

**Subject: Preliminary consolidated financial statement of the Capital Group of Bank Handlowy w Warszawie S.A. for the second quarter of 2013**

Legal basis: Art. 5 section 1 item 25) of the Ordinance of the Minister of Finance on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state dated February 19, 2009 (Journal of Laws No. 33, item 259, as further amended).

Bank Handlowy w Warszawie S.A. hereby presents the preliminary consolidated data of the Capital Group of Bank Handlowy w Warszawie S.A. (hereinafter "the Group") for the second quarter of 2013.

In the second quarter of 2013, the Group posted a consolidated net profit of PLN 300.3 million, representing an increase of PLN 69.6 million (i.e. 30.2%) YoY. The second quarter 2013 consolidated profit before tax of PLN 375.7 million increased by PLN 90.0 million (i.e. 31.5%) as compared to the second quarter of 2012. The revenue of the Group increased by PLN 9.8 million (i.e. 1.5%) to PLN 678.6 million in the second quarter of 2013.

In the first half of 2013, the Group recorded a net profit of PLN 655.8 million, up by PLN 181.5 million (i.e. 38.3%) versus the net profit of PLN 474.3 million recorded in the first half of 2012. Profit before tax for the first half of 2013 stood at PLN 815.2 million, representing an increase of PLN 220.3 million compared to the corresponding period of 2012. The increase was driven by the main income statement items i.e. revenue increased PLN 65.8 YoY to PLN 1,473.4 million, operating and depreciation expenses decreased by PLN 102.5 million YoY to PLN 675.7 million, net impairment losses improved by PLN 53.5 million YoY to PLN +18.7 million versus PLN – 34.8 million recorded a year earlier.

Below is a summary of the key financial data and ratios for the second quarter of 2013 versus the year-ago quarter.

- **Net profit:** PLN 300.3 million (increase of PLN 69.6 million, i.e. 30.2%)
- **Operating margin:** PLN 347.7 million (increase of PLN 42.0 million, i.e. 13.7%)
- **Operating income:** PLN 678.6 million (increase of PLN 9.8 million, i.e. 1.5%)
- **Operating costs and depreciation:** PLN 331.0 million (decrease of PLN 32.2 million, i.e. 8.9%)
- **Key ratios:**
  - Return on equity (**ROE**): 17.9% (increase of 0 3.1 p.p.)
  - Return on assets (**ROA**): 2.7% (increase of 0.5 p.p.)
  - **Cost/income** ratio: 49% (decrease of 5.5 p.p.)
- **Capital adequacy ratio:** 17.5% (decrease of 0.8 p.p.)

Consolidated income statement

<i>PLN '000</i>	01.04 –	01.04 -	Change	
	30.06.2013	30.06.2012	PLN '000	%
Net interest income	310,537	368,842	(58,305)	(15.8%)
Net fee and commission income	165,130	151,246	13,884	9.2%
Dividend income	4,225	5,489	(1,264)	(23.0%)
Net income on trade financial instruments and revaluation	117,092	101,011	16,081	15.9%
Net gain on debt investment securities	81,334	46,139	35,195	76.3%
Net other operating income	319	(3,855)	4,174	-
<b>Total income</b>	<b>678,637</b>	<b>668,872</b>	<b>9,765</b>	<b>1.5%</b>
General administrative expenses and depreciation	(330,985)	(363,178)	32,193	(8.9%)
Profit/(loss) on sale of non-financial assets	94	19	75	394.7%
Net impairment due to financial assets and provisions value for granted financial and guarantees liabilities	29,198	(20,028)	49,226	-

PLN '000	01.04 – 30.06.2013	01.04 - 30.06.2012	Change	
			PLN '000	%
Share of profits (losses) of entities accounted using the equity method	(1,239)	25	(1,264)	-
<b>Profit before tax</b>	<b>375,705</b>	<b>285,710</b>	<b>89,995</b>	<b>31.5%</b>
Corporate income tax	(75,358)	(54,960)	(20,398)	37.1%
<b>Net profit</b>	<b>300,347</b>	<b>230,750</b>	<b>69,597</b>	<b>30.2%</b>

