



**2014 SEMI-ANNUAL REPORT
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.**

AUGUST 2014

SELECTED FINANCIAL DATA	In PLN '000		In EUR '000***	
	First half of 2014	First half of 2013	First half of 2014	First half of 2013
Condensed Interim Consolidated Financial Statements data				
Interest income	767,282	854,196	183,631	202,704
Fee and commission income	378,846	387,841	90,668	92,036
Profit before tax	627,486	815,220	150,174	193,455
Net profit	513,899	655,774	122,989	155,618
Comprehensive income	559,928	371,404	134,005	88,136
Increase of net cash	247,177	1,529	59,156	363
Total assets*	45,374,543	45,398,389	10,904,983	10,946,757
Amounts due to banks*	4,051,384	6,378,436	973,680	1 538,010
Amounts due to customers*	26,299,341	26,568,765	6,320,590	6 406,434
Equity	6,932,594	7,006,300	1,666,128	1,618,382
Share capital	522,638	522,638	125,607	120,724
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	53.06	53.62	12.75	12.39
Capital adequacy ratio (in %)	17.0	17.5	17.0	17.5%
Earnings per share (PLN/EUR)	3.93	5.02	0.94	1.19
Diluted earnings per share (PLN/EUR)	3.93	5.02	0.94	1.19
Condensed Interim Stand-alone Financial Statements data				
Interest income	761,104	844,327	182,152	200,362
Fee and commission income	340,612	335,779	81,517	79,682
Profit before tax	655,055	787,360	156,772	186,844
Net profit	544,346	633,102	130,276	150,238
Comprehensive income	590,288	347,036	141,271	82,353
Increase of net cash	247,108	11,897	59,139	2,823
Total assets*	44,811,145	44,961,757	10,769,580	10,841,473
Amounts due to banks*	3,896,889	6,172,957	936,550	1,488,464
Amounts due to customers*	26,402,784	26,634,357	6,345,450	6,422,250
Equity	6,877,294	6,934,245	1,652,838	1,601,738
Share capital	522,638	522,638	125,607	120,724
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	52.64	53.07	12.65	12.26
Capital adequacy ratio (in %)	16.9	17.0	16.9	17.0
Earnings per share (PLN/EUR)	4.17	4.85	1.0	1.15
Diluted earnings per share (PLN/EUR)	4.17	4.85	1.0	1.15
Declared or paid dividends per share (PLN/EUR)**	7.15	5.79	1.72	1.34

* Comparative data according to balance sheet as at 31 December 2013.

**The presented ratios relate respectively to dividend approved for the distribution of 2013 profit and dividend paid in 2013 from the distribution of 2012 profit.

***The following exchange rates were applied to convert PLN to EUR: for the statement of financial position items- average NBP exchange rate as at 30 June 2014: EUR 1 = PLN 4.1609 (as at 31 December 2013: PLN 4.1472; as at 30 June 2013: PLN 4.3292); for the income statement, the statement of comprehensive income and the cash flow statement items – the rate is calculated as the arithmetic mean of NBP exchange rates prevailing as at the last day of each month of the first half of 2014: EUR 1 = PLN 4.1784 (in the first half of 2013: PLN 4.2140).



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014**

AUGUST 2014

CONTENTS

Condensed consolidated income statement	6
Condensed consolidated statement of comprehensive income	7
Condensed consolidated statement of financial position	8
Condensed consolidated statement of changes in equity	9
Condensed consolidated statement of cash flows	10
Supplementary notes to the condensed interim consolidated financial statements	11
1. General information about the Capital Group ("The Group")	11
2. Declaration of conformity	11
3. Significant accounting policies	12
4. Segment reporting	12
5. Risk Management	14
6. Interest income	24
7. Net fee and commission income	25
8. Net income on financial instruments and revaluation	25
9. Net gain on debt investment securities	26
10. Net other operating income	26
11. General administrative expenses	26
12. Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	28
13. Income tax expense	29
14. Statement of changes in other comprehensive income	29
15. Amounts due from banks	30
16. Financial assets and liabilities held-for-trading	30
17. Debt securities available-for-sale	32
18. Amounts due from customers	32
19. Deferred income tax asset	33
20. Amounts due to banks	34
21. Amounts due to customers	34
22. Financial assets and liabilities by maturity date	34
23. Financial instruments disclosure	35
24. Seasonality or periodicity of business activity	38
25. Issue, redemption and repayment of debt and equity securities	38
26. Paid or declared dividends	38
27. Changes in Group's structure	38
28. Major events after the balance sheet date not included in the financial statements	38

