significant increase in fee and commission income on brokerage activity, as a result of a growing number of brokerage accounts of clients (+5.8% YoY) and increased activity of clients.

  Net fee and commission income in the **Consumer Banking** segment dropped due to lower fee and commission income on payment and credit cards (mainly as a result of lower FX revenue).

Net fee and commission income

PLN '000	01.01 – 31.03.2020	01.01 – 31.03.2019	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products distribution*	17,386	16,696	690	4.1%
Payment and credit cards	34,944	38,862	(3,918)	(10.1%)
Payment orders	26,455	26,110	345	1.3%
Custody services	24,804	22,638	2,166	9.6%
Brokerage activity	11,810	9,858	1,952	19.8%
Clients' cash on account management services	9,645	7,487	2,158	28.8%
Guarantees granted	4,573	4,757	(184)	(3.9%)
Financial liabilities granted	1,763	1,749	14	0.8%
Other	30,443	27,574	2,869	10.4%
Installment products in credit card	7,239	7,192	47	0.7%
	161,823	**155,731**	**6,092**	**3.9%**
Fee and commission expense				
Payment and credit cards	(6,962)	(7,834)	872	(11.1%)
Brokerage activity	(2,928)	(3,460)	532	(15.4%)
Fees paid to the National Depository for Securities (KDPW)	(5,477)	(5,279)	(198)	3.8%
Brokerage fees	(841)	(1,050)	209	(19.9%)
Custody fees	-	-	-	-
Other	(4,628)	(4,244)	(384)	9.0%
	(20,836)	**(21,867)**	**1,031**	**(4.7%)**

PLN '000	01.01 – 31.03.2020	01.01 – 31.03.2019	Change	
			PLN '000	%
Net fee and commission income				
Insurance and investment products distribution	17,386	16,696	690	4.1%
Payment and credit cards	27,982	31,028	(3,046)	(9.8%)
Payment services	26,455	26,110	345	1.3%
Custody services	24,804	22,638	2,166	9.6%
Brokerage activity	8,882	6,398	2,484	38.8%
Clients' cash on account management services	9,645	7,487	2,158	28.8%
Guarantees granted	4,573	4,757	(184)	(3.9%)
Financial liabilities granted	1,763	1,749	14	0.8%
Fees paid to the National Depository for Securities (KDPW)	(5,477)	(5,279)	(198)	3.8%
Brokerage fees	(841)	(1,050)	209	(19.9%)
Other	25,815	23,330	2,485	10.7%
Net fee and commission income	**140,987**	**133,864**	**7,123**	**5.3%**

- **Other operating income** (i.e. non-interest and non-commission income) of PLN 92.8 million versus PLN 125.8 million in the first quarter of 2019 – down by PLN 33.1 million (or 26.3%). Lower other operating income was due to a significant decrease in gains from derivatives, mainly interest rate derivatives, as a result of reference rates cuts by central banks in Poland and the US, partially offset by higher gains from investment debt financial assets thanks to an active approach to the high volatility on the Polish debt market.
- **General administrative and depreciation expenses** of PLN 376.2 million versus PLN 384.0 million in the first quarter of 2019 – down by PLN 7.7 million (or 2.0%) mainly due to lower regulatory expenses and Bank Guarantee Fund costs. The BFG fee and charges amounted to PLN 89.0 million due to the recognition of the compulsory resolution fund charge in the first quarter of 2020 and the quarterly deposit guarantee fund fee (compared to PLN 95.4 million in the first quarter of the previous year).

In the reporting period the headcount in the Group dropped by 169 FTEs.

General administrative expenses and depreciation expense

PLN '000	01.01 – 31.03.2020	01.01 – 31.03.2019	Change	
			PLN '000	%
Staff expenses	**(137,712)**	**(142,656)**	**4,944**	**(3.5%)**
Remuneration costs	(100,072)	(100,860)	788	(0.8%)
Bonuses and rewards	(18,086)	(20,017)	1,931	(9.6%)
Social security costs	(19,554)	(21,779)	2,225	(10.2%)
Administrative expenses	**(214,944)**	**(220,346)**	**5,402**	**(2.5%)**
Telecommunication fees and hardware purchase costs	(48,543)	(45,065)	(3,478)	7.7%
Costs of external services, including advisory, audit, consulting services	(11,872)	(13,242)	1,370	(10.3%)
Real estates maintenance and rent costs	(13,360)	(12,029)	(1,331)	11.1%
Advertising and marketing costs	(9,572)	(12,436)	2,864	(23.0%)
Costs of cash management services, costs of clearing services and other transaction costs	(9,266)	(8,802)	(464)	5.3%
Costs of external services related to distribution of banking products	(10,977)	(10,584)	(393)	3.7%
Postal services, office supplies and printmaking costs	(1,915)	(1,739)	(176)	10.1%
Training and education costs	(358)	(178)	(180)	101.1%
Banking and capital supervision costs	(4,776)	(5,751)	975	(17.0%)
Bank Guarantee Funds costs	(88,972)	(95,411)	6,439	(6.7%)
Other expenses	(15,333)	(15,109)	(224)	1.5%
Depreciation	**(23,575)**	**(20,967)**	**(2,608)**	**12.4%**
General administrative expenses and depreciation expense, total	**(376,231)**	**(383,969)**	**7,738**	**(2.0%)**

- Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments of PLN -93.5 million versus PLN -28.3 million in the first quarter of 2019, (i.e. increase by PLN 65.2 million) was attributed mainly to deterioration of economic environment and announcement of pandemic state which led to additional provisions in the amount of approximately PLN 42 million. In the case of Institutional Banking, the Bank additionally reviewed sectors and individual borrowers to adjust their ratings leading to increase of provisions in Stage 1 and 2.

Rating changes reflect current market conditions, its prospects as well as historical and forecasted financial data. In the case of Consumer Banking, one of the drivers of growth in expected credit losses is the observed borrowers' behavior which is reflected in impairment models rising the probabilities of default.

Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments

PLN '000	01.01 – 31.03.2020	01.01 – 31.03.2019	Change	
			PLN '000	%
Provision for expected credit losses on amounts due from banks				
Provision creation	(1,230)	(520)	(710)	136.5%
Provision release	908	532	376	70.7%
	(322)	**12**	**(334)**	**(2,783.3%)**
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	(90,047)	(30,145)	(59,902)	198.7%
Provision creation	(122,954)	(58,311)	(64,643)	110.9%
Provision release	34,390	28,267	6,123	21.7%
Other	(1,483)	(101)	(1,382)	1368.3%
Recoveries from debt sold (written-off)	3	9	(6)	(66.7%)
	(90,044)	**(30,136)**	**(59,908)**	**198.8%**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(2,393)	(778)	(1,615)	207.6%
Provision release	-	-	-	-
	(2,393)	**(778)**	**(1,615)**	**207.6%**
Provision for expected credit losses on financial assets	**(92,759)**	**(30,902)**	**(61,857)**	**200.2%**
Created provisions for granted financial and guarantee commitments	(9,412)	(5,864)	(3,548)	60.5%
Release of provisions for granted financial and guarantee commitments	8,704	8,488	216	2.5%
Provision for expected credit losses for granted off-balance sheet commitments	**(708)**	**2,624**	**(3,332)**	**(127.0%)**
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	**(93,467)**	**(28,278)**	**(65,189)**	**230.5%**

3. Financial Ratios

In the first quarter of 2020, the key efficiency ratios were as follows:

Total financial ratios	Q1 2020	Q1 2019
ROE*	6.7%	8.3%
ROA**	0.8%	1.2%
Cost/Income	70%	71%
Loans/Deposits	54%	71%
Loans/Total assets	39%	41%
Net interest income/Revenue	56%	52%
Net fee and commission income/Revenue	26%	25%

** Sum of net profit for the last four quarters to the average equity for the last four quarters (excluding 75% of net profit for the current year).*
*** Sum of net profit for the last four quarters to the average assets for the last four quarters.*

Group employment*

In full time job equivalents (FTE)	01.01 - 30.03.2020	01.01 - 30.03.2019	Change	
			FTEs	%
Average employment in the first quarter	3,060	3,245	(185)	(5.7%)
Employment at the end of quarter	3,058	3,227	(169)	(5.2%)

**does not include employees on parental and unpaid leave*

Capital adequacy*

PLN '000	31.03.2020	31.12.2019
Common Equity Tier I before regulatory adjustments	6,639,430	6,595,425
Total regulatory adjustments to Common Equity Tier I	(1,492,539)	(1,473,250)
Common Equity Tier I	5,146,891	5,122,175
Tier I Capital	5,146,891	5,122,175
Own Funds	5,146,891	5,122,175
The total amount of risk exposure	30,333,611	29,738,301
Common Equity Tier 1 capital ratio	17.0	17.2
Tier 1 capital ratio	17.0	17.2
Total capital ratio	**17.0**	**17.2**

**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 ("CRR").*

Leverage ratio*

PLN '000	31.03.2020	31.12.2019
Tier I Capital	5,146,891	5,122,175
Total leverage ratio exposures	64,188,257	57,561,528
Leverage ratio	**8.0%**	**8.9%**

**Leverage 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 ("CRR").*

Overview of RWAs

PLN '000			RWA		Minimum capital requirements
CRR			31.03.2020	31.12.2019	31.03.2020
	1	**Credit risk (excluding CCR)**	**24,026,472**	**23,365,872**	**1,922,118**
Article 438 (c) (d)	2	Of which the standardised approach	24,026,472	23,365,872	1,922,118
Article 107 Article 438 (c) (d)	**6**	**CCR**	**1,225,351**	**1,528,845**	**98,028**
Article 438 (c) (d)	7	Of which mark to market	1,134,309	1,197,463	90,745
Article 438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	2,801	2,457	224
Article 438 (c) (d)	12	Of which CVA	88,241	328,925	7,059
Article 438 (e)	**13**	**Settlement risk**	**32**	**-**	**3**
Article 449 (o) (i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**234,595**	**253,671**	**18,768**
	18	Of which standardised approach	234,595	253,671	18,768
Article 438 (e)	**19**	**Market risk**	**1,151,728**	**1,022,525**	**92,138**
	20	Of which the standardised approach	1,151,728	1,022,525	92,138
Article 438 (e)	22	Large exposures	80,378	-	6,430
Article 438 (f)	**23**	**Operational risk**	**3,615,055**	**3,567,388**	**289,204**
	25	Of which standardised approach	3,615,055	3,567,388	289,204
Article 437 (2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	725,468	595,164	58,037
	29	**Total**	**30,333,611**	**29,738,301**	**2,426,689**

In the first quarter of 2020 the Group fulfilled the capital adequacy requirements. Total capital ratio is calculated according to respective regulations.

