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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP OF BANK HANDLOWY W WARSZAWIE S.A. FOR THE FIRST QUARTER OF 2021

APRIL 2021

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SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	First quarter accruals	First quarter accruals	First quarter accruals	First quarter accruals
	period from 01.01.21 to 31.03.21	period from 01.01.20 to 31.03.20	period from 01.01.21 to 31.03.21	period from 01.01.20 to 31.03.20
Data related to the interim condensed consolidated financial statements				
Interest income and similar	200,578	352,834	43,870	80,257
Fee and commission income	195,678	161,823	42,798	36,809
Profit before tax	535,904	34,638	117,212	7,879
Net profit	394,858	26,359	86,363	5,996
Comprehensive income	29,214	71,113	6,390	16,176
Net cash flows	10,814,877	(2,899,790)	2,365,407	(659,598)
Total assets*	58,821,081	60,941,538	12,746,182	13,205,673
Amounts due to banks*	2,753,100	5,118,861	596,581	1,109,227
Amounts due to customers*	44,088,152	43,393,906	9,553,643	9,403,204
Equity*	7,610,181	7,580,967	1,632,981	1,642,751
Ordinary shares*	522,638	522,638	112,147	113,253
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)*	58.24	58.02	12.50	12.57
Total capital adequacy ratio (%)*	21.4	22.6	21.4	22.6
Earnings per share (PLN / EUR)	3.02	0.20	0.65	0.04
Diluted earnings per share (PLN / EUR)	3.02	0.20	0.65	0.04
Data related to the interim condensed standalone financial statements				
Interest income and similar	200,608	352,557	43,877	80,194
Fee and commission income	162,678	150,422	35,581	34,216
Profit before tax	512,470	30,842	112,086	7,015
Net profit	376,153	23,440	82,271	5,332
Comprehensive income	10,466	67,869	2,289	15,438
Net cash flows	10,814,328	(2,899,799)	2,365,287	(659,600)
Total assets*	58,529,100	60,632,397	12,682,912	13,138,684
Amounts due to banks*	2,752,988	5,118,749	596,556	1,109,203
Amounts due to customers*	44,087,949	43,411,106	9,553,599	9,406,931
Equity*	7,525,671	7,515,205	1,614,847	1,628,501
Ordinary shares*	522,638	522,638	112,147	113,253
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)*	57.60	57.52	12.36	12.46
Total capital adequacy ratio (%)*	21.1	22.3	21.1	22.3
Earnings per share (PLN/EUR)	2.88	0.18	0.63	0.04
Diluted earnings per share (PLN / EUR)	2.88	0.18	0.63	0.04
Declared or paid dividends per share (PLN/EUR)**	-	-	-	-

**Comparative data according as at 31 December 2020. Additional information on TCR calculation has been discribed in the note no. 6.*

***On January 19, 2021, the Management Board of Bank Handlowy w Warszawie S.A. adopted a resolution confirming, within Management Board competencies, the acceptance of the recommendation of the Polish Financial Supervision Authority expressed in the letter of January 13, 2021. In the letter Polish Financial Supervision Authority recommends that the Bank refrain from dividend payout in the first half of 2021 (including the undivided profit from previous years) and not take in the first half of 2021, without prior consultation with the Authority, any actions beyond its core business and operational activity that can result in lowering the capital base, including buyback.*

****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 2021 – 4.6603 (as at 31 December 2020: PLN 4.6148 ; as at 31 March 2020 – PLN 4.5523); 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 I quarter of 2021 - PLN 4.5721 (in the I quarter of 2020: PLN 4.3963).*

Contents

Condensed consolidated income statement

PLN '000 For the period	I quarter accruals period from 01.01.21 to 31.03.21	I quarter accruals period from 01.01.20 to 31.03.20
Interest income	187,838	327,630
Similar income	12,740	25,204
Interest expense and similar charges	(3,538)	(50,879)
Net interest income	**197,040**	**301,955**
Fee and commission income	195,678	161,823
Fee and commission expense	(23,191)	(20,836)
Net fee and commission income	**172,487**	**140,987**
Dividend income	**10**	**101**
Net gain/(loss) on trading financial instruments and revaluation	**114,529**	**(7,279)**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	**455,508**	**104,754**
Net gain/(loss) on equity investments and other at fair value through income statement	**1,336**	**(1,693)**
Net gain/(loss) on hedge accounting	**696**	**(2,754)**
Other operating income	5,194	6,279
Other operating expenses	(6,077)	(6,649)
Net other operating income and expense	**(883)**	**(370)**
General administrative expenses	**(334,779)**	**(352,656)**
Depreciation and amortization	**(27,448)**	**(23,575)**
Profit on sale of other assets	**(258)**	**(376)**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	**(6,156)**	**(93,467)**
Operating income	**572,082**	**65,627**
Tax on certain financial institutions	**(36,178)**	**(30,989)**
Profit before tax	**535,904**	**34,638**
Income tax expense	**(141,046)**	**(8,279)**
Net profit	**394,858**	**26,359**
Including:		
Net profit attributable to Bank's shareholders	394,858	26,359
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Earnings per share (in PLN)	3.02	0.20
Diluted net earnings per share (in PLN)	3.02	0.20

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

Condensed consolidated statement of comprehensive income

PLN '000	For a period	I quarter accruals period from 01.01.21 to 31.03.21	I quarter accruals period from 01.01.20 to 31.03.20
Net profit		**394,858**	**26,359**
Other comprehensive income, that might be subsequently reclassified to income statement:			
Changes of financial assets measured at fair value through other comprehensive income		(365,687)	44,429
Currency translation differences		43	325
Other comprehensive income net of tax		**(365,644)**	**44,754**
Total comprehensive income		**29,214**	**71,113**

Including:		
Comprehensive income attributable to Bank's shareholders	29,214	71,113

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

Condensed consolidated statement of financial position

PLN '000 as at	31.03.2021	31.12.2020
ASSETS		
Cash and balances with the Central Bank	14,883,420	4,488,332
Amounts due from banks	791,462	570,247
Financial assets held-for-trading	5,944,011	4,350,540
Debt financial assets measured at fair value through other comprehensive income	12,649,276	27,323,571
Equity and other instruments measured at fair value through income statement	79,810	78,473
Amounts due from customers	22,296,361	21,914,223
Tangible fixed assets	470,806	476,909
Intangible assets	1,243,812	1,252,583
Current income tax receivables	-	48,714
Deferred tax asset	237,132	174,223
Other assets	218,828	257,560
Non-current assets held-for-sale	6,163	6,163
Total assets	**58,821,081**	**60,941,538**
LIABILITIES		
Amounts due to banks	2,753,100	5,118,861
Financial liabilities held-for-trading	3,110,178	3,656,422
Hedging derivatives	-	98,025
Amounts due to customers	44,088,152	43,393,906
Provisions	74,426	84,775
Current income tax liabilities	19,264	3,666
Other liabilities	1,165,780	1,004,916
Total liabilities	**51,210,900**	**53,360,571**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	3,002,265	3,002,265
Revaluation reserve	84,330	450,017
Other reserves	2,793,604	2,793,561
Retained earnings	1,207,344	812,486
Total equity	**7,610,181**	**7,580,967**
Total liabilities and equity	**58,821,081**	**60,941,538**

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 2021	**522,638**	**3,002,265**	**450,017**	**2,793,561**	**812,486**	**-**	**7,580,967**
Total comprehensive income, including:	-	-	(365,687)	43	394,858	-	29,214
Net profit	-	-	-	-	394,858	-	394,858
Currency translation differences from the foreign operations' conversion	-	-	-	43	-	-	43
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(365,687)	-	-	-	(365,687)
Balance as at 31 March 2021	**522,638**	**3,002,265**	**84,330**	**2,793,604**	**1,207,344**	**-**	**7,610,181**

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
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 2020	**522,638**	**3,003,290**	**114,893**	**2,867,358**	**566,476**	**-**	**7,074,655**
Total comprehensive income, including:	-	-	335,124	(1,207)	172,395	-	506,312
Net profit	-	-	-	-	172,395	-	172,395
Currency translation differences from the foreign operations' conversion	-	-	-	392	-	-	392
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	335,124	-	-	-	335,124
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	(1,599)	-	-	(1,599)
Transfer to capital	-	(1,025)	-	(72,590)	73,615	-	-
Balance as at 31 December 2020	**522,638**	**3,002,265**	**450,017**	**2,793,561**	**812,486**	**-**	**7,580,967**

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

Condensed consolidated statement of cash flows

PLN '000 For a peroid	I quarter accruals period from 01.01.21 to 31.03.21	I quarter accruals period from 01.01.20 to 31.03.20
Cash at the beginning of the reporting period	**4,519,640**	**3,796,861**
Cash flows from operating activities	10,829,442	(2,879,711)
Cash flows from investing activities	(11,511)	(14,575)
Cash flows from financing activities	(3,054)	**(5,504)**
Cash at the end of the reporting period	**15,334,517**	**897,071**
Increase/(decrease) in net cash	**10,814,877**	**(2,899,790)**

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 Poland at Senatorska 16, 00-923 Warszawa. The Bank was established on the basis of Deed of foundation 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 name of entity did not change during the period.

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 2021 there was no change in the structure of Group's comparing to the end of 2020.

The Group consists of the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2021	31.12.2020
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 2020.

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 2021 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 2021 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 2020.

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2021 to 31 March 2021 and for the consolidated statement of financial position as at 31 March 2021. Comparative financial data are presented for the period from 1 January 2020 to 31 March 2020 and for the consolidated statement of financial position as at 31 December 2020.

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 2020.

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 2020. 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,
- IAS 1 'Presentation of financial statements' amendment – in the area of classification of liabilities as current or non-current, clarifying criteria for classification a liability as long-term,
- Amendments to IFRS 3 updating reference to conceptual framework,
- Amendments to IAS 16 prohibiting from deduction from fixed assets production costs of any proceeds from selling items produced while the entity is preparing the assets for its intended use. Instead, an entity recognizes those proceeds, together with the costs of producing them, in profit and loss. Effective date - an annual period beginning on January 1, 2022 or after that date,
- Amendments to IAS 37 specifying that „costs of fulfilling" an onerous contract include „ costs that relate directly to the contract". Those costs can be both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Effective date - an annual period beginning on January 1, 2022 or after that date,
- Amendments to IFRS 16, extending by one year the period of relief for rent concession related to covid-19, as not constituting lease modification. The amendment covers rent concession for periods beyond 30 June 2021 and will be effective from 1 April 2021,

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 providing practical expedient not to recognize immediate gain or loss from modification of a financial instrument or right-of-use, applying to the extent it is only a result of the benchmark rates reform, and the new rate is economically equivalent to the previous one. The amendments introduce also additional practical expedients in the area of hedge accounting, as well as new obligatory disclosures related to transition management and risks,
- IFRS 4 'Insurance contracts' amendment issued on 25 June 2020 in relation to deferral of effective date of IFRS 17, regarding obligation to adopt IFRS 9.

not impact the financial statement significantly.

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 2021	31 December 2020	31 March 2020
1	USD	3.9676	3.7584	4.1466
1	CHF	4.2119	4.2641	4.3001
1	EUR	4.6603	4.6148	4.5523

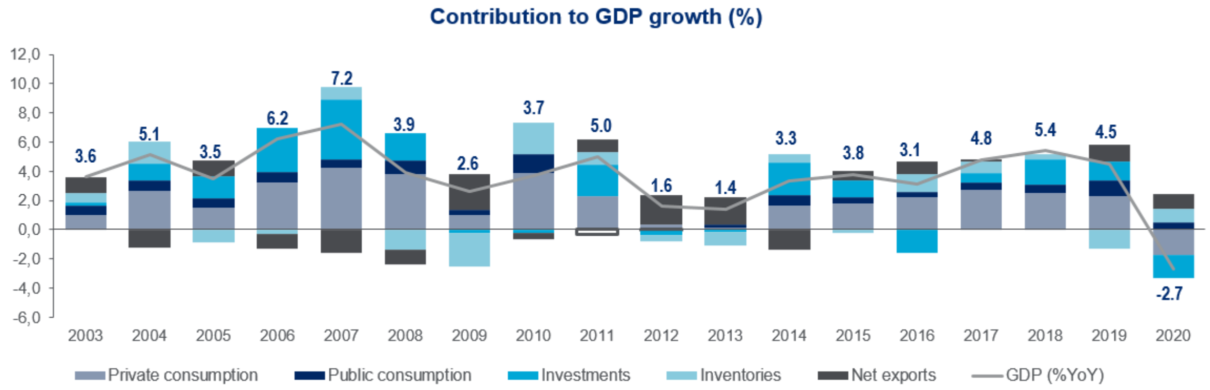
4 Macroeconomic conditions and the situation in money, foreign exchange and capital markets

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

Economic growth in the first quarter of 2021 has likely improved compared to the -2.8% YoY reported in the fourth quarter of 2020. Based on Group's estimates, the GDP has increased since fourth quarter of 2020 by 1% QoQ), which translates into an annual dynamics of approx. -1.7% YoY. GDP has been influenced by epidemic trends as well as tightening and easing of restrictions. Successive waves of the epidemic had a relatively limited impact on industrial activity, which benefited from increased demand for durable goods during the pandemic both domestically and internationally. This situation also helped good export results, contributing to the continued high foreign trade surplus. In the period of January-March 2021, industrial output increased about 7.4% YoY compared to 5.2% YoY in the fourth quarter of 2020, and after adjusting for seasonal factors, the output accelerated to about 8.5% from 4.8%. Export growth slowed down in January-February 2021 to 2.6% from 9.4% in fourth quarter of 2020, and the growth of imports to 1% from 4.1% but most likely the results for March will significantly improve the quarterly dynamics. Retail sales results were more impacted by the restrictions than industry, and the sales growth rate remained lower, although the scale of improvement compared to the fourth quarter of 2020 remained similar. Retail sales in real terms accelerated in the period January-March 2021 to approx. 2.0% YoY compared to a decrease by 2.8% in the fourth quarter of 2020. The improvement in industrial production and sales was largely due to the low base effect due to a significantly greater impact of pandemic restrictions on economic activity last year than this year. This was due to the gradual adaptation of enterprises to operate during a pandemic, smaller disturbances in the supply chains and the increased role of online sales. As a result, industrial production rose above the 2017-2019 trend, and retail sales returned to pre-pandemic levels Construction sector output performed significantly worse, and the decline deepened in the first quarter of 2021 to -12.6% YoY from -2.4% in the fourth quarter of 2020. In the case of the construction sector, the poor performance at the start of the year was largely due to adverse weather conditions.