The main determinants of the net operating income of the Group in the second quarter of 2013 versus the year-ago quarter were in particular the following:

- net interest income of PLN 310.5 million compared to PLN 368.8 million recorded in the year-ago quarter – decrease of PLN 58.3 million, i.e. 15.8%, stemming from lower interest income from debt securities available-for-sale (PLN -47.1, i.e. 31.5%) and debt securities held-for-trading (PLN -1.2 million, i.e. 4.1%). In case of customer business, a decrease in net interest income of PLN 49.7 million (out of which PLN 20.8 million accounted for credit cards) was partially offset by lower interest expenses (PLN 25.8 million down YoY);

#### Net interest income

PLN '000	01.04. - 30.06.2013	01.04. - 30.06.2012	Change	
			PLN '000	%
<b>Interest and similar income from:</b>				
Balances with the Central Bank	6,294	9,678	(3,384)	(35.0%)
Amounts due from banks	13,930	11,413	2,517	22.1%
Amounts due from customers, including:	260,759	311,724	(50,965)	(16.3%)
Financial sector entities	9,338	10,640	(1,302)	(12.2%)
Non-financial sector entities, including:	251,421	301,084	(49,663)	(16.5%)
Credit cards	69,409	90,241	(20,832)	(23.1%)
Debt securities available-for-sale	102,484	149,628	(47,144)	(31.5%)
Debt securities held-for-trading	28,864	30,108	(1,244)	(4.1%)
<b>Total</b>	<b>412,331</b>	<b>512,551</b>	<b>(100,220)</b>	<b>(19.6%)</b>
<b>Interest expense and similar charges on:</b>				
Amounts due to banks	(11,817)	(26,893)	15,076	(56.1%)
Amounts due to financial sector entities (excl. banks <sup>1</sup> )	(22,215)	(22,096)	(119)	0.5%
Amounts due to non-financial sector entities	(66,853)	(92,690)	25,837	(27.9%)
Loans and advances received	(909)	(1,798)	889	(49.4%)
Debt securities issuance	-	(232)	232	(100.0%)
<b>Total</b>	<b>(101,794)</b>	<b>(143,709)</b>	<b>41,915</b>	<b>(29.2%)</b>
<b>Net interest income</b>	<b>310,537</b>	<b>368,842</b>	<b>(58,305)</b>	<b>(15.8%)</b>

- net fee and commission income of PLN 165.1 million versus PLN 151.2 million recorded in the year-ago quarter – increase of PLN 13.9 million, i.e. 9.2% driven mainly by capital markets, i.e. brokerage activity and sale of investment and insurance products. Higher fee on brokerage activity resulted from Dom Maklerski Banku Handlowego S.A.'s (DMBH) participation in capital market transactions (the accelerated sale of stake in Grupa Azoty S.A. completed in the second quarter of 2013) and was due to DMBH's increased equity transaction volumes on the Warsaw Stock Exchange by 61% YoY;

#### Net fee and commission income

PLN '000	01.04 – 30.06.2013	01.04 - 30.06.2012	Change	
			PLN '000	%
<b>Fee and commission income</b>				
Insurance and investment products	37,980	30,239	7,741	25.6%
Payment and credit cards	58,155	63,935	(5,780)	(9.0%)
Payment orders	26,583	27,250	(667)	(2.4%)