In the first quarter of current year the bank received a letter from the Polish Financial Supervision Authority (PFSA) specifying the required conditions in order to consider offsetting agreements in the capital adequacy account as limiting risk. The bank submitted the required documents to the PFSA and since March this year has included all its key contracts in the capital adequacy account as risk mitigation.

7 Segment reporting

Operating segment is a separable component of the Group engaged in business activity, generating income and incurring expenses (including those on intragroup transactions between segments), whose operating results are regularly reviewed by the Management Board of dominant unit the chief operating decision maker of the Group, in order to allocate resources and assess its performance.

The Group is managed at the level of two operating segments – Institutional Banking and Consumer Banking. The valuation of segment's assets and liabilities as well as calculation of its results is based on Group's accounting policies, including intragroup transactions between segments.

The allocation of Group's assets, liabilities, income and expenses to operating segments was made on the basis of internal information prepared for management purposes. Transfer of funds between Group's segments is based on prices derived from market rates. The transfer prices are calculated using the same rules for both segments and any difference results solely from maturity and currency structure of assets and liabilities. The basis for assessment of the segment performance is gross profit or loss.

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

Institutional Banking

Within the Institutional Banking segment, the Group offers products and provides services to commercial entities, municipalities and public sector. Apart from traditional banking services consisting in credit and deposit activities, the segment provides services in the area of cash management, trade finance, brokerage and custody services in respect of securities. It also offers treasury products on financial and commodity markets. In addition, the segment offers the investment banking services on the local and international capital markets, including advisory services as well as obtaining and underwriting financing through public and non-public offerings. The activities also comprise proprietary transactions on the equity, debt and derivative instruments' markets.

Consumer Banking

Within the Consumer Banking segment the Group provides products and financial services to individual clients, micro enterprises and individual entrepreneurs that are within the framework of Citibusiness offer. Besides managing bank accounts and providing extensive credit and deposit products, the Group offers cash loans, mortgage loans and credit cards. It also provides asset management services and acts as an agent in investment and insurance products sale.

Consolidated income statement of the Group by business segment

For the period	01.01 – 31.03.2020			01.01 – 31.03.2019		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	146,805	155,150	301,955	118,865	158,483	277,348
Internal interest income, including:	(18,166)	18,166	-	(15,956)	15,956	-
Internal income	-	18,166	18,166	-	15,956	15,956
Internal expenses	(18,166)	-	(18,166)	(15,956)	-	(15,956)
Net fee and commission income	82,854	58,133	140,987	72,860	61,004	133,864
Dividend income	30	71	101	22	54	76
Net gain/(loss) on trading financial instruments and revaluation	(16,285)	9,006	(7,279)	84,702	6,480	91,182
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	104,754	-	104,754	29,295	-	29,295
Net gain/(loss) on equity investments and other measured at fair value through income statement	(1,693)	-	(1,693)	5,922	-	5,922
Net gain/(loss) on hedge accounting	(2,754)	-	(2,754)	(412)	-	(412)
Net other operating income	3,165	(3,535)	(370)	3,198	(3,382)	(184)
General administrative expenses	(191,259)	(161,397)	(352,656)	(202,494)	(160,508)	(363,002)
Depreciation and amortization	(5,794)	(17,781)	(23,575)	(4,949)	(16,018)	(20,967)
Profit on sale of other assets	(142)	(234)	(376)	1	-	1
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(56,812)	(36,655)	(93,467)	(4,657)	(23,621)	(28,278)
Operating income	**62,869**	**2,758**	**65,627**	**102,353**	**22,492**	**124,845**
Share in net profits of entities measured using equity method	-	-	-	-	-	-
Tax on certain financial institutions	**(24,409)**	**(6,580)**	**(30,989)**	(16,055)	(5,836)	(21,891)
Profit before tax	**38,460**	**(3,822)**	**34,638**	**86,298**	**16,656**	**102,954**
Income tax expense	-	-	(8,279)	-	-	(43,455)

For the period	01.01 – 31.03.2020			01.01 – 31.03.2019		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net profit	**-**	**-**	**26,359**	**-**	**-**	**59,499**

State as at	31.03.2020			31.12.2019		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**54,757,704**	**7,520,787**	**62,278,491**	**44,299,208**	**7,679,335**	**51,978,543**
Total liabilities and equity, including:	**45,410,458**	**16,868,033**	**62,278,491**	**35,665,583**	**16,312,960**	**51,978,543**
Liabilities	39,684,618	15,448,105	55,132,723	30,254,827	14,649,061	44,903,888

8 Activities of the Group

1. Actions taken due to COVID-19 pandemic

Employees

- Nearly **80%** of the Bank's employees **work remotely;**
- **Turnover for employees** working at headquarter and branches;
- A one-off **additional benefit** for employees who are particularly affected by the effects of the pandemic;
- **Regular communication** in a form of teleconferences, newsletters and dedicated meetings with the Bank's Management.

Institutional clients

- **Supporting** customer **liquidity**:
  - Joining the programs: Financial Shield of the Polish Development Fund, Guarantees from the Liquidity Guarantee Fund, de minimis guarantees;
  - Deferral of loan repayment.

Individual clients

- **Care for the health and safety** of clients:
  - **Remote biometric processes** for the 3 most important customer products: credit cards, cash loan and personal account;
  - **Increasing the limit** for contactless payments from PLN 50 to PLN 100 without using PIN;
- **Loan suport for** the clients:
  - Deferral of loan repayment;
  - Additional funds without leaving home.

Community

- **#CisiBohaterowie** – organization of hot meals for paramedics;
- **1 379 CitiVolunteers** CitiVolunteers provided 335 hot meals for Silent Heroes;
- **Organization of crowdfunding fundraising** for Silent Heroes;
- **Transfer of PLN 5 from each FX transaction** concluded on the Citi FX Pulse platform for paramedics.

2. Institutional Banking

2.1. Summary of segment results

PLN '000	Q1 2020	Q1 2019	Change PLN '000	Change %
Net interest income	146,805	118,865	27,940	23.5%
Net fee and commission income	82,854	72,860	9,994	13.7%
Net income on dividends	30	22	8	36.4%
Net gain/(loss) on trading financial instruments and revaluation	(16,285)	84,702	(100,987)	-
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	104,754	29,295	75,459	257.6%
Net gain/(loss) on equity investments and other measured at fair value through income statement	(1,693)	5,922	(7,615)	-
Net gain/(loss) on hedge accounting	(2,754)	(412)	(2,342)	568.4%
Net other operating income	3,165	3,198	(33)	(1.0%)
Total income	**316,876**	**314,452**	**2,424**	**0.8%**
General administrative expenses and depreciation	(197,053)	(207,443)	10,390	(5.0%)
Profit on sale of other assets	(142)	1	(143)	-
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(56,812)	(4,657)	(52,155)	-
Share in net profits of entities measured using equity method	-	-	-	-
Tax on certain financial institutions	(24,409)	(16,055)	(8,354)	52.0%
Profit before tax	**38,460**	**86,298**	**(47,838)**	**(55.4%)**
Cost/Income	**62%**	**66%**		

The key highlights that impacted the gross profit of the Institutional Banking Segment in the first quarter of 2020 when compared to the corresponding period of the previous year were as follows:

- increase in **net interest income** due to lower interest expenses on the interbank market deposits (lower interest) and higher interest income from debt securities (increase in volumes);
- increase in **net fee and commission income** in the recurring areas of activity – transactional banking (mainly liquidity management products and solutions) and custody;
- decrease in **other operating income** (i.e. non-interest and non-commission income) due to a significant decrease in derivatives, mainly interest rate derivatives as a result of reference rates cuts by central banks in Poland and the US, partially offset by higher gains from investment debt financial assets thanks to an active

approach to the high volatility on the Polish debt market.

- decrease in **general administrative and depreciation expenses** due to lower staff expenses (lower bonuses).
- increase in net impairment losses due to additional review of sectors and individual borrowers, performed by the Bank to adjust their ratings leading to increase of provisions in Stage 1 and 2. Rating changes reflect current market conditions, its prospects as well as historical and forecasted financial data.

2.2. Institutional Bank and the Capital Markets

Institutional Bank

In the area of institutional banking, the Group provides comprehensive financial services to the largest Polish companies and strategic companies with a large potential of growth, and also to the largest financial institutions and to companies from the public sector.