Although heightened restrictions were in place for most of the first quarter of 2021, the situation in the job market remained relatively good given the impact of the epidemic on economic activity. Wages growth accelerated in the first quarter of 2021 to 5.8% from 5.4% in fourth quarter of 2020 and was propped up by a 7.7% raise of the minimum pay. The decline in employment deepened to -1.7% YoY from -1.1%, but apart of the impact of restrictions, it was partly due to the statistical effect of changing the sample of enterprises monitored by the Central Statistical Office (GUS). The rate of registered unemployment grew slightly in the first two months of 2021 to 6.5% from 6.2% at the end of 2020. The job market is being supported by the anti-crisis programs aimed to protect jobs. The longer the period of restrictions and limitation of activity, the greater the difficulties of enterprises and the less effective government programs, leading to more restructuring. However, given the expected economic recovery later in the year, we expect only a slight increase in the unemployment rate to 6.3% by the end of the year comparing to 6.2% at the end of 2020.

Despite the third epidemic wave and tightening of restrictions, the economic recovery started already in the first quarter and will accelerate significantly in the second quarter. Although the vaccination program is progressing relatively slowly against both world leaders and the European Union, a significant acceleration is expected from the second quarter of 2021, which may lead to herd immunity being reached in the third quarter of this year. We estimate that throughout 2021 the economy will grow by approximately 4.2%. Activity is also being supported by the easing monetary policy, i.e. low interest rates, bonds purchase by the NBP and the weak zloty.



Source: Chief Statistical Office, Citi Handlowy forecasts

Prices of consumer goods and services rose by 2.7% YoY in the first quarter of 2021, similar to the fourth quarter of 2020, compared to 3.4% for the entire 2020. The inflation rate was impacted by hikes in administered prices, including higher electricity prices, introduction of a trade tax, a sugar tax, higher fuel prices and shifting of some epidemic-related costs to consumers. Net inflation remained high and was at 3.9% compared to 4.1% in the fourth quarter of 2020. Services inflation remained above 7%, while goods inflation stabilized at around 1%. In subsequent months of 2021, the Group expects inflation to increase to 3.5-4% in the coming months and to remain near 3% during the next two years.

The Monetary Policy Council ("MPC") kept interest rates unchanged and the reference rate remains at a record low level of 0.1% since May 2020. As part of the ongoing open market structuring operations, in the first quarter of 2021, the central bank purchased bonds worth approximately PLN 6.3 billion compared to PLN 108 billion purchased in 2020, i.e. about 5.1% of the GDP in total since the program launch. After significant interventions in late 2020, in the first months of 2021, the NBP was not active on the currency market. It is likely that the MPC will keep the interest rates unchanged for a long time and will show a preference for a weak zloty, while the central bank will continue its bonds purchase program. We expect the first rate hikes in the second half of 2022.

On the foreign exchange market, the zloty exchange rate was highly volatile. The beginning of the quarter brought strengthening of the zloty. However, another dollar appreciation on international markets, the third wave of COVID-19 and the reintroduction of restrictions, the most accommodating monetary policy in the region and concerns about the conversion of foreign currency loans led to a significant weakening of the zloty. In mid-March 2021, the zloty exchange rate against the euro reached the weakest level since 2009, and the EUR/PLN volatility exceeded that of the forint. At the end of March 2021, the EUR/PLN rate ended up at 4.65 compared to 4.57 at the end of 2020. Given the dollar appreciation on global markets, the USD/PLN rate increased from 3.73 at the end of 2020 to 3.94 at the end of March 2021.

In the first quarter of 2021, yields on treasury securities rose. The bond market weakening was mainly driven by an increase in swap rates amid further decline in credit spreads to record lows. The swap curve and the bond yield curve steepened given the announcement to maintain NBP interest rates at the current level for a long time and due to the expected inflation growth and economic recovery. The NBP signaling greater frequency and activity on the debt market in response to higher yields caused credit spreads to decline further. Two year bond yields rose by 19 bp at the end of March 2021 to 0.37% since the end of 2020, and ten year bond yields rose by 32 bp to 1.57%. The WIBOR 3M rate decreased as at the end of September 2020 to 0.22% as compared to 0.26% at the end of June 2020.

2. Capital market situation

In the first quarter of 2021, positive sentiments prevailed on global equity markets. Progressing vaccination of the population, adoption of another recovery package for the American economy and maintenance of accommodating monetary policies by central banks had a positive impact on the quotations of equity instruments on global stock exchanges. The expected improvement in the global economy and rising inflation expectations were reflected in growing yields on government debt and greater appetite for risk on the part of investors. The positive trends were also confirmed by record-high inflows to investment funds, especially those with exposures in American companies.

Positive sentiments on global stock exchanges supported the local stock market. In the first quarter of 2021, the main index of the Warsaw Stock Exchange, WIG, gained almost 2%. During the same time, the WIG20 blue chip index fell by 2.3%, largely due to the sharp, over 30%, sell-offs of two high-tech companies that had a significant share in the 2020 index. Over the next quarter, mWIG40, the mid-cap index appreciated, this time by 9.7%. sWIG80, the small-cap index, which improved its performance by over 15.3% in the first three months of the year, recorded an even more dynamic growth.

Among sectoral sub-indices, the sub-index of drug manufacturers (WIG-Medicinesi) deserves a special mention as it gained over 61%. Also automotive companies recorded dynamic growth; their WIG-Motorisation sub-index increased 29.8% since the beginning of the year. On the other side was the WIG-Games computer games sub-index, which (mainly due to the sell-off of one company) lost 12.1% of its value.

The beginning of 2021 brought a moderate improvement in the activity of IPOs. From January to the end of March 2021, three new entities debuted on the main trading floor (including one moved from New Connect); for comparison, in the same period of last year, no IPO transactions took place. The total value of this year's IPOs exceeded PLN 1.7 billion. At the same time, shares of three companies were withdrawn from trading on the WSE, and at the end of March 2021, 433 entities were listed on that market (compared to 447 at the end of the same period of last year). At the end of March 2021, the total market capitalization of the WSE listed companies was PLN 1,135 billion (including PLN 569 billion for Polish companies), a 45% increase year on year.

Equity market indices as of 31 March 2021

Index	31.03.2021	31.12.2020	Change (%) QoQ	31.03.2020	Change (%) YoY
WIG	58,081.50	57,025.84	1.9%	41,624.62	39.5%
WIG-PL	59,175.48	58,270.52	1.6%	42,523.46	39.2%
WIG-div	1,172.20	1,102.18	6.4%	752.68	55.7%
WIG20	1,938.84	1,983.98	(2.3%)	1,512.84	28.2%
WIG20TR	3,551.10	3,633.75	(2.3%)	2,754.28	28.9%
WIG30	2,298.42	2,312.73	(0.6%)	1,736.97	32.3%
mWIG40	4,360.66	3,976.50	9.7%	2,850.06	53.0%
sWIG80	18,554.31	16,096.36	15.3%	10,261.33	80.8%
WIG-Banks	5,432.19	4,765.33	14.0%	4,154.68	30.7%
WIG-Construction	3,958.96	3,662.06	8.1%	1,928.43	105.3%
WIG-Chemicals	8,622.81	7,697.82	12.0%	5,980.66	44.2%
WIG- Energy	2,149.61	2,040.76	5.3%	1,219.86	76.2%
WIG-Games	25,390.16	28,873.53	(12.1%)	20,415.76	24.4%
WIG- Mining	5,886.60	5,625.47	4.6%	1,913.06	207.7%
WIG-IT	4,060.18	3,863.01	5.1%	2,663.12	52.5%
WIG-Medicines	7,572.00	4,682.94	61.7%	3,432.33	120.6%
WIG-Media	6,401.04	6,042.75	5.9%	4,131.82	54.9%
WIG-Motorisation	5,168.69	3,981.19	29.8%	2,471.24	109.2%
WIG- Developers	2,607.18	2,385.90	9.3%	1,886.60	38.2%
WIG-Clothing	5,147.22	5,158.73	(0.2%)	2,975.82	73.0%
WIG- Fuel	5,407.72	4,954.47	9.1%	4,347.45	24.4%
WIG- Food	4,090.55	3,641.75	12.3%	2,543.29	60.8%
WIG-Telecoms	964.52	977.01	(1.3%)	737.75	30.7%

Source: WSE, DMBH.

Equity and bond trading value and derivatives trading volumes on WSE in the first quarter of 2021

	Q1 2021	Q4 2020	Change (%) QoQ	Q1 2020	Change (%) YoY
Shares (PLN million)*	202,448	226,607	(10.7%)	124,283	62.9%
Bonds (PLN million)	860	948	(9.2%)	765	12.5%
Futures (in thousand contracts)	6,101	6,407	(4.8%)	5,979	2.0%
Options (in thousand contracts)	156	217	(27.8%)	217	(28.0%)

**excluding calls*

Source: WSE, DMBH.

5 Banking sector

According to data published by the National Bank of Poland, at the end of March 2021, the volume of loans granted to non-financial enterprises decreased by 7.8% YoY (i.e. by PLN 30 billion) to PLN 353 billion. The biggest decrease was recorded in PLN loans (-9.4% YoY), while the volume of foreign currency loans declined by 4.2% YoY. In terms of maturity, the highest decrease took place in loans for up to 1 year along with current accounts (-21.4% YoY), 1 to 5 year loans declined much less (-12.7% YoY), while the volume of loans with over 5 year maturity grew slightly by 0.6% YoY.

Broken down by type, the smallest decrease in financing was recorded in the category of investment loans (-1.8% YoY). At the same time the volume of loans for real estate purchase declined by 2.0% YoY), while the volume of current loans decreased by 17.7% YoY. Also in this case, contract currency played an important role; a high share of foreign currency loans in real estate loans and investment loans slowed down their overall decrese dynamics. Lower demand for current loans is related mainly to the public subventions allocated to support enterprises during the economic recession brought about by the COVID-19 pandemic. Simultaneously, great uncertainty about the future macroeconomic situation in Poland discourages enterprises from making investments financed with loans.

The available data on the credit portfolio quality indicate a significant increase of past due corporate loans in consequence of the economic restrictions related to the COVID-19 pandemic. The share of loans with recognized impairment increased from 8.3% at the end of February 2020 to 8.8% at the end of February of this year. NPL represented also 12.2% of the entire loan portfolio gross for SME and 5.0% of the loans for big enterprises. It is worth noting, however, that in both those categories the portfolio quality improved since the highest levels recorded over the last 12 months (12.3% at the end of January for SME loans and 5.6% at the end of September for large corporate loans, respectively).

The balance of household loans at the end of the first quarter of 2021 exceeded PLN 785 billion. In annual terms, it increased 1.0% YoY, i.e. by PLN 8 billion. The COVID-19 pandemic caused a drastic decline in demand for consumer loans, the volume of which is still not growing (-2.7% YoY, i.e. PLN 5 billion). Very sharp declines also occurred in current loans for individual entrepreneurs and farmers (-8.1% YoY) and investment loans (-7.0% YoY). The demand for housing loans, after a temporary and very slight slump in the second and third quarters of 2020, returned to a dynamic growth driven by low interest rates and the high investment appeal of apartments in large cities. The dynamics of the housing loans volume at the end of March 2021 was at +4.5% YoY, while for zloty loans as high as +9.7% YoY.