PLN '000	01.04 – 30.06.2013	01.04 - 30.06.2012	Change	
			PLN '000	%
Custody services	25,432	23,149	2,283	9.9%
Cash loans	1,389	1,790	(401)	(22.4%)
Brokerage operations	20,770	11,219	9,551	85.1%
Account cash management services	6,304	7,068	(764)	(10.8%)
Guarantees granted	3,260	3,576	(316)	(8.8%)
Financial liabilities granted	1,392	1,569	(177)	(11.3%)
Other	13,142	7,083	6,059	85.5%
<b>Total</b>	<b>194,407</b>	<b>176,878</b>	<b>17,529</b>	<b>9.9%</b>
<b>Fee and commission expense</b>				
Payment and credit cards	(13,222)	(13,772)	550	(4.0%)
Brokerage operations	(6,078)	(4,506)	(1,572)	34.9%
Fees paid to the National Depository for Securities (KDPW)	(5,209)	(4,111)	(1,098)	26.7%
Brokerage fees	(1,425)	(905)	(520)	57.5%
Other	(3,343)	(2,338)	(1,005)	43.0%
<b>Total</b>	<b>(29,277)</b>	<b>(25,632)</b>	<b>(3,645)</b>	<b>14.2%</b>
<b>Net fee and commission income</b>				
Insurance and investment products	37,980	30,239	7,741	25.6%
Payment and credit cards	44,933	50,163	(5,230)	(10.4%)
Payment orders	26,583	27,250	(667)	(2.4%)
Custody services	25,432	23,149	2,283	9.9%
Cash loans	1,389	1,790	(401)	(22.4%)
Brokerage operations	14,692	6,713	7,979	118.9%
Account cash management services	6,304	7,068	(764)	(10.8%)
Guarantees granted	3,260	3,576	(316)	(8.8%)
Financial liabilities granted	1,392	1,569	(177)	(11.3%)
Fees paid to the National Depository for Securities (KDPW)	(5,209)	(4,111)	(1,098)	26.7%
Brokerage fees	(1,425)	(905)	(520)	57.5%
Other	9,799	4,745	5,054	106.5%
<b>Net fee and commission expense</b>	<b>165,130</b>	<b>151,246</b>	<b>13,884</b>	<b>9.2%</b>

- net income on trade financial instruments and revaluation of PLN 117.1 million versus PLN 101.0 million recorded in the second quarter of 2012, i.e. up by PLN 16.1 million, principally reflecting higher income on the Bank's proprietary management;
- net gain on investment debt securities of PLN 81.3 million versus PLN 46.1 million recorded in the year-ago quarter, i.e. an increase of PLN 35.2 million, stemming from the realized gains in favorable conditions on the domestic debt market;
- general administrative and depreciation expenses of PLN 331.0 million versus PLN 363.2 million recorded in the corresponding period of 2012 – a decrease of PLN 32.2 million (i.e. 8.9%) primarily as a consequence of the branch network optimization and employment restructuring effected in 2012 (staff expenses went down by PLN 10.9 million and property rent and maintenance costs by PLN 4.2 million). In the second quarter of 2013, the Group reported lower spending on marketing and advertising as a result of high base in the second quarter of 2012 in Corporate Banking, as well as a decreased marketing spending related to retail mass segment broadly matched by increased spending on Gold and Gold Select customers;

#### General administrative expenses and depreciation expense

PLN '000	01.04 – 30.06.2013	01.04 - 30.06.2012	Change	
			PLN '000	%
Staff expenses	(162,870)	(173,796)	10,926	(6.3%)
Remuneration costs	(111,792)	(124,777)	12,985	(10.4%)
Bonuses and rewards	(31,100)	(27,635)	(3,465)	12.5%
Social security costs	(19,978)	(21,384)	1,406	(6.6%)

PLN '000	01.04 – 30.06.2013	01.04 - 30.06.2012	Change	
			PLN '000	%
<b>Administrative expenses</b>	<b>(154,726)</b>	<b>(171,492)</b>	<b>16,766</b>	<b>(9.8%)</b>
Telecommunication fees and hardware purchase costs	(50,986)	(49,756)	(1,230)	2.5%
Advisory, audit, consulting and other external services' costs	(18,806)	(20,806)	2,000	(9.6%)
Building maintenance and rent costs	(22,128)	(26,316)	4,188	(15.9%)
Advertising and Marketing costs	(4,803)	(15,539)	10,736	(69.1%)
Cash management services, KIR services and other transactional costs	(10,741)	(10,993)	252	(2.3%)
Costs of external services concerning distribution of banking products	(13,253)	(13,606)	353	(2.6%)
Postal services, office supplies and printmaking costs	(5,642)	(5,350)	(292)	5.5%
Training and education costs	(2,538)	(1,420)	(1,118)	78.7%
Banking supervision costs	(2,198)	(2,085)	(113)	5.4%
Other costs	(23,631)	(25,621)	1,990	(7.8%)
<b>Depreciation/amortization of tangible and intangible assets</b>	<b>(13,389)</b>	<b>(17,890)</b>	<b>4,501</b>	<b>(25.2%)</b>
<b>General administrative expenses and depreciation expense in total</b>	<b>(330,985)</b>	<b>(363,178)</b>	<b>32,193</b>	<b>(8.9%)</b>