As at the end of the first quarter of 2020, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) was over 5,600 i.e. increased by 1% as compared to the first quarter of 2020, when their number was slightly below 5,600. The increase mentioned above applies to global clients (+5% YoY) and corporate clients (+7% YoY).

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

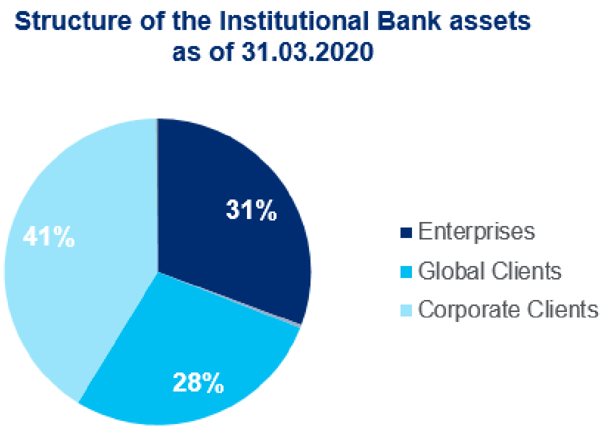
The table below presents the balances of assets and liabilities in individual segments according to the management reporting.

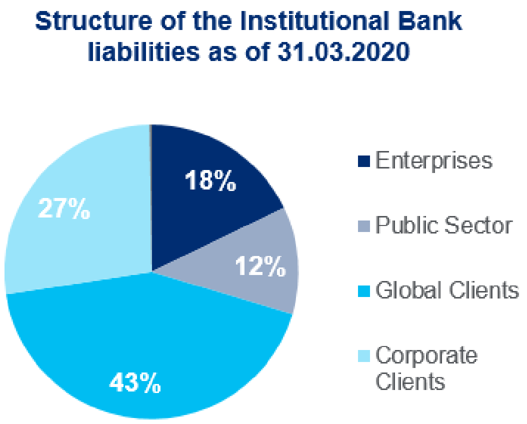
Assets

PLN million	31.03.2020	31.12.2019	31.03.2019	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	4,879	4,664	5,127	215	5%	(248)	(5%)
SMEs	1,699	1,442	1,588	257	18%	111	7%
MMEs	3,180	3,222	3,539	(42)	(1%)	(359)	(10%)
Public Sector	52	25	87	27	108%	(35)	(40%)
Global Clients	4,423	4,755	4,096	(332)	(7%)	327	8%
Corporate Clients	6,555	6,162	5,440	393	6%	1,115	20%
Other	17	0	0	17	-	17	-
Total Institutional Banking	**15,926**	**15,606**	**14,750**	**320**	**2%**	**1,176**	**8%**

Liabilities

PLN million	31.03.2020	31.12.2019	31.03.2019	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	5,361	4,783	4,002	578	12%	1,359	34%
SMEs	3,006	2,593	2,259	413	16%	747	33%
MMEs	2,356	2,190	1,743	166	8%	613	35%
Public Sector	3,543	3,658	2,427	(115)	(3%)	1,116	46%
Global Clients	12,905	10,887	8,277	2,018	19%	4,628	56%
Corporate Clients	8,189	5,888	7,517	2,301	39%	672	9%
Other	61	65	70	(4)	(6%)	(9)	(13%)
Total Institutional Banking	**30,059**	**25,282**	**22,293**	**4,777**	**19%**	**7,766**	**35%**





Key transactions and achievements in Institutional Banking in the first quarter of 2020:

1. Increased share in the area of banking services and transaction banking:
   - Conclusion of an escrow account agreement for the processing of customer claims connected with delivery of parcels for a leading courier company. It is an innovative solution that transfers the claim handling process from the insurer to the client with participation of the Bank, which maintains that account.
   - Winning the mandate for banking service for one of the global leaders in e-commerce services;
   - Initiating co-operation with one of the leaders in the retail sale of sporting goods.
2. Active support to clients in the area of lending and investment activities:
   - In February 2020, the Bank, as Lender and Mandated Lead Arranger, participated in a syndicated loan agreement with a client from the television and telecommunication sector, with the total commitment of the Bank amounting to PLN 350 million. The participation of the Bank in the transaction confirms its strong position in Poland and its commitment to provide support to its strategic clients in pursuit of their goals;
   - Bank renewed an overdraft for PLN 300 million for a Polish company from the fuel and energy sector, one of the leaders among petrochemical companies in Central and Eastern Europe;
   - Bank increased by PLN 100 million, to PLN 200 million, a working capital facility for the largest retail chain in Poland in order to support increased turnovers and reinforce its strategic relationship;
   - Bank granted a long-term EU loan in the amount of PLN 44 million to a manufacturer of bread and fresh pastry and cakes;
   - Bank renewed an overdraft for PLN 40 million for a leading manufacturer of beverage packaging in Central and Eastern Europe;
   - In the Commercial Banking segment, the Bank granted 5 long-term loans, 3 overdraft and short-term loans, 1 grant of financing to suppliers and 1 letter of credit for a total amount of PLN 161 million.
3. Client acquisition: in the Commercial Bank segment the Bank attracted 57 new clients in the first quarter of 2020, including 12 Large Companies, 45 Small and Medium-Sized Companies. In the strategic and global client segments, the Bank established 8 new client relationships.

Activity and business achievements of the Treasury Division

In the current pandemic situation, the **CitiFX Pulse** electronic foreign exchange platform is a perfect solution for clients of the Bank as it makes it possible to conclude transactions remotely and safely and ensures access to the most recent data, analyses and forecasts. In addition, when making deals on the platform, clients of the Bank may also support activities to suppress COVID-19. By the end of April 2020, PLN 5.00 for each transaction made on the CitiFX Pulse platform will be donated for the #CisiBohaterowie (#SilentHeroes) campaign, in the course of which Citi volunteers support paramedics, for example by delivering hot meals.

Another tool available to clients of the Bank is **Puls Rynku FX,** a mobile application which, in addition to currency alerts, quotations, forecasts, etc., also distributes special reports prepared by analysts of Citi Handlowy that present, *inter alia*, the impact of COVID-19 on the situation in the markets in Poland and the world. Since recently, the Bank has been observing a significant increase in the clients' interest in the Puls Rynku FX application. The average number of unique users logging in every day is higher by 338% as compared to the fourth quarter of 2019, which shows that clients perceive both Bank and its application as a reliable source of information that is always within reach.

In addition, a special teleconference was arranged for clients of the Bank, titled "Economy in the times of pandemic: activities of governments and central banks," with participation of the Chief Economist of the Bank and FX market experts.

Transactional banking

Citi Handlowy is a leading provider of transactional banking services. For the six year in a row, the transactional services provided by Citi Handlowy won the "Euromoney" ranking as the best services in Poland. This award is granted on the basis of assessments of clients, who chose the leader of the financial sector yet again.

At present, the transactional banking product range includes:
- Electronic banking;
- Deposits and current accounts;
- Liquidity management products;
- Cross border (international) transfers;
- Card products
- Payments and receivables: Direct Debit, SpeedCollect;
- Cash products
- EU-funding advisory services;
- Trade finance products.

In connection with special circumstances of COVID-19 pandemic, the Bank accelerated the implementation of qualified electronic signature in the first quarter of 2020 for the entire documentation (including bank account agreements, other product agreements and requests & forms). This is another solution that helps clients contact the Bank regardless of the restrictions imposed in connection with COVID-19. In this way, the Bank has been developing the electronic circulation of documentation on the basis of qualified electronic signature, which helps clients keep easy access to bank services without sending any paper documents and without any personal contacts.

Electronic banking

Following the advanced technology trends in the banking sector and in response to comprehensive needs of clients that use electronic and mobile solutions and because of the epidemiological situation in Poland, Europe and the world, the main activities of the Bank are now focused on further improvements of the CitiDirect BE system. Business clients have been offered an option to use the CitiDirect BE Mobile application, with a biometric authentication function. Furthermore, new mechanisms were introduced, which facilitate the management of CitiDirect BE user's entitlements by authorized system administrators and which reduce to a minimum the need for exchange of traditional documentation. In this time works were also conducted to further adjust the e-banking solutions to the ever-changing regulatory environment.

In the first quarter of 2020, the Bank processed over 7.5 million transactions via electronic channels. At the end of the first quarter of 2020, over 4,300 customers used the CitiDirect BE electronic banking system.

Deposits and current accounts

One of the most important elements of the Bank's strategy is concentration on the acquisition and maintenance of operating accounts. A current account gives access to all products of Citi Handlowy. Funds accumulated by the client that are not used to finance ongoing activities can be moved to term deposits or stay on a current account with a higher interest rate. The Bank also offers, among other things, negotiable deposits, automatic deposits and blocked deposits.

Liquidity management products

Liquidity management solutions reduce debt and decrease the costs of its servicing, while maintaining ability to pay liabilities. Liquidity management instruments enable the optimization of cash flows at the level of a single client or a single group of companies. The Bank provides solutions for the optimized management of liquidity surplus in companies and business with higher capital needs. Liquidity management products include:
- Consolidated account;
- Real cash pooling;
- Net balance.

Cross border (international) transfers

The Bank has a comprehensive and very broad range of settlements in over 130 currencies worldwide. Striving to meet its clients' needs, the Bank enhanced its multicurrency account proposal by an option enabling its users to receive payments in exotic currencies like: Chinese yuan, Mexican peso, Indian rupee or Brazilian real. It is a unique solution in Poland's market.