The share of impaired loans increased by 0.2 pp YoY to 5.9% at the end of February 2021, which, similarly to corporate loans, shows a slight improvement compared to the end of the third quarter of 2020. A significant deterioration in the portfolio quality is visible in the category of Swiss franc loans by 1.0 pp YoY to a record level of 4.5%, which may also be related to pending lawsuits. Also in the category of consumer loans, a similar increase in loans with defaults was recorded (+1.0 pp YoY to the level of 11.5%). On the other hand, by far the largest portfolio in terms of volume, mortgage loans denominated in domestic currency, remained at the unchanged, safe level of 2.0% in terms of the share of impaired loans (Stage 3). Also in this case the third wave of the pandemic may be expected to bring about a continuation of negative trends, especially in the area of consumer loans.

The dynamic growth of corporate deposits, driven by the inflow of state aid funds, slowed down somewhat in January 2021, only to return to the growth path in February. The volume of non-financial enterprises' assets deposited in the banking sector exceeded the level of PLN 388 billion (+ 20.3% YoY, i.e. PLN 66 billion) at the end of the first quarter of 2021. Due to the reduction in interest rates, there is a strong outflowing trend for term deposits (-29.9% YoY), which additionally strengthens the growth of assets in current deposits (+37.7% y/y). Despite the fact that interest rates have already reached a level close to zero, and almost a year has elapsed since the last decision of the Monetary Policy Council (28 May 2020) in this regard, the trend is still not slowing down.

Similar trends could be seen in the households segment, where in February 2021, banks' commitments exceeded a trillion zlotys (+9.7% YoY at the end of March 2021) for the first time in history. A significant growth of current deposits was observed also in this area (+30.1% YoY), offset, to a great extent, by the outflow of cash from term deposits (-35.2% YoY).

In the first two months of 2021, the banking sector managed to generate PLN 1.4 billion in net profit, i.e. 23.7% less than in the same period of last year. One of the main factors causing the decline in revenues was the interest rate cut, as a result of which the net interest income in the discussed period fell by 14.9% YoY, which was partially offset by a higher commission income (+13.3% YoY). A negative change also took place in other income (-16.6% YoY) As a result, the total revenues of the banking sector for the period of January-February 2021 amounted to PLN 10.5 billion, i.e. -9.5% compared to the same period of last year.

Cost optimization measures lowered administrative costs by 8.6% YoY. In 2021, the level of both contributions made by banks to the BFG decreased significantly, the combined effects of which will have an impact on costs in subsequent quarters, starting with the full data for the first quarter of 2021. Depreciation costs increased by 3.1% in the same period. Accruals for provisions and credit losses decreased by 9.2% YoY, which was due to the high provisions for the costs of litigation initiated in the first quarter of 2020 and the absence of additional provisions for the COVID pandemic due to the relatively good macroeconomic forecasts in early 2021. Along with the dynamic growth of the balance sheet total, the estimates of paid banking tax also increased. The decline in the sector's operating income manifested itself in a lower income tax paid, by 5.4% YoY.

The third wave of the pandemic will affect the financial condition of enterprises and households, impacting credit losses, bank reserves as well as credit dynamics. In the longer term, however, the pace and outcomes of the immunization program may prove much more important. For the entire 2021, however, the possible resolution of the Swiss franc credit problem may have the greatest impact on the condition of the Polish banking sector.

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

1. Consolidated statement of financial position

As at the end of the first quarter of 2021 **total assets** stood at PLN 58.8 billion, down by PLN 2.1 billion (or 3.5%) compared to the end of 2020.

In terms of assets, the biggest nominal changes in the balance sheet took place in two lines: **debt investment financial assets** and **cash, operations with Central Bank.** The debt investment financial assets balance decreased by PLN 14.7

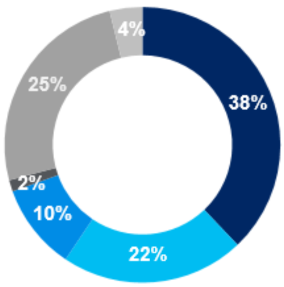
billion (or 53.7%) compared to the end of 2020 as a result of the sale of Polish treasury bonds, which in turn contributed to an increase in the balance in cash, operations with Central Bank by PLN 10.4 billion.

In turn, the largest share in the structure of the Group's assets as at the end of March 2021 was occupied by **net amounts due from customers**, they accounted for 38% of total assets. The value of net amounts due from customers as at the end of March 2021 amounted to PLN 22.3 billion, up by PLN 382 million (or 1.7%) compared to the end of 2020.

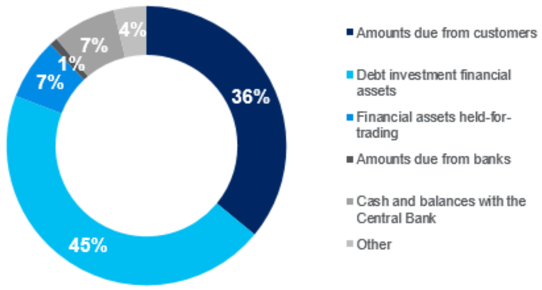
The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities – corporate clients, amounted to PLN 15.3 billion, up by PLN 569 million (or 3.9%) compared to the end of 2020. The increase in loan volumes was due to commercial bank and corporate bank clients. A detailed breakdown of assets by individual segments in the management view is provided in Note 8.

The volume of net loans made to individual customers dropped by PLN 187 million (or 2.6%) compared to the end of December 2020 and amounted to PLN 7.0 billion. Unsecured receivables were responsible for the decline in loan volumes (due to weaker customer demand for cash loans and credit cards caused by the COVID-19 pandemic - uncertainty of clients as to their financial situation). On the other hand mortgage loans increased by PLN 46 million (or 2.1%) compared to the end of 2020.

Group's asset structure as at 31.03.2021



Group's asset structure as at 31.12.2020



Amounts due from customers

PLN '000	31.03.2021	31.12.2020	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	**3,828,234**	**3,735,746**	**92,488**	**2.5%**
Loans	3,813,480	3,735,746	77,734	2.1%
Receivables related to reverse repo transactions	14,754	-	14,754	-
Amounts due from non-financial sector entities, including:	**18,468,127**	**18,178,477**	**289,650**	**1.6%**
Institutional clients* including:	11,439,945	10,963,662	476,283	4.3%
public sector units	7,563	9,678	(2,115)	(21.9%)
Individual clients, including:	7,028,182	7,214,815	(186,633)	(2.6%)
unsecured receivables	4,782,344	5,015,003	(232,659)	(4.6%)
credit cards	2,790,301	2,954,641	(164,340)	(5.6%)
cash loans to private individuals	1,950,030	2,013,026	(62,996)	(3.1%)
mortgage loans	2,245,838	2,199,812	46,026	2.1%
Total receivables from customers	**22,296,361**	**21,914,223**	**382,138**	**1.7%**

**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	31.03.2021	31.12.2020	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	**21,037,857**	**20,619,102**	**418,755**	**2.0%**
financial institutions	3,831,411	3,739,156	92,255	2.5%
non-financial sector entities	17,206,446	16,879,946	326,500	1.9%
institutional clients*	10,835,590	10,412,915	422,675	4.1%
individual customers	6,370,856	6,467,031	(96,175)	(1.5%)
Receivables not impaired (Stage 2), including	**1,197,774**	**1,309,795**	**(112,021)**	**(8.6%)**

PLN '000	**31.03.2021**	**31.12.2020**	**Change**	
			PLN '000	**%**
financial institutions	2	-	2	-
non-financial sector entities	1,197,772	1,309,795	(112,023)	(8.6%)
institutional clients*	522,790	507,135	15,655	3.1%
individual customers	674,982	802,660	(127,678)	(15.9%)
Receivables impaired (Stage 3), including:	**921,400**	**827,072**	**94,328**	**11.4%**
non-financial sector entities	921,400	827,072	94,328	11.4%
institutional clients*	506,593	475,043	31,550	6.6%
individual customers	414,807	352,029	62,778	17.8%
Total gross loans to customers, including:	**23,157,031**	**22,755,969**	**401,062**	**1.8%**
financial institutions	3,831,413	3,739,156	92,257	2.5%
non-financial sector entities	19,325,618	19,016,813	308,805	1.6%
institutional clients*	11,864,973	11,395,093	469,880	4.1%
individual customers	7,460,645	7,621,720	(161,075)	(2.1%)
Provisions for expected credit losses	**(860,670)**	**(841,746)**	**(18,924)**	**2.2%**
Total net amounts due from customers	**22,296,361**	**21,914,223**	**382,138**	**1.7%**
Provisions coverage ratio* **	**74.5%**	**77.2%**		
institutional clients*	71.8%	75.6%		
individual customers	77.7%	79.3%		
Non-performing loans ratio (NPL)	**4.0%**	**3.6%**		

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

***The ratio of non-performing loans is defined as the ratio of Receivables impaired (Stage 3) to total gross loans to customers.*

****The Group has made changes in presentation to include Amounts due from matured transactions in derivative instruments to Loans with recognized impairment. The earlier presentation was intended to highlight a specific type of receivables, unrelated to the core lending activities of the Group. As a result of the actions taken, the amount of these receivables became insignificant and the Group decided not to separate it.*

The value of gross receivables as of the end of the first quarter of 2021 does not include contractual interest in the amount of PLN 160,315 thousand accrued from the moment of transferring the exposure to Stage 3 (as at the end of 2020, PLN 155,923 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.

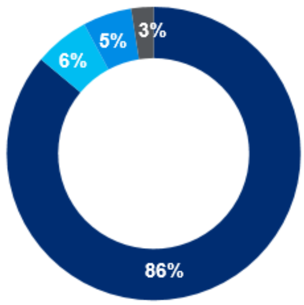
As of the end of the first quarter of 2021 **total liabilities** amounted to PLN 51.2 billion, down by PLN 2.1 billion (or 4.0%) compared to the end of 2020.

In the first quarter of 2021 **amounts due to customers** were the dominant source of financing of the Group's activity and as at March 31, 2021 they accounted for 75.0% of the Group's liabilities and equity. At the same time, funds in current accounts were the dominant item in amounts due to customers, they accounted for 85.4% (increase by 2 pps compared to the end of 2020).

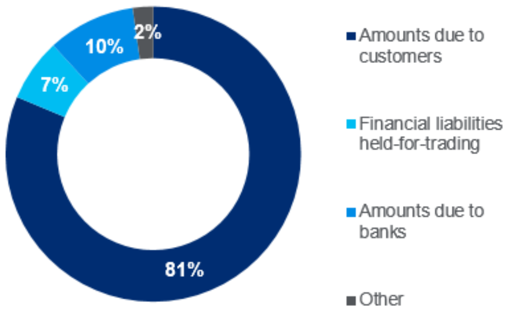
Total amounts due to customers as of the end of the first quarter of 2021 amounted to PLN 44.1 billion, up by PLN 694 million (or 1.6%) compared to the end of 2020. **Amounts due to individual customers**, which increased by PLN 688 million (or 4.4%) compared to the end of last year, had the largest share in this increase due to a higher volume of current accounts (the number of clients from the defined target group grew by 4% compared to the end of 2020).

At the same time, as at the end of the first quarter of 2021, **amounts due to institutional clients** decreased slightly by PLN 73 million (or 0.3%) compared to the end of the previous year and amounted to PLN 27.6 billion. On the one hand, the value of amounts due to financial sector clients decreased by PLN 1.1 billion compared to 2020 (mainly term deposits), and on the other hand the above decrease was offset by the increase in amounts due to non-financial sector customers – corporate clients (mainly funds in current accounts). A detailed breakdown of liabilities by individual segments in the management view is provided in Note 8.

Group's liabilities structure as at 31.03.2021



Group's liabilities structure as at 31.12.2020



Loan-to-deposit ratio dropped to 51% as at the end of March 2021 compared to 54% as at March 31, 2020 and 51% as at December 31, 2020.