29. Changes in granted and received financial and guarantee commitments	38
30. Information about shareholders	39
31. Information on pending proceedings	39
32. Related parties	40
33. Transactions with the key management personnel	42
34. Other significant information	42

Condensed consolidated income statement

	For a period		II quarter	I half of the year	II quarter	I half of the year
	Note		01.04. - 30.06. 2014	01.01. - 30.06. 2014	01.04. - 30.06. 2013	01.01. - 30.06. 2013
<i>PLN'000</i>						
Interest and similar income	6		387,824	767,282	412,331	854,196
Interest expense and similar charges	6		(85,703)	(172,078)	(101,794)	(216,567)
Net interest income	6		302,121	595,204	310,537	637,629
Fee and commission income	7		192,838	378,846	194,407	387,841
Fee and commission expense	7		(25,708)	(54,719)	(29,277)	(59,081)
Net fee and commission income	7		167,130	324,127	165,130	328,760
Dividend income			5,682	5,682	4,225	4,225
Net income on trading financial instruments and revaluation	8		105,944	231,325	117,092	237,853
Net gain on debt investment securities	9		65,656	105,288	81,334	253,298
Net gain on equity investment instruments			-	2,855	-	1,844
Net loss on hedge accounting			-	(709)	-	-
Other operating income	10		14,860	30,579	13,633	33,654
Other operating expenses	10		(10,270)	(22,712)	(13,314)	(23,879)
Net other operating income	10		4,590	7,867	319	9,775
General administrative expenses	11		(310,472)	(606,582)	(317,596)	(648,893)
Depreciation and amortization			(17,850)	(36,184)	(13,389)	(26,795)
Profit on sale of other assets			144	297	94	162
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	12		(4,377)	(1,997)	29,198	18,728
Operating income			318,568	627,173	376,944	816,586
Share in net profits/(losses) of entities valued at equity method			322	313	(1,239)	(1,366)
Profit before tax			318,890	627,486	375,705	815,220
Income tax expense	13		(52,641)	(113,587)	(75,358)	(159,446)
Net profit			266,249	513,899	300,347	655,774

Including:

Net profit attributable to Bank's shareholders	513,899	655,774
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Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Earnings per share (in PLN)	3.93	5.02
Diluted net earnings per share (in PLN)	3.93	5.02

Explanatory notes on pages: 11-42 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of comprehensive income

		II quarter		I half of the year	
		01.04. - 30.06. 2014	01.01. - 30.06. 2014	01.04. - 30.06. 2013	01.01. - 30.06. 2013
	For a period				
<i>PLN'000</i>	Note				
Net profit		266,249	513,899	300,347	655,774
Other comprehensive income, that might be subsequently reclassified to profit or loss					
Changes in value of available-for-sale financial assets	14	74,011	45,927	(100,377)	(286,071)
Currency translation differences		(79)	102	1,055	1,701
Other comprehensive income net of tax		73,932	46,029	(99,322)	(284,370)
Total comprehensive income		340,181	559,928	201,025	371,404

Including:

Comprehensive income attributable to Bank's shareholders	559,928	371,404
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Explanatory notes on pages: 11-42 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of financial position

<i>PLN'000</i>	As at Note	30.06.2014	31.12.2013
ASSETS			
Cash and balances with the Central Bank		1,223,516	778,464
Amounts due from banks	15	4,628,034	3,539,927
Financial assets held-for-trading	16	6,990,515	5,751,829
Debt securities available-for-sale	17	12,857,655	17,616,041
Equity investments valued at equity method		8,126	7,814
Equity investments available for sale		13,671	15,280
Amounts due from customers	18	16,999,632	15,231,327
Tangible fixed assets		377,406	384,581
Intangible assets		1,402,198	1,417,363
Current income tax receivables		1,383	80,854
Deferred income tax asset	19	190,884	203,132
Other assets		667,979	359,039
Non-current assets held-for-sale		13,544	12,738
Total assets		45,374,543	45,398,389
LIABILITIES			
Amounts due to banks	20	4,051,384	6,378,436
Financial liabilities held-for-trading	16	5,775,176	4,196,896
Hedging derivatives		-	24,710
Amounts due to customers	21	26,299,341	26,568,765
Provisions		62,148	89,284
Current income tax liabilities		12,395	84
Other liabilities		2,241,505	832,950
Total liabilities		38,441,949	38,091,125
EQUITY			
Ordinary shares		522,638	522,638
Share premium		3,000,298	2,997,759
Revaluation reserve		2,964	(42,963)
Other reserves		2,898,679	2,859,388
Retained earnings		508,015	970,442
Total equity		6,932,594	7,307,264
Total liabilities and equity		45,374,543	45,398,389