Card products

The Bank has in its offer corporate cards linked with a credit line, i.e. so-called charge cards and cards with extended repayment date. In addition, the Bank offers debit and prepaid cards.

The Bank continues activities aimed at promoting the "self-service" model for corporate cards. In the first quarter of 2020, further changes in this respect were implemented, providing the option of submitting additional documents regarding corporate cards in electronic form. For this purpose, the bank uses the eWnioski module, which is part of the electronic banking system. The introduced changes allow practically complete elimination of paper documentation regarding corporate cards.

The direction chosen by the Bank turned out to be particularly useful in the context of the outbreak of the COVID-19 pandemic. Based on the CitiManager platform, the mobile website www.kartybiznes.pl and remote contact channels, the Bank is able to provide its clients with full support at any time, even those working in emergency mode.

The Bank has carried out an analysis of trends reflected by transaction data, which shows a discernible decline in both cash and non-cash transactions caused by the large-scale introduction of remote work. For the same reason, a change in the structure of expenses made by Institutional Banking clients is also visible.

Payments and receivables: Direct Debit, SpeedCollect;

The Bank offers convenient and effective payment and receivable processing tools. These advanced solutions are designed for companies and institutions that have mass customers that buy their products and services.

- Direct debit

Citi Handlowy is a leader on the direct debit services market (presently it handles 36% of transactions on the market), it is an active member of the Direct Debit Coalition under the auspices of the Polish Bank Association.

- SpeedCollect

SpeedCollect is a service for automated booking of receivables, dedicated to creditors – recipients of mass payments. The virtual account functionality makes it possible to include in the account number some details considered important by creditors, such as the contractor number or the number of the creditor’s sales unit that settles its proceeds. The volume of SpeedCollect transactions processed by Citi Handlowy is continuously at a very high level in that market segment.

Trade finance products

The trade finance proposal of the Bank covers various solutions, such as letters of credit, bank guarantees, collection, trade credit, a supplier and distributor financing program and factoring.

In the first quarter of 2020, the Bank continued activities to develop remote access channels as part of the trade finance and services product range and also implemented a possibility for clients to sign agreements electronically.

The digitization of processes led to the nearly 100% growth of guarantees issued electronically in the first quarter of 2020 as compared to first quarter of 2019. At present, nearly 65% of guarantees are issued by the Bank as electronic documents. Almost 40% of amendments to trade finance product documentation are processed electronically.

The Bank maintains the position of one of the leaders of supply chain financing, with market share exceeding 20% (based on data provided by the Polish Factors Association for the last quarter).

In the first quarter of 2020, the Bank was selected as the arranger of the supplier financing program for a global manufacturer of household appliances, because of its advantage in the area of split payment solutions and a possibility to use centralized payment management.

Custody services

The Bank provides custody services for domestic and foreign institutional investors and services of a custodian bank for domestic pension and investment funds. For many years, Citi Handlowy has been a leader in the Polish market of depository banks.

As part of its statutory activities, under a license issued by the Polish Securities and Exchange Commission (at present, the Polish Financial Supervisory Authority (KNF)), the Bank maintains securities accounts, settles securities transactions, processes dividend and interest payments, provides valuations of asset portfolios, delivers individual reports and arranges representation at general meetings of shareholders of listed companies. The Bank keeps collective accounts for authorized foreign entities. In addition, the Bank provides services consisting in maintenance of registers of foreign securities, under which it acts as intermediary in settlements of transactions executed by domestic clients in foreign markets.

As at 31 March 2020, the Bank maintained almost 15,000 securities accounts and collective accounts.

In the reporting period the Bank was the custodian for open-end pension funds: Aviva OFE Aviva Santander, Nationale - Nederlanden OFE (Open Pension Funds); voluntary pension funds: Nationale - Nederlanden DFE, Generali DFE, and the employee pension fund PFE Orange Polska.

The Bank was also the depository of investment funds managed by the following investment fund companies: Santander TFI S.A., PKO TFI S.A., ESALIENS TFI S.A., Aviva Investors Poland TFI S.A., Templeton Asset Management (Poland) TFI S.A. and Skarbiec TFI S.A.

Moreover, the Bank was servicing an investment funds and pension funds operating under the Employee Capital Plans programme: PKO Emerytura SFIO, Santander PPK SFIO, Aviva SFIO PPK, Esaliens PPK SFIO, Nationale - Nederlanden DFE Nasze Jutro.

Brokerage activities

The Group runs brokerage activities in the capital market via Dom Maklerski Banku Handlowego S.A., a wholly-owned subsidiary of the Bank.

As at the end of the first quarter of 2020, DMBH was the market maker for 66 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 14,8% of the shares listed in its main equity market.

In the first quarter of 2020, DMBH was the intermediary in in-session transactions accounting for 5.1% of equity turnover in the secondary market. The value of the in-session transactions concluded via DMBH in the equity market on the WSE was PLN 6.2 billion. In the first quarter of 2020, DMBH was ranked seventh in terms of session turnovers on the WSE main market and third as a local WSE member.

The number of investment accounts maintained by DMBH was 14,100 thousand as at the end of the first quarter of 2020, and increased by 5.8% as compared to the same period in 2019. The increase in the number of accounts was mainly a result of both development of investment advice services and higher acquisition of new accounts in the retail segment.

The progress of COVID-19 pandemic in the first quarter of 2020 revealed a considerable risk of global recession. The prospect of global recession forced central banks and governments to launch large-scale stimulation activities and plans on an unprecedented scale. Polish institutions (including the National Bank of Poland, Government, Polish Financial Supervision Authority and Polish Bank Association and Chambers of Brokerage Houses) also presented various initiatives that are to alleviate the impact of COVID-19 on Poland's economy and financial sector.

Proposed legislation is monitored and assessed by DMBH on an ongoing basis. The current activities of DMBH are fully in line with initiatives started in the sector. Over the last weeks, DMBH carried out stable, and from time to time even intensified, activities to continuously respond to the needs of its clients.

DMBH has in place and is implementing appropriate plans and infrastructural and organizational solutions to ensure continuity of business and performance of critical functions. The epidemiological situation is monitored and its impact on various dimensions of DMBH's activities is assessed on an ongoing basis and DMBH cooperates with regulators to maintain the stability of the financial sector.

Summary Income Statement and Statement of financial position

Company's Name	Headquarter	% of authorized capital held by the Bank	Total assets 31.03.200	Total equity 31.03.2020	Net financial result for the period of 01.01–31.03.2020
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	522,558	102,080	3,308

Leasing activities

Leasing products continue to be offered by the Bank's Group and are made available as part of the "open architecture", i.e. the Bank's partnership with organizations from outside its Group.

Summary Income Statement and Statement of financial position

Company's Name	Headquarters	% of authorized capital held by the Bank	Total assets 31.03.2020	Total equity 31.03.2020	Net financial result for the period of 01.01–31.03.2020
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,896	21,305	(99)

3. Consumer Banking

3.1. Summary of the segmental results

PLN '000	Q1 2020	Q1 2019	Change	
			PLN '000	%
Net interest income	155 150	158 483	(3 333)	(2,1%)
Net fee and commission income	58 133	61 004	(2 871)	(4,7%)
Dividend income	71	54	17	31,5%

PLN '000	Q1 2020	Q1 2019	Change	
			PLN '000	%
Net gain/(loss) on trading financial instruments and revaluation	9 006	6 480	2 526	39,0%
Net other operating income	(3 535)	(3 382)	(153)	4,5%
Total income	**218 825**	**222 639**	**(3 814)**	**(1,7%)**
General administrative expenses and depreciation	(179 178)	(176 526)	(2 652)	1,5%
Profit on sale of other assets	(234)	-	(234)	-
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(36 655)	(23 621)	(13 034)	55,2%
Tax on certain financial institutions	(6 580)	(5 836)	(744)	12,7%
Profit before tax	**(3 822)**	**16 656**	**(20 478)**	**-**
Cost/Income	**82%**	**79%**		

In the first quarter of 2020 in Consumer Banking Segment the profit before tax amounted to PLN -3.8 million mainly due to the **higher provisions for expected credit losses**, as described in the note "Financial analysis of the results of the Capital Group of the Bank". At the same time, the following factors influenced the decrease in the profit before tax:

- lower **interest income** resulting from a reduced acquisition in March due to the COVID-19 epidemic, which translated into a slowdown in the growth rate of credit products (+2% YoY) and as a result of the lowering the reference rate by the Monetary Policy Council,
- increase in **interest expenses** resulting from an increase in the deposit balances (+16.6% YoY), also as a result of an attractive promotional offer serving as a tool to acquire new clients from the affluent customer segment and as a result of increasing the sales of banking products to existing clients; there is a visible drop in interest expense QoQ as a result of the lowering of the deposit offer following the lowering of rates for the polish zloty and other currencies,
- decrease in **net fee and commission income** mainly from the lower transaction activity of customers using credit cards and debit cards due to the epidemic,
- increase in **operating expenses** due to regulatory and technological costs.

On the other hand, the Bank has taken a number of initiatives mitigating the impact of changes in environmental conditions and intends to continue its strategy of developing consumer banking through remote channels in the process of acquiring new clients (development of partnerships thanks to biometric technology) and the development of the CitiSpecials offer enabling the increase transaction volumes of existing clients.