Amounts due to customers

PLN '000	31.03.2021	31.12.2020	Change	
			PLN '000	%
Current accounts, including:	**37,649,308**	**36,242,776**	**1,406,532**	**3.9%**
financial sector entities	1,539,602	1,640,351	(100,749)	(6.1%)
non-financial sector entities, including:	36,109,706	34,602,425	1,507,281	4.4%
institutional clients*, including:	21,484,982	20,631,117	853,865	4.1%
public sector units	2,432,392	3,335,108	(902,716)	(27.1%)
individual clients	14,624,724	13,971,308	653,416	4.7%
Term deposits, including:	**6,138,183**	**6,929,242**	**(791,059)**	**(11.4%)**
financial sector entities	1,959,122	2,931,313	(972,191)	(33.2%)
non-financial sector entities, including:	4,179,061	3,997,929	181,132	4.5%
institutional clients*, including:	2,618,455	2,472,391	146,064	5.9%
public sector units	27,071	17,585	9,486	53.9%
individual customers	1,560,606	1,525,538	35,068	2.3%
Total customers deposits	**43,787,491**	**43,172,018**	**615,473**	**1.4%**
Other amounts due to customers	**300,661**	**221,888**	**78,773**	**35.5%**
Total amounts due to customers	**44,088,152**	**43,393,906**	**694,246**	**1.6%**

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

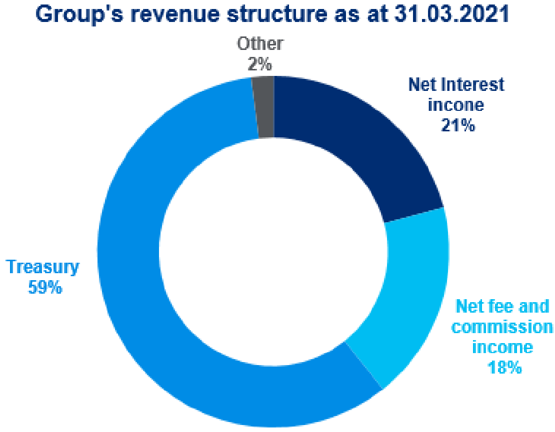
2. Consolidated income statement

In the first quarter 2021 the Group delivered a **consolidated net profit** of PLN 394.9 million, which means a significant increase (or by PLN 368.5 million) compared to the first quarter of 2020. The higher net profit was mainly due to realization of gains on debt investment financial assets measured at fair value through other comprehensive income (PLN 455.5 million as at the end of the first quarter 2021), partially offset by a lower net interest income (by PLN 104.9 million compared to the corresponding period of the previous year).

The main determinants of the Group's results in the first quarter of 2021 when compared to the first quarter of the previous year were the following:

- **Net interest income** amounted to PLN 197.0 million and was significantly lower compared to the net interest income in the corresponding period of the previous year due to interest rates cuts to record-low levels in a short period of time (among others, the benchmark rate was reduced by 140 basis points between March and May 2020 to 0.1%). To maintain comparable economic conditions, net interest income in the first quarter of 2021 dropped by PLN 23.8 million compared to the fourth quarter of 2020. Excluding the decrease in interest income on debt investment financial assets in connection with the realization of gains on these assets, the net interest income as at the end of the first quarter of 2021 grew slightly by 0.9% QoQ.

Interest income in the first quarter of 2021 declined by PLN 55.3 million (or 21.6%) compared to the fourth quarter of 2020 and amounted to PLN 200.6 million. Excluding the item "interest income on derivative instruments in hedge accounting", comparable interest income in the first quarter declined by PLN 25.4 million QoQ (or 11.2%). The decline was due to lower interest income on debt investment financial assets by PLN 25.1 million QoQ. Interest from amounts due from customers, constituting the main source of interest income, amounted to PLN 136.6 million, down slightly by PLN 3.0 million (or 2.1%) compared to the fourth quarter of 2020. It was mainly due to lower interest income in the Institutional Banking segment. The above decrease was partially offset by higher interest income on credit cards in the Consumer Banking Segment.



Interest expenses of the Group in the first quarter of 2021 declined by PLN 31.5 million (or 89.9%) comparing to the fourth quarter of 2020 and amounted to PLN 3.5 million. Excluding the item "interest expense for derivatives in hedge accounting", comparable interest expenses in the first quarter declined by PLN 1.3 million QoQ (or 27.1%).

Net interest income

PLN '000	01.01 – 31.03.2021	01.01 – 31.03.2020	Change	
			PLN '000	%
Interest income	**187,838**	**327,630**	**(139,792)**	**(42.7%)**
Financial assets measured at amortized cost	**137,458**	**249,128**	**(111,670)**	**(44.8%)**
Balances with the Central Bank	60	2,000	(1,940)	(97.0%)
Amounts due from banks	754	3,538	(2,784)	(78.7%)
Amounts due from customers, in respect of:	136,644	243,590	(106,946)	(43.9%)
financial sector	7,960	17,472	(9,512)	(54.4%)
non-financial sector, including:	128,684	226,118	(97,434)	(43.1%)
credit cards	33,818	66,070	(32,252)	(48.8%)
Financial assets measured at fair value through comprehensive income	**50,380**	**78,502**	**(28,122)**	**(35.8%)**
Debt investment financial assets measured at fair value through comprehensive income	50,380	78,502	(28,122)	(35.8%)
Similar income	**12,740**	**25,204**	**(12,464)**	**(49.5%)**
Debt securities held-for-trading	**4,309**	**20,074**	**(15,765)**	**(78.5%)**
Liabilities with negative interest rate	**8,431**	**5,130**	**3,301**	**64.3%**
	200,578	**352,834**	**(152,256)**	**(43.2%)**
Interest expense and similar charges for				
Financial liabilities measured at amortized cost	**(2,571)**	**(49,910)**	**47,339**	**(94.8%)**
Transactions with the Central Bank	-	(8)	8	(100,0%)
Amounts due to banks	(563)	(4,558)	3,995	(87.6%)
Amounts due to customers	(995)	(44,265)	43,270	(97.8%)
Amounts due to financial sector entities	(235)	(9,513)	9,278	(97.5%)
Amounts due to non-financial sector entities	(760)	(34,752)	33,992	(97.8%)
Amounts due to leasing	(1,013)	(1,079)	66	(6.1%)
Assets with negative interest rate	**(597)**	**(523)**	**(74)**	**14.1%**
Derivatives in hedge accounting	**(370)**	**(446)**	**76**	**(17.0%)**
	(3,538)	**(50,879)**	**47,341**	**(93.0%)**
Net interest income	**197,040**	**301,955**	**(104,915)**	**(34.7%)**

- **Net fee and commission income** in the amount of PLN 172.5 million vs. PLN 141.0 million in the first quarter of 2020 – up by PLN 31.5 million YoY (or 22.3%), due to the increase in income by PLN 33.9 million YoY (or 20.9%). The highest nominal increase in income concerned the area related to capital markets (i.e. brokerage activity and custody services), which rose by PLN 24.7 million YoY due to the continued recovery on the Polish capital transactions market (a detailed description of these transactions is provided in Note 8 in the section on brokerage activities). Commissions for maintaining bank accounts grew by PLN 17.7 million YoY (or 102.9%). On the other hand, commissions for payment and credit cards dropped by PLN 7.6 million (or 21.8%) mainly due to lower income from FX transactions (limited mobility of individual customers caused by the COVID-19 pandemic).

Fee and commission expenses in the first quarter of 2021 amounted to PLN 23.2 million, up by PLN 2.4 million YoY (or 11.3%), mainly due to higher KDPW charges.

Net fee and commission income

PLN '000	01.01 – 31.03.2021	01.01 – 31.03.2020	Change	
			PLN '000	%
Fee and commission income				
Credit activities (other than income covered by the calculation of the effective interest rate process)	18,110	18,401	(291)	(1.6%)
Servicing bank accounts	34,884	17,194	17,690	102.9%
Insurance and investment products distribution	16,827	17,386	(559)	(3.2%)
Payment and credit cards	27,358	34,990	(7,632)	(21.8%)
Payment services	22,256	20,444	1,812	8.9%
Custody services	27,773	24,804	2,969	12.0%
Brokerage operations	33,493	11,810	21,683	183.6%
Clients' cash on account management services	5,901	7,486	(1,585)	(21.2%)
Financial liabilities granted	6,267	7,047	(780)	(11.1%)
Other	2,809	2,261	548	24.2%
	195,678	**161,823**	**33,855**	**20.9%**
Fee and commission expense				
Payment and credit cards	(6,518)	(6,962)	444	(6.4%)
Brokerage activity	(3,705)	(2,928)	(777)	26.5%
Fees paid to the National Depository for Securities (KDPW)	(7,333)	(5,477)	(1,856)	33.9%
Brokerage fees	(1,250)	(841)	(409)	48.6%
Other	(4,385)	(4,628)	243	(5.3%)
	(23,191)	**(20,836)**	**(2,355)**	**11.3%**
Net fee and commission income	**172,487**	**140,987**	**31,500**	**22.3%**

**the presented items have been reviewed by the Group and the following items: "Fee and commission income from credit activities" and "Fee and commission income from servicing bank accounts" have been separated. Simultaneously "Fee and commission income from guarantees granted" and "Fee and commission income from financial liabilities granted" have been presented together. The comparative data has been appropriately transformed in both cases.*

- **Other operating income** (i.e. non-interest and non-commission income) of PLN 571.2 million vs. PLN 92.8 million in the first quarter of 2020 – up by PLN 478.4 million due to significantly better results in the area of treasury activities. The result on sale of debt investment securities increased by PLN 350.8 million YoY and net gain on trading financial instruments and revaluation was also significantly higher by PLN 103.9 million YoY.
- **General administrative and depreciation expenses** of PLN 362.2 million vs. PLN 376.2 million in the first quarter of 2020 – down by PLN 14.0 million (or 3.7%) due to lower contributions to the Bank Guarantee Fund's mandatory bank resolution fund (PLN 64.7 million in the first quarter of 2021 compared to PLN 84.3 million in the corresponding period of the previous year). The above decline was offset by higher staff expenses by PLN 5.8 million (4.2%) and increase in depreciation by PLN 3.9 million (or 16.4%) in connection with the implementation of new and extension of current customer service solutions in the Consumer Banking segment.

In the reporting period the headcount in the Group dropped by 94 FTEs.

General administrative expenses and depreciation expense

PLN '000	01.01 – 31.03.2021	01.01 – 31.03.2020	Change	
			PLN '000	%
Staff expenses	**(143,484)**	**(137,712)**	**(5,772)**	**4.2%**
Remuneration costs	(103,136)	(100,072)	(3,064)	3.1%
Bonuses and rewards	(20,604)	(18,086)	(2,518)	13.9%
Social security costs	(19,744)	(19,554)	(190)	1.0%
Administrative expenses	**(191,295)**	**(214,944)**	**23,649**	**(11.0%)**
Telecommunication fees and hardware purchase costs	(50,731)	(48,543)	(2,188)	4.5%
Costs of external services, including advisory, audit, consulting services	(11,708)	(11,872)	164	(1.4%)

PLN '000	01.01 – 31.03.2021	01.01 – 31.03.2020	Change	
			PLN '000	%
Real estates maintenance and rent costs	(12,468)	(13,360)	892	(6.7%)
Advertising and marketing costs	(7,884)	(9,572)	1,688	(17.6%)
Costs of cash management services, costs of clearing services and other transaction costs	(9,064)	(9,266)	202	(2.2%)
Costs of external services related to distribution of banking products	(10,956)	(10,977)	21	(0.2%)
Postal services, office supplies and printmaking costs	(1,744)	(1,915)	171	(8.9%)
Training and education costs	(215)	(358)	143	(39.9%)
Banking and capital supervision costs	(6,407)	(4,776)	(1,631)	34.1%
Bank Guarantee Funds costs	(67,798)	(88,972)	21,174	(23.8%)
Other expenses	(12,320)	(15,333)	3,013	(19.7%)
Depreciation	**(27,448)**	**(23,575)**	**(3,873)**	**16.4%**
General administrative expenses and depreciation expense, total	**(362,227)**	**(376,231)**	**14,004**	**(3.7%)**

- **Provision for expected credit losses** on financial assets and provisions for off-balance sheet commitments of PLN 6.2 million (negative impact) compared to PLN 93.4 million in the first quarter of 2020, in connection with the creation of an additional write-offs in the amount of approx. PLN 53 million dedicated to the effects of the Covid-19 pandemic in the first quarter of 2020. Excluding the above-mentioned specific provisions in the Institutional Banking segment, write-offs were reversed in the first quarter of 2021 – due to macroeconomic forecasts improving.

  On January 1, 2021, EBA's guidelines on the application of the definition of default specified in Art. 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 came into force. The implementation of the changes aims to standardize the approach on the European market, thus ensuring comparability of the levels of non-working loans presented by financial institutions. The main changes relate to changes in the method of calculating the number of days past due, including the determination of materiality thresholds (relative and absolute) for past due amounts, the detailed rules for the treatment of joint credit obligations and the rules for default contagion. The impact of the implementation of the EBA guidelines on the Group's credit risk costs was immaterial.