Explanatory notes on pages: 11-42 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of changes in equity

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non- controlling interest	Total equity
Balance as at 1 January 2014	522,638	2,997,759	(42,963)	2,859,388	970,442	-	7,307,264
Total comprehensive income, including:	-	-	45,927	102	513,899	-	559,928
Net profit	-	-	-	-	513,899	-	513,899
Currency translation differences from the foreign operations' conversion	-	-	-	102	-	-	102
Net valuation of available-for-sale financial assets	-	-	45,927	-	-	-	45,927
Dividends to be paid	-	-	-	-	(934,598)	-	(934,598)
Transfer to capital	-	2,539	-	39,189	(41,728)	-	-
Balance as at 30 June 2014	522,638	3,000,298	2,964	2,898,679	508,015	-	6,932,594

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non- controlling interest	Total equity
Balance as at 1 January 2013	522,638	3,011,380	257,791	2,637,066	962,540	-	7,391,415
Total comprehensive income, including:	-	-	(286,071)	1,701	655,774	-	371,404
Net profit	-	-	-	-	655,774	-	655,774
Currency translation differences from the foreign operations' conversion	-	-	-	1,701	-	-	1,701
Net valuation of available-for-sale financial assets	-	-	(286,071)	-	-	-	(286,071)
Dividends to be paid	-	-	-	-	(756,519)	-	(756,519)
Transfer to capital	-	(13,621)	-	221,804	(208,183)	-	-
Balance as at 30 June 2013	522,638	2,997,759	(28,280)	2,860,571	653,612	-	7,006,300

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non- controlling interest	Total equity
Balance as at 1 January 2013	522,638	3,011,380	257,791	2,637,066	962,540	-	7,391,415
Total comprehensive income, including:	-	-	(300,754)	414	972,708	-	672,368
Net profit	-	-	-	-	972,708	-	972,708
Currency translation differences from the foreign operations' conversion	-	-	-	414	-	-	414
Net valuation of available-for-sale financial assets	-	-	(300,754)	-	-	-	(300,754)
Dividends paid	-	-	-	-	(756,519)	-	(756,519)
Transfer to capital	-	(13,621)	-	221,908	(208,287)	-	-
Balance as at 31 December 2013	522,638	2,997,759	(42,963)	2,859,388	970,442	-	7,307,264

Explanatory notes on pages: 11-42 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of cash flows