3.2. Selected business data

PLN '000	Q1 2020	Q4 2019	Q1 2019	Change QoQ	Change YoY
Number of individual customers	669.7	674.9	685.1	(5.2)	(15.4)
Number of current accounts	456.2	457.7	460.3	(1.5)	(4.1)
Number of saving accounts	139.2	139.6	139.8	(0.4)	(0.6)
Number of credit cards	644.2	651.8	673.1	(7.6)	(28.9)
Number of debit cards	236.2	238.2	245.0	(2.0)	(8.8)

Net amounts due from individual clients – management view

PLN '000	31.03.2020 (1)	31.12.2019 (2)	31.03.2019 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	5,274,917	5,490,546	5,381,660	(215,629)	(3.9%)	(106,743)	(2.0%)
Credit cards	2,577,732	2,766,068	2,616,645	(188,336)	(6.8%)	(38,913)	(1.5%)
Cash loans	2,650,272	2,675,032	2,713,813	(24,760)	(0.9%)	(63,541)	(2.3%)
Other unsecured receivables	46,913	49,446	51,202	(2,533)	(5.1%)	(4,289)	(8.4%)
Mortgage loans	1,950,325	1,889,301	1,686,763	61,024	3.2%	263,562	15.6%
Net client receivables	**7,225,242**	**7,379,847**	**7,068,423**	**(154,605)**	**(2.1%)**	**156,819**	**2.2%**

3.3. Key Business Highlights

Bank accounts	**Awards and honors** The prestigious British magazine "Euromoney", named Citi Handlowy the **"Best Private Banking Services Overall Poland"** in its annual survey investigating the quality of the private banking offer. Citi Handlowy triumphed as the winner of the ranking and took the first place in as many as 9 out of 16 surveyed categories. In the same month, Forbes magazine, in its **private banking ranking**, granted Citi Handlowy **the maximum number of stars, i.e. 5**, thus emphasizing the solid proposal of the Bank for the most wealthy persons in Poland.
	Current accounts As at the end of the first quarter of 2020, the total balance on the personal accounts was over PLN **7.6 billion**, i.e. increased by **19%** as compared to the same period last year. This increase was achieved thanks to the Bank's strategy, focused on the acquisition of clients with medium and high income and on the enhancement of relationships with existing clients.
	Savings accounts The total balance of funds accumulated on those accounts amounted slightly to PLN **3.5 billion**, as compared to the total balance of PLN 2.9 billion in the same period last year.
	Changes in the offering In the area of individual clients, the Bank continues to reward new **Citi Priority, Citigold and Citigold Private Client** accounts with: – **Promotional** interest rates on **term deposits**; – **Promotional** interest rates on **savings accounts**; – **Cash back** for new Citigold and Citigold Private Clients; – **Citi Priority promotional online account**, where clients who use the account on the Internet have access to all primary functionalities without charge; – **Recommendation program** for Citi Priority, Citigold and Citigold Private Client segments. All activities are carried out based on tools enabling customer acquisition by **contactless methods**, possibly without the use of paper documentation.
Credit cards	The total debt on the credit cards amounted to **PLN 2.7 billion** as at the end of the first quarter of 2020, which means that the Bank was still the leader in the credit card market, in terms of the credits granted on the credit cards, with a market share of 22.7%, according to data as at the end of March 2020. A **new credit card, BP Motokarta**, was added to the product range. The Bank also launched **Apple Pay** mobile payments
Cash loans and cash loans associated with credit card accounts	The balance of unsecured loans (cash loans and loans on credit card) amounted to **PLN 2.8 billion** as at the end of the first quarter of 2020 and was lower by 2% as compared to the same period in previous year. Total sales of the loans mentioned above amounted to **PLN 287 million** in the first quarter of 2020. The introduction of the state of epidemic threat in Poland in March 2020 had a negative impact on the sales of cash loans, although this impact was largely offset by extensive **online and telephone processes** operating at the Bank.
Mortage products	The mortgage loans offer was constantly dedicated to selected client segments, i.e. Citigold Private Client, CitiGold and Citi Priority - all the newly-originated mortgage and home equity loans were granted in those client segments. The mortgage products sold in the first quarter of 2020 reached **PLN 122 million**, i.e. **increased by 47%** comparing to the first quarter of 2019 when it stood at PLN 83 million. As at the end of that period, the mortgage portfolio amounted to **PLN 2.0 billion** as compared to PLN 1.7 billion in the corresponding period of 2019, i.e. **increased by 14% YoY**.

Insurance and investment products

As at the end of the first quarter of 2020, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were 9% lower than as at the fourth quarter of 2019.

In the first quarter of 2020 the Bank executed **5 subscriptions of structured notes**. Those notes were denominated in PLN.

3.4 Development of distribution channels

Online Banking and Mobile Banking

The online platform of the Bank for retail clients is built in a responsive technology, i.e. it aligns itself with a device used by the client.

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was **395,000** as at the end of the first quarter of 2020. The share of active Citibank Online users in the entire client portfolio of the Bank was **60.5%** as at the end of the first quarter of 2020, i.e. it **increased by 1.5 p.p**. as compared to the corresponding period of 2019. In response to the current COVID-19 situation, in order to make it easier for clients to use banking services via remote channels, the Bank also started an educational campaign dedicated to clients to encourage them to try electronic banking.

At the same time, **digital users** accounted for **82% of all transactionally active clients** at the end of the first quarter of 2020, which is an **0.9 p.p. increase** as compared to the first quarter of 2019.

In the first quarter of 2020, the share of the credit cards sold via the online channel was about 54% of the whole credit card acquisition at the Bank, i.e. increased by 12 p.p. YoY.

As at the end of the first quarter of 2020, the number of **active users of mobile banking**, i.e. those who used mobile banking at least once in every 90-day period via the application or Citibank Online in responsive technology, amounted to **222,000, i.e. increased by 11.7 p.p.** as compared to the first quarter of 2019.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was 34.5%, i.e. increased by 4.5 p.p. as compared to the same period in 2019.

Social Media

The Bank continued its activities in social media, which are still an important channel for communication and interactions with clients.

Social media are also a vital educational channel used to instruct clients how to correctly use banking products during COVID-19 pandemic and to inform them of current activities initiated by the Bank in this situation. In the first quarter of 2020, social media communication from the Bank reached, every day, 134,000 persons, on average. Users of Facebook and Instagram had, on average, two contacts with marketing materials of the Bank. In the first quarter of 2020, 65 posts were published on Facebook, including 49 video materials.

Facebook is also one of the key tools for answering the clients' questions. The Messenger application has been equipped with new ChatBOT functionalities to improve and automate the handling of a part of questions asked by individual clients. The **average time of response** to a client's question was **15 minutes**. The number of fans on Facebook has not changed since the end of 2019 and is **146,000.**

Indirect and Direct Customer Acquisition

Universal Bankers

In the first quarter of 2020, the Universal Bankers retail distribution channel continued its new client acquisition strategy while focusing on three key products: credit cards, Citi Priority account and cash loans.

The unit consists of three teams: two mobile sales force teams and one telesale team. Mobile sales force carries out its activities throughout Poland from local branches situated in 6 cities.

Taking into account the continuous improvements of remote customer service processes, a telesale team was also created as part of the Universal Bankers force. Its mission is to enhance the strategy of acquisition of new clients in the area of credit cards. As a result, it was possible to reach a broader group of recipients, also from outside of the cities where local sales units are situated.

Citigold and Smart outlets

In the area of branch network, the Bank continues its client-reaching strategy that is based on different types and formats of points of contact, aligned with a target client group. The acquisition and service of clients from the Citigold Private Client ("CPC") and Citigold segment are carried out by Personal Assistants in CPC and Citigold Centers, situated in the 8 largest cities in Poland. Simultaneously, the Bank maintains the Smart branches, dedicated to acquisition of clients in locations that are the most frequently visited by them. Therefore, the Bank decided to close the Smart branch located in Krakow in

CH Bonarka. After the optimization, there is one Smart branch in Krakow - in Galeria Kaziemierz. One of the Bank's priorities is to be where its clients are. To this end, the Bank is still developing remote service processes in CitiBank Online and via its mobile application. As a result, it can offer its clients more and more transactions without the need to visit a physical branch.

Despite COVID-19 pandemic, all retail branches of Citi Handlowy were still open. The Bank maintained the full-scope service at all Citigold and Smart outlets. In March 2020, relationship managers made hundreds of telephone conversations with clients (in February – 3,777, in March – as many as 9,057 calls, with a significant increase from 11 March on) to inform them of the status of their finance in order to reinforce their sense of security and offer support also in remote funds management. All Smart branches were also maintaining operational readiness for six days a week. In addition, branch personnel got involved in the "digital education" of clients in the course of the "Bank safely from home" campaign.

In response to the rapidly changing situation, the Bank immediately modified its procedures (including in the area of customer service) in all outlets, taking into account the need to keep safe its clients and employees. Every branch was equipped with necessary hygienic products and materials that protect both clients and personnel. Activities in that area were based on global experience of Citigroup and were consistent with recommendations provided by local government agencies.

Changes to the network of outlets

Number of branches and other Points of Sale/touch points

	31.03.2020 (1)	31.12.2019 (2)	31.03.2019 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**19**	**21**	**23**	**(2)**	**(4)**
Hub Gold	9	9	8	0	1
Smart Hub Gold	0	0	1	0	(1)
Investment Center	0	1	1	(1)	(1)
Smart branch	9	10	12	(1)	(3)
Corporate branch	1	1	1	0	0

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

9 Rating

As of end of the first quarter of 2020, the Bank had full ratings awarded by Fitch Ratings ("Fitch").