- reversal of net impairment losses of PLN 29.2 million versus PLN 20.0 million recorded in the year-ago quarter (an improvement of PLN 49.2 million). Net impairment losses in Corporate Banking stayed flat versus the corresponding period of 2012 and referred mainly to the individually assessed SME portfolio. The retail receivables continued to improve and were broadly matched by releases of provisions. Moreover, in the second quarter of 2013 a part of retail impaired exposures (amounts due for cash loans and credit cards) of value of PLN 148.8 million (98% out of which constituted written-off receivables) was sold for PLN 23.3 million.

#### Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities

PLN '000	01.04 – 30.06.2013	01.04 - 30.06.2012	Change	
			PLN '000	%
<b>Net impairment write-downs of financial assets</b>				
<b>Impairment write-downs</b>				
Amounts due from banks	(469)	(290)	(179)	61.7%
Amounts due from customers	(62,291)	(87,031)	24,740	(28.4%)
Amounts due from matured derivative transactions	(1)	(1,150)	1,149	(99.9%)
Other	(2,787)	(3,326)	539	(16.2%)
	<b>(65,548)</b>	<b>(91,797)</b>	<b>26,249</b>	<b>(28.6%)</b>
<b>Reversals of impairment write-downs</b>				
Amounts due from banks	698	98	600	612.2%
Amounts due from customers	70,589	57,671	12,918	22.4%
Amounts due from matured derivative transactions	65	110	(45)	(40.9%)
Recovers from sold debts	23,441	14,551	8,890	61.1%
	<b>94,793</b>	<b>72,430</b>	<b>22,363</b>	<b>30.9%</b>
	<b>29,245</b>	<b>(19,367)</b>	<b>48,612</b>	<b>-</b>
<b>Net charges to / releases of provisions for granted financial and guarantee commitments</b>				
Establish of provisions for granted financial and guarantee commitments	(8,502)	(4,890)	(3,612)	73.9%
Release of provisions for granted financial and guarantee commitments	8,455	4,229	4,226	99.9%
	<b>(47)</b>	<b>(661)</b>	<b>614</b>	<b>(92.9%)</b>
<b>Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities</b>	<b>29,198</b>	<b>(20,028)</b>	<b>49,226</b>	<b>-</b>

## Consolidated statement of comprehensive income

	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2013	01.01. - 30.06. 2013	01.04. - 30.06. 2012	01.01. - 30.06. 2012
<i>PLN'000</i>				
Net profit	300,347	655,774	230,750	474,321
Other comprehensive income:				
Net valuation of financial assets available-for-sale	(100,377)	(286,071)	3,993	118,592
Exchange rates differences	1,055	1,701	677	(1,175)
Other comprehensive income after tax	(99,322)	(284,370)	4,670	117,417
<b>Total comprehensive income</b>	<b>201,025</b>	<b>371,404</b>	<b>235,420</b>	<b>591,738</b>
Including:				
Comprehensive income attributable to Bank's shareholders		376,357		591,738

## Consolidated statement of financial position

As at June 30, 2013, total assets of the Group stood at PLN 46,283.7 million, i.e. 6.4% higher versus the end of 2012. The increase was predominantly by the following events:

- receivables due from customers increased by PLN 0.8 billion, i.e. 5.0%, predominantly due to higher receivables for repurchase transactions in the financial sector. In terms of non-financial sector, the receivables went down by 4.5%, stemming mainly from a decline in loans to corporate clients;
- financial assets held-for-trading increased by PLN 2.0 billion, i.e. 29.8%, mainly as a result of increased Treasury bond portfolio;
- securities available-for-sale portfolio decreased by PLN 0.9 billion, i.e. 5.9%, as a result of decreased position in bonds broadly matched by increased commitment in the National Bank of Poland cash bills;
- amounts due from banks increased by PLN 0.8 billion, i.e. 57.6%.