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

PLN '000	01.01 – 31.03.2021	01.01 – 31.03.2020	Change	
			PLN '000	%
Provision for expected credit losses on amounts due from banks				
Provision creation	(3,779)	(1,230)	(2,549)	207.2%
Provision release	1,818	908	910	100.2%
	(1,961)	**(322)**	**(1,639)**	**509.0%**
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	**(19,765)**	**(90,047)**	**70,282**	**(78.1%)**
Provision creation	(100,626)	(122,954)	22,328	(18.2%)
Provision release	81,628	34,390	47,238	137.4%
Other	(767)	(1,483)	716	(48.3%)
Recoveries from debt sold	**31**	**3**	**28**	**933.3%**
	(19,734)	**(90,044)**	**70,310**	**(78.1%)**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	-	(2,393)	2,393	(100.0%)
Provision release	4,559	-	4,559	-
	4,559	**(2,393)**	**6,952**	**(290.5%)**
Provision for expected credit losses on financial assets	**(17,136)**	**(92,759)**	**75,623**	**(81.5%)**

PLN '000	01.01 – 31.03.2021	01.01 – 31.03.2020	Change	
			PLN '000	%
Created provisions	(12,127)	(9,412)	(2,715)	28.8%
Release of provisions	23,107	8,704	14,403	165.5%
Provision for expected credit losses for granted off-balance sheet commitments	**10,980**	**(708)**	**11,688**	**-**
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	**(6,156)**	**(93,467)**	**87,311**	**(93.4%)**

3. Financial Ratio

In the first quarter of 2021, the key efficiency ratios were as follows:

Total financial ratios	**Q1 2021**	**Q1 2020**
ROE*	7.3%	6.7%
ROA**	0.9%	0.8%
Cost/Income	39%	70%
Loans/Deposits	51%	54%
Loans/Total assets	38%	39%
Net interest income/Revenue	21%	56%
Net fee and commission income/Revenue	18%	26%

**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.*
Cost is the sum of the following items from the condensed consolidated income statement: General administrative expenses and Depreciation and amortization.
Income is the sum of the following items from the condensed consolidated income statement: Net interest income, Net fee and commission income, Dividend income, Net gain/(loss) on trading financial instruments and revaluation, Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income, Net gain/(loss) on equity investments and other at fair value through income statement, Net gain/(loss) on hedge accounting, Net other operating income and expense.
Loans are items of Amounts due from customers from the condensed consolidated statement of financial position.
Deposits are items of Amounts due to customers from the condensed consolidated statement of financial position.

Group employment*

In full time job equivalents (FTE)	01.01 – 31.03.2021	01.01 – 31.03.2020	Change	
			FTEs	%
Average employment in the first quarter	2,966	3,060	(94)	(3.1%)
Employment at the end of quarter	2,964	3,058	(94)	(3.1%)

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

Capital adequacy*

PLN '000	31.03.2021	31.12.2020
Common Equity Tier I before regulatory adjustments	7,042,825	7,408,571
Total regulatory adjustments to Common Equity Tier I	(1,168,503)	(1,203,635)
Common Equity Tier I	5,874,322	6,204,936
Tier I Capital	5,874,322	6,204,936
Own Funds	5,874,322	6,204,936
The total amount of risk exposure	27,428,995	27,484,835
Common Equity Tier 1 capital ratio	21.4	22.6
Tier 1 capital ratio	21.4	22.6
Total capital ratio	**21.4**	**22.6****

**Total Capital 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 with amendments ("CRR").*

***In connection with the above, the capital ratio presented in the table takes into account the position of the European Banking Authority (EBA) regarding the inclusion of audited financial data when calculating the capital requirement for operational risk. In 2020, the EBA published, as part of the single rulebook*

Q&A, the position (Q&A 2018_3969), according to which the capital requirement for operational risk should be adjusted as soon as the audited data for a given year is available, if it differs on the requirement calculated on the basis of audited data for previous years or on the basis of estimated data for a given year, if they differed from the audited data.

Leverage ratio*

PLN '000	31.03.2021	31.12.2020
Tier I Capital	5,874,322	6,204,936
Total leverage ratio exposures	62,488,848	64,876,149
Leverage ratio	**9.4**	**9.6**

**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			31.03.2021	31.12.2020	31.03.2021
	1	**Credit risk (excluding CCR)**	**21,826,050**	**21,256,488**	**1,746,084**
Article 438 (c) (d)	2	Of which the standardised approach	21,826,050	21,256,488	1,746,084
Article 107 Article 438 (c) (d)	**6**	**CCR**	**902,033**	**1,340,801**	**72,163**
Article 438 (c) (d)	7	Of which mark to market	792,721	1,191,188	63,418
Article 438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	2,974	2,575	238
Article 438 (c) (d)	12	Of which CVA	106,338	147,038	8,507
Article 438 (e)	**13**	**Settlement risk**	-	-	-
Article 449 (o) (i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**234,422**	**234,413**	**18,754**
	18	Of which standardised approach	234,422	234,413	18,754
Article 438 (e)	**19**	**Market risk**	**937,482**	**1,124,125**	**74,999**
	20	Of which the standardised approach	937,482	1,124,125	74,999
Article 438 (e)	22	Large exposures	-	-	-
Article 438 (f)	**23**	**Operational risk**	**3,529,008**	**3,529,008**	**282,321**
	25	Of which standardised approach	3,529,008	3,529,008	282,321
Article 437 (2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	592,829	435,550	47,426
	29	**Total**	**27,428,995**	**27,484,835**	**2,194,321**

In the first quarter of 2021 the Group fulfilled the capital adequacy requirements. Total capital ratio is calculated according to respective regulations.

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 – 31.03.2021			01.01 – 31.03.2020		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	99,206	97,834	197,040	146,805	155,150	301,955
Internal interest income, including:	(8,941)	8,941	-	(18,166)	18,166	-
Internal income	-	8,941	8,941	-	18,166	18,166
Internal expenses	(8,941)	-	(8,941)	(18,166)	-	(18,166)
Net fee and commission income	121,147	51,340	172,487	82,854	58,133	140,987
Dividend income	10	-	10	30	71	101
Net gain/(loss) on trading financial instruments and revaluation	89,509	7,153	96,662	(16,285)	9,006	(7,279)
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	455,508	-	455,508	104,754	-	104,754
Net gain/(loss) on equity investments and other measured at fair value through income statement	1,336	-	1,336	(1,693)	-	(1,693)
Net gain/(loss) on hedge accounting	18,563	-	18,563	(2,754)	-	(2,754)
Net other operating income	2,793	(3,676)	(883)	3,165	(3,535)	(370)
General administrative expenses	(182,152)	(152,627)	(334,779)	(191,259)	(161,397)	(352,656)
Depreciation and amortization	(5,367)	(22,081)	(27,448)	(5,794)	(17,781)	(23,575)
Profit on sale of other assets	(45)	(213)	(258)	(142)	(234)	(376)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	19,233	(25,389)	(6,156)	(56,812)	(36,655)	(93,467)
Operating income	**619,741**	**(47,659)**	**572,082**	**62,869**	**2,758**	**65,627**
Tax on certain financial institutions	**(29,336)**	**(6,842)**	**(36,178)**	(24,409)	(6,580)	(30,989)
Profit before tax	**590,405**	**(54,501)**	**535,904**	**38,460**	**(3,822)**	**34,638**
Income tax expense	-	-	(141,046)	-	-	(8,279)
Net profit	**-**	**-**	**394,858**	**-**	**-**	**26,359**

State as at	31.03.2021			31.12.2020		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**51,452,641**	**7,368,440**	**58,821,081**	**53,396,826**	**7,544,712**	**60,941,538**
Total liabilities and equity, including:	**39,618,464**	**19,202,617**	**58,821,081**	**42,506,741**	**18,434,797**	**60,941,538**
Liabilities	33,500,050	17,710,850	51,210,900	36,231,131	17,129,440	53,360,571

8 Activities of the Group

1 Institutional Banking

1.1. Summary of segment results

PLN '000	Q1 2021	Q1 2020	Change	
			PLN '000	%
Net interest income	99,206	146,805	(47,599)	(32.4%)
Net fee and commission income	121,147	82,854	38,293	46.2%
Net income on dividends	10	30	(20)	(66.7%)
Net gain/(loss) on trading financial instruments and revaluation	107,376	(16,285)	123,661	(759.4%)
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	455,508	104,754	350,754	334.8%
Net gain/(loss) on equity investments and other measured at fair value through income statement	1,336	(1,693)	3,029	(178.9%)
Net gain/(loss) on hedge accounting	696	(2,754)	3,450	(125.3%)
Net other operating income	2,793	3,165	(372)	(11.8%)
Total income	**788,072**	**316,876**	**471,196**	**148.7%**
General administrative expenses and depreciation	(187,519)	(197,053)	9,534	(4.8%)
Profit on sale of other assets	(45)	(142)	97	(68.3%)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	19,233	(56,812)	76,045	(133.9%)
Tax on certain financial institutions	(29,336)	(24,409)	(4,927)	20.2%
Profit before tax	**590,405**	**38,460**	**551,945**	**-**
Cost/Income	**24%**	**62%**		

The key highlights that impacted the gross profit of the Institutional Banking Segment in the first quarter of 2021 compared to the corresponding period of the previous year were as follows:

- decrease in **net interest income** due to the reduction of the benchmark rate by 140 basis points in the period from March to May 2020;
- increase in **net fee and commission income** due to higher income from brokerage activities (continuation of the recovery in the Polish capital transactions market) and custody services;
- increase in **income related to financial markets** primarily due to the realization of gains on debt investment financial assets of PLN 455.5 million;
- decrease in **operating costs** as a result of lower contributions to the Bank Guarantee Fund's resolution fund.

1.2. Institutional Bank and the Capital Markets

Institutional Bank

As at the end of the first quarter of 2021, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) amounted to less than 5,500 i.e. decreased by 3% as compared to the first quarter of 2020. The decrease mentioned above applies mainly to commercial bank clients. On the other hand, the number of strategic and global clients grew by 2% YoY.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 40 new clients in the first quarter of 2021, including 2 Large Companies, 29 Small and Medium-Sized Companies, 5 International Clients of Commercial Banking Segment, 4 Digital and 2 Public Sector Entities. In the strategic and global client segments, the Bank established 20 new client relationships.

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

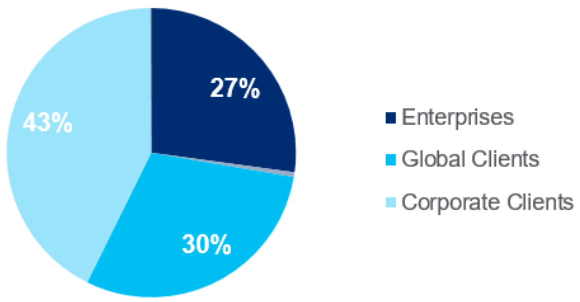
Assets

PLN million	31.03.2021	31.12.2020	31.03.2020	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	3,764	3,518	4,879	246	7%	(1,115)	(23%)
SMEs	1,344	1,125	1,699	219	19%	(355)	(21%)
MMEs	2,421	2,394	3,180	27	1%	(759)	(24%)
Public Sector	72	10	52	62	620%	20	38%
Global Clients	4,102	4,194	4,423	(92)	(2%)	(321)	(7%)
Corporate Clients	5,905	5,678	6,555	227	4%	(650)	(10%)
Other	10	(14)	17	24	(173%)	(7)	(42%)
Total Institutional Banking	**13,854**	**13,387**	**15,926**	**467**	**3%**	**(2,073)**	**(13%)**

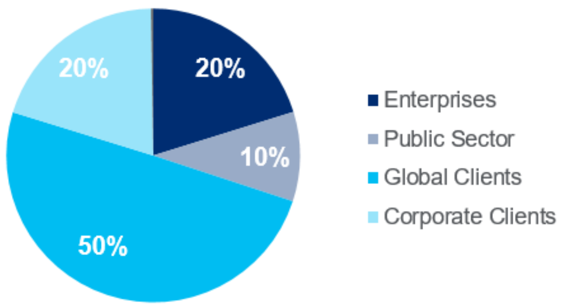
Liabilities

PLN million	31.03.2021	31.12.2020	31.03.2020	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	5,264	4,396	5,361	868	20%	(97)	(2%)
SMEs	3,371	2,555	3,006	816	32%	365	12%
MMEs	1,894	1,841	2,356	52	3%	(462)	(20%)
Public Sector	2,568	3,434	3,543	(866)	(25%)	(975)	(28%)
Global Clients	12,956	12,025	12,905	931	8%	51	0%
Corporate Clients	5,217	6,293	8,189	(1,077)	(17%)	(2,972)	(36%)
Other	60	66	61	(5)	(8%)	(1)	(1%)
Total Institutional Banking	**26,066**	**26,214**	**30,059**	**(148)**	**(1%)**	**(3,994)**	**(13%)**

Structure of the Institutional Bank assets as of 31.03.2021



Structure of the Institutional Bank liabilities as of 31.03.2021



Key transactions and achievements in Institutional Banking in the first quarter of 2021:

Credit activity	**<u>Granting new financing or increasing existing ones in the amount of PLN 359 million</u>** • PLN 150 million for Corporate clients including a leading e-commerce company; • PLN 109 million for Commercial Bank clients; • PLN 100 million for Global clients, including the leader of the automotive industry supporting the company's development on the Polish market; • Participation as one of the lenders in syndicated financing for an energy company;

Investing Banking	**Investment Banking** • Establishing cooperation with an international e-commerce company debuting on the foreign stock exchange;
Transactional Banking	**Increasing shares in banking services and transaction banking** • Winning 5 mandates for comprehensive banking services or extending the Bank's cooperation with its clients; • Granting financing for the total amount of PLN 60 million in trade finance area.
Client suport during a pandemic	• Continued implementation of the solutions offered under the Anti-Crisis Shield Program (including under Shield 2.0); the support offered by the Polish Development Fund (PFR) covered the total of 217 customers of the Bank; • Support for Medium and Large Enterprises in obtaining financing by providing a guarantee from the BGK Liquidity Guarantee Fund - the facility was used by a total of 43 customers of the Bank; • Consistently growing use of digital solutions in customer service and communication in order to fully transition institutional customers to a digital channel.