	For a period	01.01. - 30.06. 2014	01.01. - 30.06. 2013
<i>PLN '000</i>			
A. Cash flows from operating activities			
I. Net profit		513,899	655,774
II. Adjustments to reconcile net profit or loss to net cash provided by operating activities:		(846,764)	(1,059,803)
Current and deferred income tax recognized in income statement		113,587	159,446
Share in net profits/(losses) of entities valued at equity method		(313)	1,366
Depreciation expense		36,184	26,795
Net impairment due to financial assets value loss		3,131	(19,219)
Net provisions (recoveries)		917	3,827
Net interest income		(595,204)	(637,629)
Profit/loss on sale of investments		(292)	(158)
Other adjustments		(10,784)	(12,389)
Cash flows from operating income before changes in operating assets and liabilities		(452,774)	(477,961)
Increase/decrease in operating assets (excl. cash and cash equivalents)		239,604	(2,963,788)
Increase/decrease in amounts due from banks		(1,286,189)	(241,475)
Increase/decrease in amounts due from customers		(1,768,780)	(792,209)
Increase/decrease in debt securities available-for-sale		4,836,341	611,598
Increase/decrease in equity investments		1,537	4,716
Increase/decrease in financial assets held-for-trading		(1,245,521)	(2,013,659)
Increase/decrease in assets held-for-sale		(1,174)	(185)
Increase/decrease in other assets		(296,610)	(532,574)
Increase/decrease in operating liabilities (excl. cash and cash equivalents)		(633,594)	2,381,946
Increase/decrease in amounts due to banks		(2,370,925)	4,671,946
Increase/decrease in amounts due to customers		(261,831)	(1,896,194)
Change in liabilities held-for-trading		1,578,280	(1,002,583)
Change in amounts due to hedging derivatives		(24,710)	-
Increase/decrease in other liabilities		445,592	608,777
Interest received		751,410	760,079
Interest paid		(175,345)	(218,451)
Income tax paid		(27,818)	(167,492)
III. Net cash flows from operating activities		215,382	(29,893)
B. Cash flows from investing activities			
Purchase of tangible fixed assets		(15,734)	(15,352)
Disposal of tangible fixed assets		2,347	3,400
Purchase of intangible assets		(3,461)	(31,898)
Disposal of fixed assets/liabilities held-for-sale		147	88
Net cash flows from investing activities		(16,701)	(43,762)
C. Cash flows from financing activities			
Paid dividends		(383)	-
Inflows due to long-term loans from financial sector		104,283	103,777
Repayment of long-term loans from financial sector		(56,474)	(37,934)
Net cash flows from financing activities		47,426	65,843
D. Exchange rates differences resulting from cash and cash equivalent calculation		1,070	9,341
E. Net increase/decrease in cash and cash equivalent		247,177	1,529
F. Cash and cash equivalent at the beginning of reporting period		1,120,162	1,544,322
G. Cash and cash equivalent at the end of reporting period		1,367,339	1,545,851

Explanatory notes on pages: 11-42 are integral part of the condensed interim consolidated financial statements.

Supplementary notes to the condensed interim consolidated financial statements

1. General information about the Capital Group ("The Group")

Bank Handlowy w Warszawie S.A. ("the Bank") Head Office is located in Warsaw at Senatorska 16, 00-923 Warszawa. The Bank was established on the strength of Notarial Deed of 13 April 1870 and was registered and entered into the Register of Companies by the District Court for the capital city of Warsaw, XII Economic Department of the National Court Register. The Bank was registered under entry No. KRS 0000001538 and was granted a statistical REGON No. 000013037 and tax identification No. (NIP) 526-030-02-91.

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

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

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

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

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

These condensed interim consolidated financial statements present financial data of the Capital Group of Bank Handlowy w Warszawie S.A., that is composed of Bank Handlowy w Warszawie S.A. as the parent company and its subsidiaries: Dom Maklerski Banku Handlowego S.A., Handlowy-Leasing Sp. z o.o., Handlowy Investmens S.A., PPH Spomasz Sp. z o.o. w likwidacji and Handlowy Inwestycje Sp. z o.o.

In the first half of 2014 there were no changes in the structure of Group's entities.

2. Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*, adopted by European Union, and other applicable regulations. These 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 2013.

In accordance with the Decree of the Ministry of Finance dated 19 February 2009, 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 2014, No. 133) the Bank is obliged to publish its financial results for the six-month period ended 30 June 2014 which is deemed to be the current interim financial reporting period.

These condensed consolidated interim financial statements were approved by the Management Board on 18 August 2014.

3. Significant accounting policies

Condensed interim consolidated financial statements of the Group for the first half of 2014 have been prepared in accordance with accounting rules applied and summarized in the annual consolidated financial statements of the Group for the financial year ended 31 December 2013.

Since 1 January 2014, the following IFRSs were implemented: IFRS 10 – Consolidated financial statements; IFRS 11- Joint arrangements; IFRS 12 -‘Disclosure of interests in other entities; revised IFRS 27 - ‘Separate financial statement; IFRS 28 - ‘Investments in associates and joint ventures; IFRIC 21 and revisions of IASs 32, 36, 39. New standards had no significant influence on Group’s financial statement in period of their first use.

IFRIC 21 – Levies, has been implemented to use in European Union for year periods starting on 17 June 2014 or after this date. It is not expected to have significant influence on annual Group’s financial statement. However, it might have influence on interim Group’s financial statements.