The biggest change in the liabilities was recorded in liabilities towards banks which increased by PLN 4.7 billion versus the end of 2012. In the first half of 2013, the Group saw also an increase in customer deposits, driven mainly by higher balances on current accounts of individuals (growth by PLN 1.0 billion, i.e. 20.2%, predominantly in the area of savings accounts) and deposits of financial sector entities (up by PLN 1.4 billion, i.e. 51%). On the other hand, corporate deposits and other liabilities towards customers went down (by PLN 1.7 billion, i.e. 11.2%, and PLN 2.5 billion, i.e. 78.8%, respectively), which caused a drop in the total liabilities towards customers by PLN 1.9 billion, i.e. 7.1%. Decline in other liabilities towards customers was due to decreased repo transactions volume.

## Consolidated statement of financial position

<i>PLN '000</i>	State as at		Change	
	30.06.2013	31.12.2012	PLN '000	%
<b>ASSETS</b>				
Cash and balances with the Central Bank	759,657	1,357,308	(597,651)	(44.0%)
Amounts due from banks	2,304,167	1,461,901	842,266	57.6%
Financial assets held-for-trading	8,876,177	6,838,483	2,037,694	29.8%
Debt securities available-for-sale	14,123,084	15,003,003	(879,919)	(5.9%)
Capital investments valued at equity method	13,305	15,110	(1,805)	(12.0%)
Other equity investments available for sale	15,183	19,921	(4,738)	(23.8%)
Amounts due from customers	17,029,070	16,221,412	807,658	5.0%
Tangible fixed assets	397,360	409,916	(12,556)	(3.1%)
Intangible assets	1,405,867	1,379,931	25,936	1.9%
Income tax assets	239,572	221,488	18,084	8.2%

PLN '000	State as at		Change	
	30.06.2013	31.12.2012	PLN '000	%
Other assets	1,107,541	567,736	539,805	95.1%
Fixed assets held-for-sale	12,738	12,554	184	1.5%
<b>Total assets</b>	<b>46,283,721</b>	<b>43,508,763</b>	<b>2,774,958</b>	<b>6.4%</b>
<b>LIABILITIES</b>				
Due to banks	7,104,380	2,356,429	4,747,951	201.5%
Financial liabilities held-for-trading	4,843,821	5,846,404	(1,002,583)	(17.2%)
Due to customers	24,951,588	26,852,165	(1,900,577)	(7.1%)
Provisions	27,654	28,656	(1,002)	(3.5%)
Current income tax liabilities	586	55,343	(54,757)	(98.9%)
Other liabilities	2,349,392	978,351	1,371,041	140.1%
<b>Total liabilities</b>	<b>39,277,421</b>	<b>36,117,348</b>	<b>3,160,073</b>	<b>8.8%</b>
<b>EQUITY</b>				
Share capital	522,638	522,638	-	-
Share premium	2,997,759	3,011,380	(13,621)	(0.5%)
Revaluation reserve	(28,280)	257,791	(286,071)	-
Other reserves	2,860,571	2,637,066	223,505	8.5%
Retained earnings	653,612	962,540	(308,928)	(32.1%)
<b>Total equity</b>	<b>7,006,300</b>	<b>7,391,415</b>	<b>(385,115)</b>	<b>(5.2%)</b>
<b>Total liabilities and equity</b>	<b>46,283,721</b>	<b>43,508,763</b>	<b>2,774,958</b>	<b>6.4%</b>