On April 27, 2020 Fitch revised its outlook under the Bank's long-term rating ("Long-term IDR") from "Stable" to "Negative". The outlook revision results from an analysis carried out by Fitch, which shows that the economic fallout resulting from the coronvirus outbreak pose a medium-term risk to the Bank's ratings. The revision of outlook of Citigroup Inc. – a parent company of the Bank from "Stable" to "Negative" also impacted on the above decision.

At the same time, in Fitch's opinion, due to the COVID-19 pandemic, the financial and business conditions in Poland have deteriorated. On March 30, 2020, as a result of the revision of the outlook of the operating environment of banks from "Stable" to "Negative", Fitch revised the outlook for the Polish banking sector from "Stable" to "Negative", maintaining the rating for this sector at "bbb +" .

At the same time, Fitch has affirmed the Bank's long-term rating ("Long-term IDR") at "A-" and Viability rating at "a-".

The Viability rating reflects an exceptionally low-risk business model and good capitalization together with high levels of liquidity. The Viability rating is one notch higher than the rating for the Polish banking sector.

The full current rating of the Bank assigned by Fitch is as follows:

Long-term entity ranking *Long-term rating outlook*	A- *negative*
Short-term entity ranking	F1
Viability rating*	a-
Support rating	1
National long-term rating	AA+ (pol)
National short-term rating	F1+ (pol)

** Viability rating is the view of the intrinsic creditworthiness of an institution, independent of external factors.*

10 Financial instruments disclosure

Fair value of financial assets and liabilities

The table below presents the fair value of financial assets and liabilities valued at amortized cost in consolidated statement of financial position.

PLN '000	31.03.2020		31.12.2019	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Cash and balances with the Central Bank	641,027	641,027	3,736,706	3,736,706
Amounts due from banks	2,029,502	2,029,502	1,165,684	1,165,682
Amounts due from customers	24,414,526	24,515,951	23,731,874	23,661,886
Financial liabilities				
Amounts due to banks	3,702,956	3,703,004	2,125,495	2,125,592
Amounts due to customers	46,011,185	46,010,242	39,787,802	39,781,867

Valuation methods and assumptions used for the purposes of fair value

Fair value of assets and financial liabilities are calculated as follows:

- The fair value of financial instruments not quoted in active markets is determined using valuation techniques which are periodically assessed and verified. All the models are tested and approved before application. As far as possible, only observable data are used in the models, although in some areas, the Bank's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.
  The Group applies the following methods of measurement of particular types of derivative instruments:
  - FX forwards – discounted cash flows model;
  - options – option market-based valuation model;
  - interest rate transactions – discounted cash flow model;
  - futures – current quotations.
- For valuation of securities' transactions current quotations are used. In case of lack of quotations, adequate models based on discount and forward curves, including decrease of credit spread, if needed, are used for valuation.
- The fair value of other assets and financial liabilities (excluding described above) are estimated in accordance to commonly accepted models of valuation based on discounted cash flow analysis, taking into account fluctuations in market interest rates and changes in margins during the financial period.

Fair value included in consolidated statement of financial position

Depending on the method of determining fair value, individual financial assets or liabilities are classified into the following categories:

- Level I: financial assets/liabilities valued directly on the basis of prices from an active market where the regular quotations and turnover are available.
  The active market includes stock and brokerage quotes and quotes in pricing services type systems, such as Reuters and Bloomberg, which represent the actual market transactions concluded on the market conditions. Level I mainly include securities held-for-trading or available-for-sale;
- Level II: financial assets/liabilities valued on the basis of models based on input data from the active market presented in Reuters and Bloomberg systems. Depending on financial instruments, the following specific valuation techniques are used:
  - listed market prices for a given instrument or listed market prices for an alternative instrument,
  - fair value of interest rate swaps and forward foreign exchange contracts is calculated as the current value of future cash flows based on the market yield curves and current NBP fixing exchange rate in case of foreign currency instruments,
  - other techniques, such as yield curves based on alternative prices for a given financial instrument;
- Level III: financial assets/liabilities valued on the basis of valuation techniques using relevant non-market parameters.

The tables below present values of financial instruments in the consolidated statement of financial position in accordance with a fair value classified by above levels.

As at 31 March 2020

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	5,049,729	4,190,219	-	9,239,948
derivatives	-	4,190,218	-	4,190,218
debt securities	5,031,775	1	-	5,031,776

PLN '000	Level I	Level II	Level III	Total
equity instruments	17,954	-	-	17,954
Hedging derivatives	-	-	-	-
Debt investment financial assets measured at fair value through other comprehensive income	20,001,766	3,499,806	-	23,501,572
Equity investments and other measured at fair value through income statement	966	-	59,979	60,945
Financial liabilities				
Financial liabilities held-for-trading	70,267	3,941,568	-	4,011,835
short sale of securities	68,793	-	-	68,793
derivatives	1,474	3,941,568	-	3,943,042
Hedging derivatives	-	22,087	-	22,087

As at 31 December 2019

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	2,921,813	2,524,698	-	5,446,511
derivatives	-	1,524,780	-	1,524,780
debt securities	2,881,897	999,918	-	3,881,815
equity instruments	39,916	-	-	39,916
Debt investment financial assets measured at fair value through other comprehensive income	15,484,578	-	-	15,484,578
Equity investments and other measured at fair value through income statement	1,108	-	61,530	62,638
Financial liabilities				
Financial liabilities held-for-trading	248,406	1,629,492	-	1,877,898
short sale of securities	248,406	-	-	248,406
Derivatives	-	1,629,492	-	1,629,492
Hedging derivatives	-	19,226	-	19,226

On the 31th of March 2020 the amount of financial assets classified to the Level III includes the share of PLN 39,773 thousand in Visa Inc. and the share of PLN 20,206 thousand in other minority shareholding. On the 31st of December 2019 that amount includes the share of PLN 41,324 thousand in Visa Inc. and the share of PLN 20,206 thousand in other minority shareholding.

The fair value valuation method takes into account the value of shares of Visa Inc. as well as corrections resulting from legal cases (actual and potential) a party of which could be Visa or the Bank. Minority shareholdings in partnerships of Biuro Informacji Kredytowej S.A. and Krajowa Izba Rozliczeniowa S.A. were measured to fair value based on book value of net assets based on financial statements of entities.

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

	01.01.-31.03.2020
PLN '000	Equity investments and other measured at fair value through income statement
As at 1 January 2020	**61,530**
Sale	-
Revaluation	(1,551)
As at the end of period	**59,979**

	01.01.-31.12.2019
PLN '000	Equity investments and other measured at fair value through income statement
As at 1 January 2019	**47,741**
Sale	(600)
Revaluation	14,389

PLN '000	01.01.-31.12.2019 Equity investments and other measured at fair value through income statement
As at the end of period	**61,530**

In the three month period of 2020 the Group has made no transfers between levels of instruments fair value due to changes in method of estimating fair value.

In the three month period of 2020 the Group has not made any changes in classification criteria of financial instruments (presented in the consolidated statement of financial position at fair value) to each category reflecting the fair value (level I, level II, level III).

In the three month period of 2020 the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

11 Provision for expected credit losses on financial assets and provisions for off–balance sheet commitments

Changes in the provision for expected credit losses on financial assets are presented in the table below:

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2020	**(2,594)**	**-**	**-**	**(2,594)**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Creation/Realeses in the period though the income statement	(307)	(15)	-	(322)
Foreign exchange and other movements	(235)	-	-	(235)
Provision for expected credit losses as at 31 March 2020	**(3,136)**	**(15)**	**-**	**(3,151)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2020	**(51,388)**	**(79,952)**	**(559,208)**	**(690,548)**
Transfer to Stage 1	(11,814)	11,753	61	-
Transfer to Stage 2	3,418	(4,027)	609	-
Transfer to Stage 3	117	9,104	(9,221)	-
Creations/Releases in the period through the income statement	1,393	(44,861)	(46,579)	(90,047)
Amounts written off	-	-	1,636	1,636
Foreign exchange and other movements	(318)	(293)	(413)	(1,024)
Provision for expected credit losses as at 31 March 2020	**(58,592)**	**(108,276)**	**(613,115)**	**(779,983)**

As at 31 March 2020, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

In the period from 1 January to 31 March 2020, as well as in 2019, the Group did not create write-offs for impairment of tangible fixed assets, intangible assets and reversals of write-offs of that title.

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2019	**(3,910)**	**-**	**-**	**(3,910)**
Transfer between stages	-	-	-	-
Creation/Realeses in the period though the income statement	12	-	-	12
Foreign exchange and other movements	(31)	-	-	(31)
Loss allowance as at 31 March 2019	**(3,929)**	**-**	**-**	**(3,929)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				

Provision for expected credit losses as at 1 January 2019	**(56,110)**	**(74,776)**	**(535,674)**	**(666,560)**
Transfer between stages	135	994	(1,129)	-
Creation/Releases in the period though the income statement	1,430	(3,211)	(27,817)	(29,598)
Net changes due to modification derecognition	-	-	(547)	(547)
Decrease in provisions due to write-offs	-	-	2,392	2,392
Foreign exchange and other movements	(48)	(9)	(394)	(451)
Provision for expected credit losses as at 31 March 2019	**(54,593)**	**(77,002)**	**(563,169)**	**(694,764)**

PLN '000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2019	**(3,910)**	**-**	**-**	**(3,910)**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Creations/Releases in the period through the income statement	1,420	-	-	1,420
Foreign exchange and other movements	(104)	-	-	(104)
Loss allowance as at 31 December 2019	**(2,594)**	**-**	**-**	**(2,594)**

PLN '000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Provision for expected credit losses - amounts due to customers				
Provision for expected credit losses as at 1 January 2019	**(56,110)**	**(74,776)**	**(535,674)**	**(666,560)**
Transfer to Stage 1	(14,461)	14,050	411	-
Transfer to Stage 2	7,241	(7,991)	750	-
Transfer to Stage 3	1,735	26,164	(27,899)	-
Creation/Releases in the period though the income statement	10,209	(37,459)	(186,780)	(214,030)
Net changes due to modification derecognition	-	-	(2,080)	(2,080)
Decrease in provisions due to write-offs	-	-	66,901	66,901
Decrease in provisions in connection with the sale of receivables	-	-	124,839	124,839
Foreign exchange and other movements	(2)	60	324	382
Provision for expected credit losses as at 31 December 2019	**(51,388)**	**(79,952)**	**(559,208)**	**(690,548)**

As at 31 December 2019, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

12 Deferred tax asset and provision

PLN '000	**31.03.2020**	**31.12.2019**
Deferred tax asset	1,163,897	710,452
Deferred tax provision	873,710	472,387
Net asset due to deferred income tax	**290,187**	**238,065**

Deferred tax asset and provision are presented in the consolidated statement of financial position after compensation.