Activity and business achievements of the Treasury Division

The first quarter of 2021 was a period of further development and investment in digital channels at the Bank, both in product offerings and in customer communications. The services and knowledge of banking experts are invariably offered to clients using secure, online tools and sources.

In order to enable clients to run a stable business in the pandemic, the Bank focused on:

- Supporting foreign expansion of e-commerce companies - thanks to the Instant FX solution, the Bank's corporate clients engaged in online sales abroad can eliminate currency risks involved in settlement of foreign currency transactions;
- Developing Puls Rynku FX, a mobile application which offers currency alerts, quotations, forecasts as well as special reports prepared by Citi Handlowy analysts concerning, among others, the impact of COVID-19 on markets in Poland and worldwide;
- Promoting the CitiFX Pulse electronic currency exchange platform which enables remote and secure transactions. About 85% of all FX transactions are executed via that platform. CitiFX Pulse provides 24h access to quotations, continuous access to market information, economic forecasts, permits currency exposure management and online transactions confirmation;
- Organizing training and video conferences with the participation of the Economic Analysis Bureau and experts of the Sales Department in the Treasury Division.

In the first quarter of 2021, a conditional FX FWD (Deal Contingent FWD) transaction was made to hedge an IPO-related currency risk.

Also, in the first quarter of 2021, the Bank remained among top banks in terms of turnover in the spot market, as one of the leaders in Treasury BondSpot. The Bank was also active in debt securities by participating in the following transactions:

- Bonds issue of PLN 1.5 billion for the European Investment Bank;
- Acquisition of BGK bonds issued for the Anti-COVID-19 Fund;

Transactional banking

The Bank continues its efforts to simplify and further digitize its funds management processes for corporate clients, in particular by developing and promoting self-service functions that facilitate administration and management of corporate finances within a company.

Bank account	Clients' use of **electronic signature** implemented in 2020 remains high in the first months of 2021 **for an average of 795 documents per month, which is a 58% increase** compared to the monthly average in 2020 and proves that customers are willing to use the electronic document flow. With the platform for electronic processing of bank certificates and reports (audits) launched in 2020, during the first quarter of 2021, **an average of 190 audits monthly** were issued electronically, i.e. **25%** of all audits.

Electronic Banking

The Bank encouraged customers to remotely use their bank accounts, including by:

- **CitiDirect BE Mobile** - mobile application with **biometric authentication**
- **MobilePass** mobile token
- **CitiDirect BE** system **administrator module**

In the first quarter of 2021, the Bank processed over **7.5 million transactions electronically, which is the same level as in the same period of 2020.** During that time, the CitiDirect BE online banking system was used by more than **5,166 clients**.

Particular attention was paid to promoting **the role of system administrator** which allows customers to perform most banking operations **in a full self-service mode**, without unnecessary formalities and the need to contact the Bank. The Bank also reminded clients about the key aspects of online banking security (including those related to COVID-19).

Payments and receivables

In the first quarter of 2021, the Bank recorded a significant **10% increase in the volume of foreign transfers** compared to the same period of the previous year. This result is owed, among others, to **SEPA** transaction volumes being higher by as much as **20%,** which proves that international trade is gaining in popularity despite the current pandemic. This result is also the effect of growing interest in both global and international e-commerce.

Bank's customers present in international markets could support their financial management using the Citi Payment Insights tool, which enables tracking of the payment status or generation of confirmations at the beneficiary's request.

The 2020 growing trend in Split Payment Mechanism transactions was also present during the first three months of this year. The Bank noted a **5%** increase in such transactions compared to the first quarter of 2020.

Trade finance products

The Bank maintains its position as a leading financial institution in the area of supplies and procurement financing. The average level of Bank's assets in this area of activity increased by **29%** in the first quarter of 2021 compared to the same period of the previous year.

In times of the pandemic, **the use of electronic signatures is also growing** - Bank's customers increasingly often and more willingly use this form of signature, which permits much faster document processing.

The market environment and the impact of COVID-19 **resulted in a greater volume and value of guarantees** issued, mainly on the domestic market. In the first quarter of 2021, the Bank issued **7%** more guarantees, which translated into the transaction value being as much as **47%** higher compared to the first quarter of 2020.

The noticeable impact of COVID-19 is reflected in the volume and value of import letters of credit; in the first quarter of 2021, 19% fewer letters of credit were opened, with the volume being 5% lower compared to the first quarter of 2020. During that period, the Bank handled 8% fewer export letters of credit.

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 2021, the Bank maintained 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 2021, DMBH was the market maker for 67 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 16% of the shares listed in its main equity market.

After first quarter of 2021, DMBH was the intermediary in in-session transactions accounting for 4.3% 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 7.9 billion. After first quarter of 2021, DMBH was ranked 12th in terms of session turnovers on the WSE main market and 7th as a local WSE member.

The number of investment accounts maintained by DMBH was 15.1 thousand as at the end of the first quarter of 2021, and increased by 6.8% as compared to the same period in 2020. The increase in the number of accounts resulted from the great interest of individual investors in the offer and investment advisory service.

At the beginning of 2021, a continued recovery in capital transactions was visible in Poland. In the first quarter of 2021, DMBH handled the following transactions:

- Inpost S.A. - DMBH acted as a Local Co-Bookrunner in the IPO (the company was listed on Euronext Amsterdam; the transaction value was EUR 3.2 billion (January 2021).
- Termet S.A. - DMBH acted as an investment company in the implementation and settlement of a non-public purchase and sale of Termet S.A. shares by Ferro S.A., worth PLN 43.7 million, completed on 17 February 2021.
- ZPUE S.A. - DMBH acted as an intermediary in an RFP for 100% of ZPUE S.A. shares, the transaction value was approximately PLN 39.7 million (February - March 2021).
- Talanx S.A. – DMBH acted as an intermediary in an RFP announced to end the listing of Talanx S.A. on the Warsaw Stock Exchange (settled in February 2021).

Selected financial data as at 31 March 2021

Company's Name	Headquarter	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of Q1 2021
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	765,389	133,351	19,400

The net financial result of the first quarter of 2021 was one of the highest quarterly results in the history of DMBH.

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.

Selected financial data as at 31 March 2021

Company's Name	Headquarters	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of Q1 2021
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,440	20,741	(96)

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q1 2021	Q1 2020	Change	
			PLN '000	%
Net interest income	97 834	155 150	(57 316)	(36,9%)
Net fee and commission income	51 340	58 133	(6 793)	(11,7%)
Dividend income	-	71	(71)	(100,0%)
Net gain/(loss) on trading financial instruments and revaluation	7 153	9 006	(1 853)	(20,6%)
Net other operating income	(3 676)	(3 535)	(141)	4,0%
Total income	**152 651**	**218 825**	**(66 174)**	**(30,2%)**
General administrative expenses and depreciation	(174 708)	(179 178)	4 470	(2,5%)
Profit on sale of other assets	(213)	(234)	21	(9,0%)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(25 389)	(36 655)	11 266	(30,7%)
Tax on certain financial institutions	(6 842)	(6 580)	(262)	4,0%
Profit before tax	**(54 501)**	**(3 822)**	**(50 679)**	**-**
Cost/Income	**114%**	**82%**		

The following factors influenced the profit before tax in the Consumer Banking Segment in the first quarter of 2021:

- lower **interest income** as a result of lowering the reference rate by the Monetary Policy Council and reduced acquisitions due to the COVID-19 epidemic, which translated into a slowdown in the growth rate of credit product balance (-2.7% YoY),
- decrease in **interest expenses** following a significant reduction in interest rates for the polish zloty and other currencies, despite a significant increase in the deposit balances (+13.4% YoY),
- 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,
- decrease in **operating expenses** as a result of maintaining cost discipline, except for increased investment in technology.

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 (thanks to biometric technology) and the development of the CitiKantor, digital account and CitiSpecials offer enabling the acquisition of new clients and increase transaction volumes of existing ones.

2.2. Selected business data

PLN '000	Q1 2021	Q4 2020	Q1 2020	Change QoQ	Change YoY
Number of individual customers	638.6	645.0	669.7	(6.4)	(31.1)
Number of current accounts	453.6	452.3	456.2	1.3	(2.6)
Number of saving accounts	121.4	122.5	139.2	(1.1)	(17.8)
Number of credit cards	594.2	606.7	644.2	(12.5)	(50.0)
Number of debit cards	233.9	233.4	236.2	0.5	(2.3)

Net amounts due from individual clients – management view

PLN '000	31.03.2021 (1)	31.12.2020 (2)	31.03.2020 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	4,782,344	5,015,003	5,274,917	(232,659)	(4.6%)	(492,573)	(9.3%)
Credit cards	2,364,692	2,486,574	2,577,732	(121,882)	(4.9%)	(213,040)	(8.3%)
Cash loans	2,375,639	2,481,093	2,650,272	(105,454)	(4.3%)	(274,633)	(10.4%)
Other unsecured receivables	42,013	47,336	46,913	(5,323)	(11.2%)	(4,900)	(10.4%)
Mortgage loans	2,245,838	2,199,812	1,950,325	46,026	2.1%	295,513	15.2%
Net client receivables	**7,028,182**	**7,214,815**	**7,225,242**	**(186,633)**	**(2.6%)**	**(197 060)**	**(2.7%)**

2.3. Key Business Highlights

Bank accounts	**Current accounts** The total balance on the current accounts was PLN **10.9 billion**, i.e. increased by **42%** as compared to the end of the first quarter of 2020. The number of personal accounts at the end of March 2021 was **453,000**, including 252,000. accounts kept in PLN, and 201,000 accounts kept in foreign currencies.
	Savings accounts The number of savings accounts at the end of the first quarter of 2021 amounted to **121,000**, the total balance of funds accumulated on those accounts amounted to PLN **3.5 billion** compared to 139,000 savings accounts with a total balance of PLN 3.5 billion in the same period of the previous year. Changes in the number of savings accounts result from the closure by the Bank of savings accounts kept in EUR.
Credit cards	The total debt on the credit cards amounted to **PLN 2.4 billion** as at the end of the first quarter of 2021, 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 21.7%, according to data as at the end of March 2021. In the first quarter of 2021, the Bank **increased acquisition of cards** issued in cooperation **with OBI** in the field of purchases with installments **under the Komfort Instalment Payment Plan on a credit card by 58% QoQ.** The partner's clients can apply online, in an entirely self-service mode, for a credit card with an option of instalments on the card.
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 2.4 billion** as at the end of the first quarter of 2021 and was lower by 10% as compared to the same period in previous year. The decrease in the balance is a consequence of lower sales of the above-mentioned loans, which amounted to **PLN 173 million** in the first quarter of 2021, compared to PLN 287 million in the corresponding period of 2020. The sales level was impacted by the state of epidemic declared in March 2020, leading to a decline in demand for loans, among other things. Thanks to the constant development of online processes and other remote forms of applying and concluding a contract, the Bank managed to maintain the availability of the credit process at an unchanged level as compared to the periods before the pandemic. The possibility to obtain financing without leaving home and to conclude an agreement electronically is available both to the existing and new clients of the Bank who apply for a loan (using, among others, biometric identity verification for a new client).
Mortgage 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 2021 reached **PLN 99 million**, i.e. **decreased by 19%** comparing to the first quarter of 2020 when it stood at PLN 121,7 million. As at the end of that period, the mortgage portfolio amounted to **PLN 2.2 billion** as compared to PLN 1.9 billion in the corresponding period of 2020, i.e. **increased by 15% YoY**.
Insurance and investment products	As at the end of the first quarter of 2021, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were **37% higher** than as at the first quarter of 2020.

2.4 Development of distribution channels

Online Banking and Mobile Banking

The online platform for retail clients is built in a responsive technology, i.e. it can adapt itself to the device used by a client.

Modern design was inspired by clients expectations and extended functionality makes other channels of communication unnecessary. One of the improvements is for credit card holders, which can manage their card limit, convert transactions into installments or buy insurance products by themselves. The clients can construct and update their investment profile coherent with the MiFID II regulation. Electronic banking also includes a transaction module for investment funds and a Citi Kantor currency exchange module, which allows, among others, to place a conditional order and set a currency alert.

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 **374,800** as at the end of the first quarter of 2021. 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 2021, i.e.the same level as at the end of the same period of 2020.

At the same time, **digital users** accounted for **82.4% of all transactionally active clients** at the end of the first quarter of 2020, which is an **0.4 p.p. increase** as compared to the first quarter of 2020.