#### Receivables from customers divided into at risk vs. not at risk of impairment

PLN '000	30.06.2013	31.12.2012	Change	
			PLN '000	%
Not at risk of impairment, including:	16,755,825	15,938,733	817,092	5.1%
non-financial sector	14,327,071	15,005,344	(678,273)	(4.5%)
corporate customers *	9,189,616	9,833,172	(643,556)	(6.5%)
individual customers	5,137,455	5,172,172	(34,717)	(0.7%)
At risk of impairment, including:	1,238,050	1,299,462	(61,412)	(4.7%)
non-financial sector	1,219,054	1,280,466	(61,412)	(4.8%)
corporate customers *	522,193	531,645	(9,452)	(1.8%)
individual customers	696,861	748,821	(51,960)	(6.9%)
Dues related to matured derivative transactions	109,930	114,144	(4,214)	(3.7%)
<b>Total gross receivables from customers, including:</b>	<b>18,103,805</b>	<b>17,352,339</b>	<b>751,466</b>	<b>4.3%</b>
non-financial sector	15,546,125	16,285,810	(739,685)	(4.5%)
corporate customers *	9,711,809	10,364,817	(653,008)	(6.3%)
individual customers	5,834,316	5,920,993	(86,677)	(1.5%)
<b>Impairment, including:</b>	<b>(1,074,735)</b>	<b>(1,130,927)</b>	<b>56,192</b>	<b>(5.0%)</b>
Dues related to matured derivative transactions	(92,383)	(94,925)	2,542	(2.7%)
<b>Total net receivables from customers</b>	<b>17,029,070</b>	<b>16,221,412</b>	<b>807,658</b>	<b>5.0%</b>
<b>Provision coverage ratio**</b>	<b>79.4%</b>	<b>79.7%</b>	<b>(0.4)</b>	
corporate customers *	71.4%	67.0%	4.4	
individual customers	84.8%	88.2%	(3.5)	
<b>Non-performing loans ratio (NPL)</b>	<b>6.9%</b>	<b>7.5%</b>	<b>(0.7)</b>	

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

\*\*Ratio calculated with IBNR impairment

## Customer net receivables

PLN '000	30.06.2013	31.12.2012	Change	
			PLN '000	%
Amounts due from financial sector entities	2,428,609	933,272	1,495,337	160.2%
Amounts due from non-financial sector entities including:	14,600,461	15,288,140	(687,679)	(4.5%)
Corporate customers *	9,356,769	10,027,941	(671,172)	(6.7%)
Individual customers, including:	5,243,692	5,260,199	(16,507)	(0.3%)
Credit cards	2,084,237	2,150,189	(65,952)	(3.1%)
Cash loans	2,080,072	2,103,643	(23,571)	(1.1%)
Mortgages	1,008,001	925,740	82,261	8.9%
<b>Total net customer receivables</b>	<b>17,029,070</b>	<b>16,221,412</b>	<b>807,658</b>	<b>5.0%</b>

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

## Customer liabilities

PLN '000	30.06.2013	31.12.2012	Change	
			PLN '000	%
<b>Current accounts of:</b>	<b>14,418,582</b>	<b>14,279,499</b>	<b>139,083</b>	<b>1.0%</b>
financial sector entities	863,745	444,961	418,784	94.1%
non-financial sector entities, including:	13,554,837	13,834,538	(279,701)	(2.0%)
corporate customers*, including:	7,741,649	8,998,764	(1,257,115)	(14.0%)
budgetary units	1,415,983	2,008,369	(592,386)	(29.5%)
individual customers	5,813,188	4,835,774	977,414	20.2%
<b>Term deposits from:</b>	<b>9,830,032</b>	<b>9,330,619</b>	<b>499,413</b>	<b>5.4%</b>
financial sector entities	3,358,877	2,346,533	1,012,344	43.1%
non-financial sector entities, including:	6,471,155	6,984,086	(512,931)	(7.3%)
corporate customers*, including:	5,513,379	5,933,352	(419,973)	(7.1%)
budgetary units	633,832	823,099	(189,267)	(23.0%)
individual customers	957,776	1,050,734	(92,958)	(8.9%)
<b>Accrued interest</b>	<b>20,137</b>	<b>19,602</b>	<b>535</b>	<b>2.7%</b>
<b>Total customers deposits</b>	<b>24,268,751</b>	<b>23,629,720</b>	<b>639,031</b>	<b>2.7%</b>
<b>Other liabilities to customers</b>	<b>682,837</b>	<b>3,222,445</b>	<b>(2,539,608)</b>	<b>(78.8%)</b>
<b>Total amounts due to customers</b>	<b>24,951,588</b>	<b>26,852,165</b>	<b>(1,900,577)</b>	<b>(7.1%)</b>