13 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 31 March 2020 the value of purchased by the Group components of "tangible fixed assets" equaled PLN 9,762 thousand (in 2019: PLN 31,031 thousand) and the value of disposals of "tangible fixed assets" amounted to 1,265 thousand (in 2019: PLN (981) thousand).

As at 31 March 2020 the Group has no significant commitments to purchase of tangible fixed assets.

14 Default or breach of credit agreement in respect of which there were no corrective action until the end of the reporting period

Between 1 January and 31 March 2020 in the Group has been no occurrence of default or breach due to received credit agreement.

15 Seasonality or periodicity of business activity

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

16 Issue, redemption and repayment of debt and equity securities

In the three month period of 2020 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid (or declared) dividends

On April 27, 2020, the Management Board of Bank Handlowy w Warszawie S.A. ("the Bank") adopted a resolution on the proposed distribution of the net profit for the year 2019. The Management Board of the Bank recommended leaving the entire net profit of the Bank for the year 2019 in the amount of PLN 478,802,436.53 undivided.

The above proposal is in line with the recommendation of the Polish Financial Supervision Authority expressed in its letter dated March 26, 2020, according to which the PFSA expects banks to retain all their net profits from previous years due to the state of pandemic declared in Poland and possible further negative economic consequences of this state, as well as their expected impact on the banking sector.

On April 30, 2020 the Supervisory Board of the Bank adopted the Management Board's motion.

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

After 31 March 2020 there were no major events not included in the financial statement that could have a significant influence on the net result of the Group.

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

The detailed specification of granted financial and guarantee commitments as at 31 March 2020 and changes in comparison with the end of 2019 are as follows:

PLN '000	State as at		Change	
	31.03.2020	**31.12.2019**	**PLN '000**	**%**
Contingent liabilities granted				
Financial	13,742,543	13,110,322	632,221	4.8%
Import letters of credit issued	166,839	174,555	(7,716)	(4.4%)
Credit lines granted	13,548,145	12,935,767	612,378	4.7%
Other	27,559	-	27,559	-
Guarantees	2,330,205	2,331,632	(1,427)	(0.1%)
Guarantees granted	2,268,126	2,273,926	(5,800)	(0.3%)
Export letters of credit confirmed	9,289	7,771	1,518	19.5%
Other	52,790	49,935	2,855	5.7%
	16,072,748	**15,441,954**	**630,794**	**4.1%**
Contingent liabilities received				
Guarantees (guarantees received)	21,090,363	20,106,687	983,676	4.9%
	21,090,363	**20,106,687**	**983,676**	**4.9%**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	**5,251,876**	2,506,174	**2,745,702**	109.6%
Forward**	305,971,959	315,159,366	(9,187,407)	(2.9%)
	311,223,835	**317,665,540**	**(6,441,705)**	**(2.0%)**

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

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

20 Changes in Group's structure

In the first quarter of 2020 there was no change in the structure of Group's entities comparing to the end of 2019.

In the first quarter of 2020, the Bank signed with DMBH a conditional agreement of sale of the enterprise of DMBH to the Bank, on condition that the Bank obtains the approval to extend the brokerage license. That agreement covers the transfer of the brokerage activities carried out by DMBH to the Bank by way of transfer to the Bank of all assets and liabilities of DMBH via sale of the enterprise, including the assets necessary to run the brokerage activities of DMBH and the other assets and liabilities making up its enterprise. The merger process is expected to be finalized after the process is completed under the Polish Financial Supervision Authority.

21 Fulfillment of 2020 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2020.

22 Information about shareholders

As at the day of publishing the Interim Statement for the first quarter of 2020 the list of shareholders who held directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

	Value of shares (PLN '000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75	97,994,700	75
Other Shareholders	130,659	32,664,900	25	32,664,900	25
	522,638	**130,659,600**	**100**	**130,659,600**	**100**

In the period between publishing the annual consolidated financial report for the year 2019 and publishing this report for the first quarter of 2020 the structure of major shareholdings has not undergone any changes.

23 Ownership of issuer's shares by members of the Management Board and Supervisory Board

According to the best knowledge of the Bank – the dominant entity, the number of Bank's shares held by members of Management and Supervisory Board is presented below:

Name and surname	Function	Number of shares on day of publishing the Interim Financial Statement for the first quarter 2020	Number of shares on day of publishing the Consolidated Financial Report for 2019	Number of shares on day of publishing the Interim Financial Statement for the first quarter 2019
Andrzej Olechowski	Chairman of Supervisory Board	2,200	2,200	2,200
Total		**2,200**	**2,200**	**2,200**

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

24 Information on pending court proceedings

In Group's opinion no proceedings conducted in 1Q 2020 before in court, public administration authority or an arbitration authority, pose a threat to the Group's financial liquidity, individually or in total.

- In January 2019, the Bank became aware of the filing of lawsuits by two previous agents, Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. with registered office in Warsaw and Rotsa Sales Direct Sp. z o.o. with registered office in Katowice. The lawsuits concerned claims related to agency agreements which in the past merged agents with the Bank.

  On 27 May 2019 the Bank received a statement of claim submitted by Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. for the payment of PLN 386,139,180.89 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 50,017,463.89 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014.The Court has referred the matter to mediation proceedings, which have not resulted in a mutual agreement, so the Bank filed a response to the statement of claim on 20 February 2020.

  On 10 February 2020 the Bank received a statement of claim submitted by Rotsa Sales Direct sp. z o.o. for the payment of PLN 419,712.468.48 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 33,047,245.20 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014. The deadline to respond to the statement of claim is 11 May 2020.

  In the Bank's opinion, the amount of claims filed by the companies is not justified. The Bank's position is confirmed by legally binding resolutions of legal actions taken by the companies against the Bank, which are beneficial for the Bank.

- As at 31 March 2019, the Bank was among others a party to 20 court proceedings associated directly with derivative transactions that have not been legally terminated and one case of this kind, which was completed by a final judgment, but which has not yet expired deadline for filing the appeal (a total of 21 cases). In 14 proceedings the Bank acted as a defendant and in 7 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.

- The Bank was a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The Bank was one of the addressees of the President of UOKiK's decision in the case. The proceedings have concerned alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/Eurocard/Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. The President of UOKiK's decision was the subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. On October 6, 2015 the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. As the Bank submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict and the case has been returned to the Appeal Court for a second review. The appeals proceedings has begun again. In the first quarter of 2018, the Bank received the reimbursed of the fine which was recognized in the profit and loss. In the first quarter of 2020 the case did not developed.
- The Group is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Group has identified a number of doubts as regards interpretation of the above-mentioned judgment. As at the day of these financial statements, these doubts prevent a reliable and rational assessment of the influence of the judgment on proceedings pending before national courts and necessitate a thorough analysis of the relevant case law. Given the marginal share of mortgage loans indexed to CHF in the entire loan portfolio, the Group finds that any court rulings on these loans that are unfavorable to the Bank should not significantly affect the Group's financial situation.
- On September 11, 2019, CJEU passed a ruling in the case C 383/18, indicating the following interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers (Directive): "the right of the consumer to a reduction in the total cost of the credit in the event of early repayment of the credit includes all the costs imposed on the consumer." Hence, according to the provisions of the Directive, the above-mentioned right of the consumer includes costs both related and not related to the duration of the contract. In performance of the banking activities falling under the definition of a consumer credit, the Bank charged commissions which were structurally not related to the duration of the contract, and thus not subject to reduction in the event of early repayment of a consumer credit. CJEU ruled on the interpretation of the provision of the Directive which is not directly binding upon domestic law entities and requires implementation into the national law, whose potential amendment, interpretation and application will be of significant importance in assessing customers' claims for the reimbursement of a part of commissions in the event of early repayment of a consumer credit.

  In its practice, the Bank has taken into account the influence of the judgment on the interpretation of the national law, whereby the total cost of credit specified for consumer credit agreements concluded after the date of delivery of the judgment, will be accordingly reduced.

  The Group is monitoring the risk of claims for the return of a part of commission. The Group, based on internal and external legal analysis, previous court rulings in the this case and the number of court cases received by the Group, did not create provisions for potential commission returns for customers who repaid consumer loans early as of 2019.

  As of March 31, 2020, the Group is sued in 34 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 226 thousand and in 16 cases concerning a credit indexed to CHF for the total amount of PLN 2 379 thousand (most of the cases are in the first instance).