In the first quarter of 2021, the share of the credit cards sold via the online channel was about 27% of the whole credit card acquisition at the Bank, i.e. decreased by 27 p.p. YoY and was caused by a decline in consumer activity due to the COVID-19 pandemic.

Responsive technology gives the client access to all functionalities in Citibank Online on any device they may use. In addition, clients have access to the mobile application which features such functions as free Push notifications, which keep the client updated of changes on the account or card, and login activation with the use of a fingerprint or face image, which makes access to the application even easier. The clients have had access to, among other functionalities, simplified and intuitive navigation, a new layout and a mobile authorization service - Citi Mobile Token. The application also offers a currency exchange module, Citi Kantor, and a multi-currency service, Citibank Global Wallet, which permits automatic currency account alignment with the transaction currency without manually reassigning the card. In the first quarter of 2021, the application was enriched with a new module which presents offers of products and services tailored to customer needs and a section that permits recommending of products to friends directly from the application.

As at the end of the first quarter of 2021, 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 **230,500, i.e. increased by 3.8 p.p.** as compared to the first quarter of 2020.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was **37,2%**, i.e. **increased by 2.7 p.p.** as compared to the same period in 2020

At the same time, at the end of the first quarter of 2021, **mobile users accounted for 51.4% of all transactional active customers**, which means an **increase by 4.8 pp.** as compared to the first quarter of 2020..

Social Media

The first quarter of 2021 was a continuation of the Bank's active operations in Social Media channels. In addition to its presence on Facebook, Twitter and LinkedIn, the Bank is also increasing its activity on Instagram, taking advantage of the constantly growing popularity of this medium.

Communications in Social Media are based on areas that build awareness of new products, activate client portfolios, inform clients about the Bank's CSR activities. Social Media is also a channel for acquiring new customers.

In the first quarter of 2021, Bank's communication on Facebook reached over 3.2 million users. Users of Facebook and Instagram had, on average, almost 4 contacts with the marketing materials of the Bank. In the first quarter of 2021, 40 posts were published on Facebook.

In the first quarter of 2021, the Bank used the Messenger app to reply to around 1,300 enquires about the Bank's products and services.

The Bank has **140,000** followers on Facebook.

Indirect and Direct Customer Acquisition

Citigold and Smart outlets

As at the end of the first quarter of 2021, the Bank's network comprised 19 branches, that is 9 Hub Gold branches, 9 Smart branches and 1 corporate branch. The total number of customer service centers has not changed since the end of the first quarter of 2020. Despite the COVID-19 pandemic, customer service continuity was maintained at the same level in all offices of the branch network. In order to ensure operational continuity of the branches, the Bank continues to work in shifts. The introduced safety standards and constant monitoring of implemented processes with regard to direct service guarantee a high level of safety at offices. Due to the ongoing pandemic situation, the Bank is observing a reduced number of financial and non-financial transactions performed in branches. There is also a visible increase in remote contacts with customers, by telephone and online, as well as in self-service.

Changes to the network of outlets

Number of branches and other Points of Sale /touch points

	31.03.2021 (1)	31.12.2020 (2)	31.03.2020 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**19**	**19**	**19**	**-**	**-**
Hub Gold	9	9	9	-	-
Smart branch	9	9	9	-	-
Corporate branch	1	1	1	-	-

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

9 Rating

As of end of the first quarter of 2021, the Bank had full ratings awarded by Fitch Ratings ("Fitch").

On September 29, 2020 Fitch as part of the annual review, affirmed all ratings of the Bank in the following levels:

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.*

The Bank's Ratings (IDRs) are driven by its intrinsic strength (as reflected in Viability rating ("VR") and potential parental support.

In the justification for the assessment, the rating agency stated that the Bank's Individual VR Rating is one notch higher than the rating for the Polish banking sector, which reflects the Bank's low risk appetite, high capitalization and high levels of liquidity, which makes the Bank more resilient to inherent risks in the Polish operating environment. The Bank's balance sheet is dominated by low risk assets, the quality of the loan portfolio is solid, which is the result of focusing on lending to high quality corporate and retail borrowers.

However, Bank's VR has limited tolerance for a material weakening of key credit metrics, therefore an advantages of the Bank mentioned above, may not protect it from the current challenges of the operating environment (including low interest rates and limited business activity). Therefore, Fitch changed the Bank's rating outlook from stable to negative.

For the full announcement published by Fitch please visit: **https://www.fitchratings.com/research/banks/fitch-affirms-bank-handlowy-at-aoutlook-negative-29-09-2020**

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	31.03.2021		31.12.2020	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Amounts due from banks	791,462	791,462	570,247	570,247
Amounts due from customers	22,296,361	22,183,301	21,914,223	21,749,968
Financial liabilities				
Amounts due to banks	2,753,100	2,753,104	5,118,861	5,118,753
Amounts due to customers	44,088,152	44,088,087	43,393,906	43,393,886

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 2021

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	2,673,647	3,270,364	-	5,944,011
derivatives	-	2,845,064	-	2,845,064
debt securities	2,627,535	425,300	-	3,052,835
equity instruments	46,112	-	-	46,112
Debt investment financial assets measured at fair value through other comprehensive income	11,818,104	831,172	-	12,649,276
Equity investments and other measured at fair value through income statement	34,408	-	45,402	79,810
Financial liabilities				
Financial liabilities held-for-trading	89,404	3,020,774	-	3,110,178
short sale of securities	89,404	-	-	89,404
derivatives	-	3,020,774	-	3,020,774

As at 31 December 2020

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	385,600	3,964,940	-	4,350,540
derivatives	323	3,370,573	-	3,370,896
debt securities	318,756	594,367	-	913,123
equity instruments	66,521	-	-	66,521
Debt investment financial assets measured at fair value through other comprehensive income	24,872,833	2,450,738	-	27,323,571
Equity investments and other measured at fair value through income statement	33,614	-	44,859	78,473
Financial liabilities				
Financial liabilities held-for-trading	43,469	3,612,953	-	3,656,422
short sale of securities	43,208	-	-	43,208
Derivatives	261	3,612,953	-	3,613,214
Hedging derivatives	-	98,025	-	98,025

As at March 31, 2021, the amount of financial assets classified to level III includes the value of the share in Visa Inc. (privileged series C) in the amount of PLN 23,923 thousand and the value of other minority shareholding in the amount of PLN 22,728 thousand. As at December 31, 2020, the amount of financial assets classified to level III includes the value of the share in Visa Inc. (privileged series C) in the amount of PLN 23,380 thousand and the value of other minority interests in the amount of PLN 21,479 thousand.

The method of estimating the fair value of series C Visa Inc preference shares takes into account the value of Visa Inc. shares and corrections resulting from disputes (current or potential) to which Visa or the Bank would be a party. Minority shareholding in Biuro Informacji Kredytowej S.A. and Krajowa Izba Rozliczeniowa S.A. were measured at fair value based on the book value of net assets, based on the financial statements of the companies. Changes in the valuation are taken to the Income statement and presented in the Net gain/(loss) on equity and other instruments measured at fair value through income statement.

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:

	Equity and other investments measured at fair value through income statement	
PLN '000	01.01.-31.03.2021	01.01.-31.12.2020
As at 1 January	**44,859**	**61,530**
Sale		
Conversion of shares	-	(22,168)
Revaluation	543	5,497
As at the end of period	**45,402**	**44,859**

In the three month period of 2021 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 2021 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 2021 the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

IBOR reform

The interest rate benchmark reform (IBOR reform) aims at on opposing the manipulation of reference benchmarks and ensuring that benchmarks are reliable and representative. The requirements are set by Regulations (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.

As a result of the reform of the interest rate reference benchmark and its replacement with a risk-free alternative interest rate, the Group has launched a project to manage the transition for any of its potentially affected contracts.

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships as at 31 December 2020. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Bank manages through hedging relationships.

As at 31 March 2021 the Group has not an active hedging relationship, that will be affected by IBOR reform.

in PLN million	Nominal amount 2020-12-31	Average maturity (in years)
IRS		
WIBOR6M	100	2Y
WIBOR6M	2.339	3Y
WIBOR6M	4.161	4Y
WIBOR6M	3.764	5Y
Total	**10.364**	

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 2021	**(1,708)**	**-**	**-**	**(1,708)**
Transfer between Stages	-	-	-	-
(Creation)/Releases in the period though the income statement	(1,961)	-	-	(1,961)
Foreign exchange and other movements	(4)	-	-	(4)
Provision for expected credit losses as at 31 March 2021	**(3,673)**	**-**	**-**	**(3,673)**

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 2021	**(80,836)**	**(122,611)**	**(638,299)**	**(841,746)**
Transfer to Stage 1	(19,565)	16,682	2,883	-
Transfer to Stage 2	3,250	(7,599)	4,349	-
Transfer to Stage 3	469	19,157	(19,626)	-
(Creation)/Releases in the period though the income statement	30,708	(13,818)	(36,546)	(19,656)
Net changes due to modification derecognition	-	-	(109)	(109)
Decrease in provisions due to write-offs	-	-	697	697
Foreign exchange and other movements	(69)	(105)	318	144
Provision for expected credit losses as at as at 31 March 2021	**(66,043)**	**(108,294)**	**(686,333)**	**(860,670)**

As at 31 March 2021, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

In the period from 1 January to 31 March 2021, 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 2020	**(2,594)**	**-**	**-**	**(2,594)**
Transfer between Stages	-	-	-	-
(Creation)/Releases 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				

PLN '000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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)	-
(Creation)/Releases in the period though the income statement	1,393	(44,861)	(46,579)	(90,047)
Net changes due to modification derecognition	-	-	-	-
Decrease in provisions due to write-offs	-	-	1,636	1,636
Foreign exchange and other movements	(318)	(293)	(413)	(1,024)
Provision for expected credit losses as at 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).

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 between Stages	-	-	-	-
(Creation)/Releases in the period though the income statement	1,100	-	-	1,100
Foreign exchange and other movements	(214)	-	-	(214)
Provision for expected credit losses as at 31 December 2020	**(1,708)**	**-**	**-**	**(1,708)**

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	**(51,387)**	**(79,952)**	**(559,207)**	**(690,546)**
Transfer to Stage 1	(26,257)	25,734	523	-
Transfer to Stage 2	4,297	(6,355)	2,058	-
Transfer to Stage 3	853	15,637	(16,490)	-
(Creation)/Releases in the period though the income statement	(7,961)	(77,506)	(116,793)	(202,260)
Net changes due to modification derecognition	-	-	(109)	(109)
Decrease in provisions due to write-offs	-	-	39,228	39,228
Decrease in provisions in connection with the sale of receivables	-	-	10,886	10,886
Foreign exchange and other movements	(381)	(169)	1,605	1,055
Provision for expected credit losses as at as at 31 December 2020	**(80,836)**	**(122,611)**	**(638,299)**	**(841,746)**

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

The value of provisions for expected credit losses for off–balance sheet commitments amounted to PLN 36,605 thousand as at 31 March 2021 (31 December 2020: PLN 47,354 thousand, 31 March 2020: PLN 62,768 thousand).

12 Deferred tax asset and provision

PLN '000	**31.03.2021**	**31.12.2020**
Deferred tax asset	1,007,436	1,283,356
Deferred tax provision	(770,304)	(1,109,133)
Net asset due to deferred income tax of a parent company	**237,132**	**174,223**

Deferred tax asset and provision are presented in the consolidated statement of financial position after compensation at the level of the legal entity within the Group.

13 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 31 March 2021 the value of purchased by the Group components of "tangible fixed assets" equalled PLN 4,707 thousand (in 2020: PLN 28,931 thousand) and the value of disposals of “tangible fixed assets” amounted to PLN 1,414 thousand (in 2020: PLN 2,903 thousand).

As at 31 March 2021 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 2021 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 2021 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid (or declared) dividends

On January 19, 2021, the Management Board of Bank Handlowy w Warszawie S.A. adopted a resolution confirming, within Management Board competencies, the acceptance of the recommendation of the Polish Financial Supervision Authority expressed in the letter of January 13, 2021. In the letter mentioned above the Polish Financial Supervision Authority recommends that the Bank refrain from dividend payout in the first half of 2021 (including the undivided profit from previous years) and not take in the first half of 2021, without prior consultation with the Authority, any actions beyond its core business and operational activity that can result in lowering the capital base, including buyback.

18 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 2021 and changes in comparison with the end of 2020 are as follows:

PLN ‘000	State as at		Change	
	31.03.2021	**31.12.2020**	**PLN ‘000**	**%**
Contingent liabilities granted				
Financial	**14,486,060**	**14,197,972**	**288,088**	**2.0%**
Import letters of credit issued	144,923	162,523	(17,600)	(10.8%)
Credit lines granted	14,341,137	14,035,449	305,688	2.2%
Guarantees	**2 384 149**	**2 304 411**	**79 738**	**3,5%**
Guarantees granted	2 330 380	2 250 542	79 838	3,5%
Other	53,769	53,869	(100)	(0.2%)
	16,870,209	**16,502,383**	**367,826**	**2.2%**
Contingent liabilities received				
Guarantees (guarantees received)	18,157,196	17,725,578	431,618	2.4%
	18,157,196	**17,725,578**	**431,618**	**2.4%**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	30,912,901	17,298,628	13,614,273	78.7%
Forward**	304,091,474	293,796,104	10,295,370	3.5%
	335,004,375	**311,094,732**	**23,909,643**	**7.7%**

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

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

19 Changes in Group’s structure

In the first quarter of 2021 there was no change in the structure of Group’s entities comparing to the the end of 2020.