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

## Financial ratios and employment data

In the second quarter of 2013, the key efficiency ratios improved. The return on equity ratio (ROE) and the return on assets ratio (ROA) grew to 17.9% and 2.7%, respectively. This was predominantly due to the growth in net profit in the second quarter of 2013. In terms of cost efficiency, the Group saw an improvement in reducing the cost to income ratio to 49% from 54% reported a year earlier.

The Group continued to maintain safe liquidity and capital adequacy position confirmed by the following ratios: the loan to deposit ratio of 73% and the capital adequacy ratio of 17.5%.

The only ratio which weakened versus the year-ago quarter was the net interest margin. Net interest margin on total assets dropped to 3.2%, while net interest margin on interest bearing assets to 3.8%. The decrease was a result of the monetary policy easing being in progress since the second half of 2012 (the interest rates have been reduced in total by 200 b.ps. from June 30, 2012 to June 30, 2013).

Ratios	2Q 2013	2Q 2012
ROE	17.9%	14.8%
ROA	2.7%	2.2%
Cost/Income	49%	54%
Interest margin on total assets	3.2%	3.7%
Interest margin on interest-bearing assets	3.8%	4.4%
Non-financial sector loans/ Non-financial sector deposits	73%	77%
Capital adequacy ratio	17.5%	18.3%

### Group employment

In full time job equivalents (FTE)	01.04 –		Change	
	30.06.2013	30.06.2012	FTEs	%
Average employment in the period	4,891	5,360	(469)	(8.7)
Employment at the end of quarter	4,796	5,295	(499)	(9.4)

### Consolidated income statement of the Group by business segments

For the period	01.04 – 30.06.2013			01.04 -30.06.2012		
	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<i>PLN '000</i>						
Net interest income	146,560	163,977	310,537	173,866	194,976	368,842
Net commission income	75,411	89,719	165,130	65,043	86,203	151,246
Dividend income	1,294	2,931	4,225	1,775	3,714	5,489
Net income on trade financial instruments and revaluation	108,477	8,615	117,092	91,483	9,528	101,011
Net gain on debt investment securities	81,334	-	81,334	46,139	-	46,139
Net other operating income	4,914	(4,595)	319	2,182	(6,037)	(3,855)
General administrative expenses	(135,091)	(182,505)	(317,596)	(162,770)	(182,518)	(345,288)
Depreciation of fixed assets and intangible assets	(6,414)	(6,975)	(13,389)	(8,293)	(9,597)	(17,890)
Profit / (loss) on sale of nonfinancial assets	92	2	94	14	5	19
Net impairment due to financial assets and provisions value for granted financial and guarantees liabilities	(6,751)	35,949	29,198	(7,032)	(12,996)	(20,028)
<b>Operating income</b>	<b>269,826</b>	<b>107,118</b>	<b>376,944</b>	<b>202,407</b>	<b>83,278</b>	<b>285,685</b>
Share in net profits (losses) of entities valued at equity method	(1,239)	-	(1,239)	25	-	25
<b>Profit before tax</b>	<b>268,587</b>	<b>107,118</b>	<b>375,705</b>	<b>202,432</b>	<b>83,278</b>	<b>285,710</b>
Income tax expense			(75,358)			(54,960)
<b>Net profit</b>			<b>300,347</b>			<b>230,750</b>