The preparation of condensed interim consolidated financial statements of the Group with accordance to International Financial Reporting Standards requires from the Management to prepare certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. This financial statement is based on the same estimation rules, which were used in the annual financial statements of the Group for the financial year ended 31 December 2013, including the reasons and sources of uncertainty as at the balance sheet date.

The most significant estimates made for the 6 month period ended 30 June 2014, concern:

- Value loss of financial assets,
- Valuation to the fair value of derivatives,
- Employee benefits.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2014 to 30 June 2014 and from 1 April 2014 to 30 June 2014, and for the consolidated statements of financial situation as at 30 June 2014. Comparable financial data are presented for the period from 1 January 2013 to 30 June 2013 and from 1 April 2013 to 30 June 2013, and for consolidated statement of financial position as at 31 December 2013.

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

4. Segment reporting

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

The Group is managed in two main operating segments – Corporate Banking and Consumer Banking. The valuation of segment’s assets and liabilities as well as calculation of its financial results is based on the 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 the Group segments is based on prices derived from market rates. 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.

Corporate Banking

Within the Corporate Banking segment the Group offers products and provides services to commercial entities, municipalities and public sector. Apart from traditional banking services covering credit and deposit activities, the segment provides services in the area of cash management, trade finance, leasing, 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 in 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 by business segment

For the period	01.01 – 30.06.2014			01.01 – 30.06.2013		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
Net interest income	268,660	326,544	595,204	298,207	339,422	637,629
Internal interest income, including:	(25,941)	25,941	-	(17,576)	17,576	-
Internal income	-	25,941	25,941	-	17,576	17,576
Internal expenses	(25,941)	-	(25,941)	(17,576)	-	(17,576)
Net fee and commission income	142,020	182,107	324,127	158,040	170,720	328,760
Dividend income	2,114	3,568	5,682	1,294	2,931	4,225
Net income on financial instruments and revaluation	215,920	15,405	231,325	221,365	16,488	237,853
Net gain on debt investment securities	105,288	-	105,288	253,298	-	253,298
Net gain on capital investment instruments	2,855	-	2,855	1,844	-	1,844
Net loss on hedge accounting	(709)	-	(709)	-	-	-
Net other operating income	19,913	(12,046)	7,867	19,749	(9,974)	9,775
General administrative expenses	(265,517)	(341,065)	(606,582)	(291,057)	(357,836)	(648,893)
Depreciation and amortization	(12,055)	(24,129)	(36,184)	(13,154)	(13,641)	(26,795)
Profit on sale of other assets	296	1	297	92	70	162
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	(1,967)	(30)	(1,997)	(20,856)	39,584	18,728
Operating income	476,818	150,355	627,173	628,822	187,764	816,586
Share in net profits/(losses) of entities valued at equity method	313	-	313	(1,366)	-	(1,366)
Profit before tax	477,131	150,355	627,486	627,456	187,764	815,220
Income tax expense			(113,587)			(159,446)
Net profit			513,899			655,774

As at:	30.06.2014			31.12.2013		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
Total assets, including:	39,441,274	5,933,269	45,374,543	39,816,056	5,582,333	45,398,389
Equity investments valued at equity method	8,126	-	8,126	7,814	-	7,814
Non-current assets held-for-sale	-	13,544	13,544	-	12,738	12,738
Total liabilities and shareholders equity, including:	36,056,768	9,317,775	45,374,543	36,070,064	9,328,325	45,398,389
Liabilities	30,642,249	7,799,700	38,441,949	30,416,864	7,674,261	38,091,125

5. Risk Management

Credit Risk

The main purpose of risk management in the Group is ensuring both high quality of credit portfolio and business activity stabilization through minimizing the risk of credit losses. It is supported by Group's regulations and implemented control processes.

The process of active portfolio quality management includes not only assigning appropriate risk ratings but also internal classification that supports impairment analysis and applies relevant remedial or debt collection actions. The Group has put in place a uniform internal system for classification of receivables based on predetermined criteria. Risk rating assignment and classification system are crucial in defining the level of impairment allowances.

The Group recognizes and manages counterparty credit risk in the transactions of financial instruments, based on internal limits on Pre-Settlement and Settlement Exposures. Credit ratings are also given to these exposures.

In the first half of 2014 there were no significant changes in credit risk management systems and processes. Nevertheless, after taking into consideration the dynamic market conditions and changes within law regulations, new principles and procedures of credit granting were implemented.