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 procedure is completed under the Polish Financial Supervision Authority.

20 Fulfilment of 2021 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2021.

21 Information about shareholders

As at the day of publishing the Interim Statement for the first quarter of 2021 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 2020 and publishing this report for the first quarter of 2021 the structure of major shareholdings has not undergone any changes.

22 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 2021	Number of shares on day of publishing the Consolidated Financial Report for 2020
Andrzej Olechowski	Chairman of Supervisory Board	2,200	2,200
Total		**2,200**	**2,200**

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

23 Information on pending court proceedings

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

- 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 case is pending before the court of first instance.

  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. On 11 May 2020 the Bank filed a response to the suit. The court referred the matter to mediation proceedings, so the case is pending before the court of first instance.

  In the Group'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 March 31, 2021, the Bank was among others a party to 20 court proceedings associated with derivative transactions. Among these, 15 proceedings have not been terminated with a legally binding conclusion, three proceedings are pending in the Supreme Court cassation proceeding, one proceeding has been terminated with a legally binding conclusion, however the time for cassation appeals has still not lapsed. In 14 proceedings the Bank acted as a defendant and in 6 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. By the judgment of November 23, 2020, the Appeal Court set aside the judgment of November 21, 2013 and remitted the case to the court of first instance for reconsideration.

  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 do not yet prevent a reliable and rational assessment of the influence of the judgment on proceedings pending before national courts. In near future, the resolution of the Civil Law Division of the Supreme Court is expected to rule again on issues on which courts are still inconsistent. It should be noted, however, that apart from the doubts in court cases, the recent measures of the Polish Financial Supervision Authority seeking to set out the direction and scope of possible settlements between Banks and Swiss franc borrowers should be borne in mind. It is likely that banks will decide to consider those measures in their disputes. The coming months should clarify the sector's approach to disputes over CHF loans.

  As at 31 March 2021, the Bank had receivables under CHF-indexed retail mortgage loans at the gross carrying amount of PLN 54 million. Despite the marginal share of CHF-indexed mortgage loans in the entire lending portfolio, in 2020, the Bank recognized a provision for those loans at PLN 13 million. Estimating the provision assumes conversion of a Swiss franc loan into a zloty loan with interest equal to the relevant WIBOR reference rate plus a margin. Moreover, the estimation takes into account the likelihoods of considered scenarios as well as the number of court cases, filed complaints, the market environment and the size of the lending portfolio under analysis. In the first quarter of 2021, the Group did not change the estimation of the provision, which is included in the Provision items in the consolidated statement of financial position.

  As of March 31, 2021, the Group is sued in 29 cases concerning a credit indexed to CHF for the total amount of PLN 5 million (most of the cases are in the first instance).

- 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.

  Starting from 28 September 2020, the Bank has been reimbursing fees using the "straight-line method" to all the consumers who repaid their consumer loans before the contractual deadline, after 11 September 2019, provided that the fee was charged during the term of the consumer loan agreement.

  On 13 November 2020, the Bank received a decision initiating proceedings by the UOKiK (Office for Competition and Consumer Protection) regarding the practice of non-lowering the total loan cost by the prorated costs (calculated by the straight-line method) attributable to the period by which the term of the consumer loan agreement is reduced in the event of total or partial loan prepayment.

It is possible, with the consent of both parties, that the proceedings will conclude with the so-called obligating decision, once the Bank makes commitments satisfactory to the regulator to change that practice. In a decision of that kind, the UOKiK does not find the practice unfair and does not impose fines. The proceedings may result in a decision finding the practice as infringing consumer interests, which may be appealed to a common court.

In addition to the practice applied from 28 September 2020, the Bank estimated the provision for potential commission returns in relation to the portfolio prepaid before 11 September 2011 and expected prepayment curves. As at 31 March 2021 the amount of the provision is PLN 19.6 million and isincluded in the Provision items in the consolidated statement of financial position. The determination of the provision take into account the portfolio structure, observed and expected complaints and expected prepayment curves.

As of March 31, 2021, the Bank was sued in 516 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 2.3 million.

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 2021 is PLN 2.7 million (PLN 3,7 million as at December 31, 2020). This value do not include provisions created in connection with the judgments of the CJEU.

In the first quarter of 2021 the Group did not make any significant settlement due to court ended with the final judgment.

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

In the first quarter of 2021, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

25 Information about significant guarantee agreements

In the first quarter of 2021 Bank and its subsidiaries did not grant guarantee – jointly to one entity or a subsidiary of that entity, which total value would be significant.

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

On April 15, 2021, Citigroup Inc. disclosed information on the planned changes to the Consumer Banking strategy, intending to pursue exits from this segment of activity in selected 13 markets, including Poland. The change mentioned above has no impact on the activities in the area of Institutional Banking.

On April 27, 2021 Fitch Ratings agency ("Fitch") affirmed the Bank's long-term rating, short-term rating (IDR's) and national ratings. The Bank's ratings remained unchanged. On the other hand, the Bank's viability rating ("VR rating") was placed on Negative Watch, following the Citigroup's announcement of the revised strategy to exit the consumer business in 13 markets including Poland.

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

The most serious risk factor in 2021 is the further spread and potential intensification of the COVID-19 pandemic in case of the emergence of new and increased range of virus mutations resistant to available vaccines. Such a scenario would most likely mean that Poland's and Europe's economy will be shut down again on a regular basis, which would lead, indirectly, to a decline in trade with main partners from the EU. Under the above scenario, the room for additional fiscal and monetary measures would be more limited than in 2020. And this in turn could cause more bankruptcies of companies, a significant increase in unemployment and tensions in the financial sector and public finance.

With an unfavorable environment on financial markets, growth in the public debt and borrowing needs could contribute to a significant growth in the debt servicing costs and depreciation of zloty. This would lead to a higher risk of tax raises, which could contribute to pushing the long-term path of economic growth downwards and reducing the competitiveness of Polish enterprises.

Another adverse factor for financial markets could be the risk of intensification of a trade tensions between United States and China. New barriers to trade could reduce demand also for Polish products and adversely affect growth in Poland. The uncertainty about the future relations between the UK and the European Union poses an additional threat.

Materialization of the above risks would result in a lower than currently expected GDP path in Poland, higher unemployment rate and more permanent reduction of investment outlays. As a result, the activity would most probably need more time to return to the levels from before the pandemic.

Interim condensed standalone financial statements of the Bank for the first quarter of 2021

Condensed income statement

PLN '000	For the period	I quarter accruals period from 01.01.21 to 31.03.21	I quarter accruals period from 01.01.20 to 31.03.20
Interest income		187,868	327,353
Similar income		12,740	25,204
Interest expense and similar charges		(3,537)	(51,152)
Net interest income		**197,071**	**301,405**
Fee and commission income		162,678	150,422
Fee and commission expense		(19,486)	(17,908)
Net fee and commission income		**143,192**	**132,514**
Dividend income		**-**	**100**
Net gain/(loss) on trading financial instruments and revaluation		**112,737**	**(8,530)**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**455,508**	**104,754**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**1,335**	**(1,652)**
Net gain/(loss) on hedge accounting		**696**	**(2,754)**
Other operating income		5,765	6,663
Other operating expenses		(5,764)	(6,599)
Net other operating income		**1**	**64**
General administrative expenses		**(328,165)**	**(346,747)**
Depreciation		**(27,256)**	**(23,393)**
Profit on sale of other assets		**(258)**	**(376)**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments		**(6,213)**	**(93,554)**
Tax on certain financial institutions		**(36,178)**	**(30,989)**
Profit before tax		**512,470**	**30,842**
Income tax expense		**(136,317)**	**(7,402)**
Net profit		**376,153**	**23,440**
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		2.88	0.18
Diluted net earnings per share (in PLN)		2.88	0.18

Condensed statement of comprehensive income

PLN '000 For a period	I quarter accruals period from 01.01.21 to 31.03.21	I quarter accruals period from 01.01.20 to 31.03.20
Net profit	**376,153**	**23,440**
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	(365,687)	44,429
Total comprehensive income	**10,466**	**67,869**

Condensed statement of financial position

PLN '000 as at	31.03.2021	31.12.2020
ASSETS		
Cash and balances with the Central Bank	14,883,420	4,488,332
Amounts due from banks	790,854	570,188
Financial assets held-for-trading	5,897,899	4,284,019
Debt investment financial assets measured at fair value through other comprehensive income	12,649,276	27,323,571
Shares in subsidiaries	105,564	105,621
Equity investments and other measured at fair value through income statement	79,489	78,153
Amounts due from customers	22,021,762	21,673,755
Tangible fixed assets	470,050	476,080
Intangible assets	1,242,353	1,251,250
Current income tax receivables	-	48,714
Deferred tax asset	236,471	173,472
Other assets	145,799	153,079
Non-current assets held-for-sale	6,163	6,163
Total assets	**58,529,100**	**60,632,397**
LIABILITIES		
Amounts due to banks	2,752,988	5,118,749
Financial liabilities held-for-trading	3,109,313	3,653,453
Hedging derivatives	-	98,025
Amounts due to customers	44,087,949	43,411,106
Provisions	74,132	84,775
Current income tax liabilities	11,046	-
Other liabilities	968,001	751,084
Total liabilities	**51,003,429**	**53,117,192**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	84,330	450,017
Other reserves	2,797,798	2,797,798
Retained earnings	1,176,320	800,167
Total equity	**7,525,671**	**7,515,205**
Total liabilities and equity	**58,529,100**	**60,632,397**

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 2021	**522,638**	**2,944,585**	**450,017**	**2,797,798**	**800,167**	**7,515,205**
Total comprehensive income, including:	-	-	(365,687)	-	376,153	10,466
Net profit	-	-	-	-	376,153	376,153
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	(365,687)	-	-	(365,687)
Balance as at 31 March 2021	**522,638**	**2,944,585**	**84,330**	**2,797,798**	**1,176,320**	**7,525,671**

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
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 2020	**522,638**	**2,944,585**	**114,893**	**2,874,289**	**567,298**	**7,023,703**
Total comprehensive income, including:	-	-	335,124	(1,707)	158,085	491,502
Net profit	-	-	-	-	158,085	158,085
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	335,124	-	-	335,124
Net actuarial profits/(losses) on specific services program valuation	-	-	-	(1,707)	-	(1,707)
Transfer to capital	-	-	-	(74,784)	74,784	-
As at 31 December 2020	**522,638**	**2,944,585**	**450,017**	**2,797,798**	**800,167**	**7,515,205**

Condensed summary statement of cash flows

PLN '000 For a period	I quarter accruals period from 01.01.21 to 31.03.21	I quarter accruals period from 01.01.20 to 31.03.20
Cash at the beginning of the reporting period	**4,519,581**	**3,796,804**
Cash flows from operating activities	10,828,658	(2,879,772)
Cash flows from investing activities	(11,276)	(14,523)
Cash flows from financing activities	(3,054)	(5,504)
Cash at the end of the reporting period	**15,333,909**	**897,005**
Increase/(decrease) in net cash	**10,814,328**	**(2,899,799)**

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 2020 and interim condensed consolidated financial statement of the Group for the first quarter of 2021.

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 2021 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 2021 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 2021.

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 2020 taking into account the changes described in the interim condensed consolidated financial statement of the Group for the first quarter of 2021.

Other information and explanations presented in interim condensed consolidated financial statements for the first quarter of 2021 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 2021 is presented below.

Bank's financial results

In the first quarter of 2021, the Bank generated a profit before tax of PLN 512.5 million, compared to PLN 30.8 million in the corresponding period of 2020 (i.e. increase by PLN 481.6 YoY).

Net profit earned in the period from January to March 2021 amounted to PLN 376.2 million compared to PLN 23.4 million of net profit in the corresponding period of 2020.

The net profit of the Bank in the first quarter of 2021 was driven mainly by the gain on debt investment financial assets measured at fair value through other comprehensive income (PLN 455.5 million at the end of the first quarter of 2021), partially offset by lower net interest income (by PLN 104.3 million compared to the corresponding period of the previous year).

The interim condensed consolidated financial statements for the first quarter of 2021 will be available on the website of Bank Handlowy w Warszawie SA. **ww.citihandlowy.pl.**

Urszula Lewińska
Director of Financial Reporting,
Control and Tax Department

28.04.2021

(signed in Polish version)

Natalia Bożek
Vice-President of
Management Board

28.04.2021

(signed in Polish version)

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