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

In the case of legal proceedings involving the risk of cash outflow as a result of meeting the Bank's commitments, the appropriate provisions are created. The value of provisions for disputes as at 31 March 2020 is PLN 3,020 thousand. PLN (3,214 thousand PLN as at December 31, 2019).

In the first quarter of 2020 the Group did not make any significant settlement due to court ended with the final judgment.

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

In the first quarter of 2020, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

26 Information about significant guarantee agreements

In the first quarter of 2020 Bank and its subsidiaries did not grant guarantee – jointly to one entity or a subsidiary of that entity, which total value would be significant.

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

The most fundamental risk factor in 2020 and subsequent years is SARS-CoV-2 virus causing contagious COVID-19 disease. The spread of the virus will affect all major economies of the world, reducing labor and consumer mobility, and leading to supply chain disturbances. As a result, GDP growth in Poland and among its primary trading partners may turn out to be much lower than previously forecasted. The magnitude of the economic growth drop is currently difficult to estimate, as are the length of restrictions and the rate of return to activity prior to the outbreak of the pandemic. Such a significant slowdown will certainly translate into a deterioration of the financial situation and growing liquidity problems in all economy sectors, which will be reflected in a significant increase in write-offs for expected credit losses in the entire 2020 compared to 2019.

In order to limit the effects of the decline in economic growth, the Monetary Policy Council on March 17 and April 8, 2020 decided to reduce the reference rate by 100 basis points in total, which will have a negative impact on the Group's net interest income. According to the current report of the Bank No. 9/2020 of April 16, 2020, this impact is estimated in the range of PLN 100-130 million in 2020. The actual impact on the Group's net result will depend on the implementation of business assumptions, including investment debt securities and the macroeconomic situation.

Interim condensed standalone financial statements of the Bank for the first quarter of 2020

Condensed income statement

PLN '000	Note	First quarter period from 01.01.20 to 31.03.20	First quarter accruals period from 01.01.19 to 31.03.19
Interest income		327,353	315,993
Similar income		25,204	22,431
Interest expense and similar charges		(51,152)	(61,594)
Net interest income		**301,405**	**276,830**
Fee and commission income		150,422	146,423
Fee and commission expense		(17,908)	(18,407)
Net fee and commission income		**132,514**	**128,016**
Dividend income		**100**	**76**
Net gain/(loss) on trading financial instruments and revaluation		**(8,530)**	**90,336**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**104,754**	**29,295**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**(1,652)**	**5,906**
Net gain/(loss) on hedge accounting		**(2,754)**	**(412)**
Other operating income		6,663	7,322
Other operating expenses		**(6,599)**	(7,061)
Net other operating income		**64**	**261**
General administrative expenses		**(346,747)**	**(356,501)**
Depreciation		**(23,393)**	**(20,774)**
Profit on sale of other assets		**(376)**	**1**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments		**(93,554)**	**(28,361)**
Tax on certain financial institutions		**(30,989)**	**(21,891)**
Profit before tax		**30,842**	**102,782**
Income tax expense		**(7,402)**	**(43,297)**
Net profit		**23,440**	**59,485**
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		0.18	0.46
Diluted net earnings per share (in PLN)		0.18	0.46

Condensed statement of comprehensive income

PLN '000	First quarter period from 01.01.20 to 31.03.20	First quarter period from 01.01.19 to 31.03.19
Net profit	**23,440**	**59,485**
Other comprehensive income, that might be subsequently reclassified to profit or loss		
Net changes in value of financial assets measured at fair value through other comprehensive income	44,429	(51,659)
Total comprehensive income	**67,869**	**7,826**

Condensed statement of financial position

PLN '000 as at	31.03.2020	31.12.2019
ASSETS		
Cash and balances with the Central Bank	641,027	3,736,706
Amounts due from banks	2,029,436	1,165,625
Financial assets held-for-trading	9,221,994	5,406,595
Debt investment financial assets measured at fair value through other comprehensive income	23,501,572	15,484,578
Shares in subsidiaries	105,808	105,895
Equity investments and other measured at fair value through income statement	60,703	62,355
Amounts due from customers	24,267,543	23,608,775
Tangible fixed assets	495,623	498,799
Intangible assets	1,435,197	1,441,953
Deferred tax asset	289,458	237,338
Other assets	144,582	149,093
Total assets	**62,192,943**	**51,897,712**
LIABILITIES		
Amounts due to banks	3,702,844	2,125,383
Financial liabilities held-for-trading	4,005,286	1,867,900
Hedging derivatives	22,087	19,226
Amounts due to customers	46,103,699	39,849,772
Provisions	65,789	65,199
Current income tax liabilities	31,834	41,725
Other liabilities	1,169,832	904,804
Total liabilities	**55,101,371**	**44,874,009**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	159,322	114,893
Other reserves	2,874,289	2,874,289
Retained earnings	590,738	567,298
Total equity	**7,091,572**	**7,023,703**
Total liabilities and equity	**62,192,943**	**51,897,712**

Condensed statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2020	**522,638**	**2,944,585**	**114,893**	**2,874,289**	**567,298**	**7,023,703**
Total comprehensive income, including:	-	-	44,429	-	23,440	67,869
Net profit	-	-	-	-	23,440	23,440
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	44,429	-	-	44,429
Dividends paid	-	-	-	-	-	-
Balance as at 31 March 2020	**522,638**	**2,944,585**	**159,322**	**2,874,289**	**590,738**	**7,091,572**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019	**522,638**	**2,944,585**	**84,372**	**2,877,122**	**578,335**	**7,007,052**
Total comprehensive income, including:	-	-	(51,659)	-	59,485	7,826
Net profit	-	-	-	-	59,485	59,485
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(51,659)	-	-	(51,659)
Balance as at 31 March 2019	**522,638**	**2,944,585**	**32,713**	**2,877,122**	**637,820**	**7,014,878**

PLN'000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019	**522,638**	**2,944,585**	**84,372**	**2,877,122**	**578,335**	**7,007,052**
Total comprehensive income, including:	-	-	30,521	(4,005)	478,802	505,318
net profit	-	-	-	-	478,802	478,802
net valuation of financial assets measured at fair value through other comprehensive income	-	-	30,521	-	-	30,521
net actuarial profits/(losses) on specific services program valuation	-	-	-	(4,005)	-	(4,005)
Dividends	-	-	-	-	(488,667)	(488,667)
Transfer to capital	-	-	-	1,172	(1,172)	-
As at 31 December 2019	**522,638**	**2,944,585**	**114,893**	**2,874,289**	**567,298**	**7,023,703**

Condensed summary statement of cash flows

PLN '000	First quarter accruals period from 01.01.20 to 31.03.20	First quarter accruals period from 01.01.19 to 31.03.19
Cash at the beginning of the reporting period	**3,796,804**	**7,474,817**
Cash flows from operating activities	(2,879,772)	(6,858,592)
Cash flows from investing activities	(14,523)	(11,947)
Cash flows from financing activities	(5,504)	(7,200)
Cash at the end of the reporting period	**897,005**	**597,078**
Increase/(decrease) in net cash	**(2,899,799)**	**(6,877,739)**

Condensed additional information

1. Declaration of conformity

These interim condensed standalone financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*, adopted by European Union and with other applicable regulations.

These interim condensed standalone financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the standalone financial statements of the Bank for the financial year ended 31 December 2019 and interim condensed consolidated financial statement of the Group for the first quarter of 2020.

In accordance with Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, item 757, as amended) the Bank is obliged to publish its financial results for the 3 month period ended 31 March 2020 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Interim condensed standalone financial statements of the Bank for the first quarter of 2020 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide interim separate financial statements, on condition that it includes in the interim consolidated financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the interim condensed financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements including changes described in condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie SA for the first quarter of 2020.

Principles adopted in the preparation process of these interim condensed standalone financial statement are consistent with the principles, described in the annual standalone financial statements of the Bank for the financial year ended 31 December 2019 taking into account the changes described in the interim condensed consolidated financial statement of the Group for the first quarter of 2020.

Other information and explanations presented in interim condensed consolidated financial statements for the first quarter of 2020 contain also all information and explanatory data essential for these interim condensed standalone financial statements.

The summary of Bank's financial results for the first quarter of 2020 is presented below.

Bank's financial results

In the first quarter of 2020, the Bank generated a profit before tax of PLN 30.8 million, compared to PLN 102.8 million in the corresponding period of 2019 (i.e. down by 70% YoY).

Net profit earned in the period from January to March 2020 amounted to PLN 23.4 million compared to PLN 59.5 million of net profit in the corresponding period of 2019 (i.e. down by 60.6% YoY).

The net profit of the Bank in the first quarter of 2020 was affected by an increase in net interest income by PLN 24.6 million (i.e. 8.9% YoY), an increase in net fee and commission income by PLN 4.5 million (i.e. 3.5% YoY), a decline in net result on financial instruments (trading financial instruments and revaluation, debt investment financial assets) by PLN 23.4 million (i.e. 19.6% YoY). At the same time, the Bank's general administrative and depreciation expenses remained almost unchanged as compared to the corresponding period of 2019 and net impairment losses on financial assets and provisions on contingent liabilities went up by PLN 65.2 million.

The interim condensed consolidated financial statements for the first quarter of 2020 will be available on the website of Bank Handlowy w Warszawie SA. **www.citihandlowy.pl.**

Urszula Lewińska Director of Financial Reporting, Control and Tax Department	Natalia Bożek Vice-President of Management Board
13.05.2020	13.05.2020
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