The tables below present the Group's portfolio grouped by receivables from customers impaired and not impaired. The tables also present the details of impairment write-downs. Within impaired receivables there are a portfolio managed based on individual classification (individual assessment) and a portfolio managed based on the delinquency (portfolio assessment). Exposures without impairment are classified based on the internal risk ratings classified from 1 to 7, where risk category 1 is the best rating.

The internal risk ratings are set in the complex credit assessment's process, which consists of rating models and methodologies, additional corrections resulting, among others, from the acquired support and collateral, and all the defined processes used in order to get risk ratings.

The risk rating defines the probability of breach of contract by the debtor from liabilities within 1 year period. Ratings from 1 to 4- inclusive are treated as the equivalent of ratings at investments level of external credit rating agencies, what implies that they indicate low or medium level of credit risk. Ratings below 4- indicate increased credit risk, wherein the rating 7 means high credit risk and low ability to service debt obligations, even in favorable macroeconomic conditions.

The main indicator of impairment for Global Consumer Banking customers is a delay in payment of: the principal amount and interest; a minimum payable balance; a commission, or an exceeding of credit limit. For the purpose of impairment write-downs, it is assumed that the condition is met when a payment is overdue for at least 90 days at the impairment assessment date.

The maximum Group's credit risk exposure is presented below.

<i>PLN '000</i>	Note	30.06.2014	31.12.2013
Gross receivables due from banks	15	4,628,711	3,541,100
Gross receivables due from corporate customers	18	11,792,194	10,396,272
Gross receivables due from individual customers	18	6,137,325	5,819,088
Debt securities held-for-trading	16	3,088,883	2,215,673
Derivative instruments	16	3,901,100	3,531,126
Debt securities available-for-sale	17	12,857,655	17,616,041
Other financial assets		584,635	295,782
Contingent liabilities granted	29	15,646,629	15,901,139
		58,637,132	59,316,221

<i>LN '000</i>	30.06.2014			31.12.2013		
	Receivables from corporate customers	Receivables from individual customers	Receivables from banks	Receivables from corporate customers	Receivables from individual customers	Receivables from banks
Impaired receivables						
Individual assessment						
Gross amount	461,373	9,053	-	508,212	8,400	-
Impairment write-downs	367,629	3,067	-	371,075	3,084	-
Net amount	93,744	5,986	-	137,137	5,316	-
Portfolio assesment						
Gross amount	60,596	585,948	-	75,957	636,745	-
Impairment write-downs	45,937	435,683	-	50,802	471,977	-
Net amount	14,659	150,265	-	25,155	164,768	-
Not impaired receivables						
By risk rating						
Risk rating 1-4-	7,516,523	-	4,607,661	5,802,138	-	3,272,899
Risk rating +5-6-	3,565,244	-	20,412	3,806,562	-	264,476
Risk rating +7 and greater	188,458	-	638	203,403	-	725
By delinquency						
no delinquency	-	5,255,516	-	-	4,898,946	-
1-30 days	-	232,327	-	-	212,290	-
31-90 days	-	54,481	-	-	62,707	-
Gross amount	11,270,225	5,542,324	4,628,711	9,812,103	5,173,943	3,541,100
Impairment write-downs	24,231	53,340	677	26,348	60,747	1,173
Net amount	11,245,994	5,488,984	4,628,034	9,785,755	5,113,196	3,539,927
Total net value	11,354,397	5,645,235	4,628,034	9,948,047	5,283,280	3,539,927

PLN '000	30.06.2014			31.12.2013		
	Receivables from corporate customers	Receivables from customers	Receivables from banks	Receivables from corporate customers	Receivables from customers	Receivables from banks
Impairment write-downs for impaired receivables						
Impairment write- downs for individually assessed receivables	367, 629	3,067	-	371,075	3,084	-
Impairment write- downs for portfolio assessed receivables	45,937	435,683	-	50,802	471,977	-
IBNR allowances						
By risk rating						
Risk rating 1-4-	2,167	-	535	1,457	-	303
Risk rating +5-6-	14,883	-	142	17,191	-	859
Risk rating +7 and greater	7,181	-	-	7,700	-	11
By delinquency						
No delinquency	-	20,201	-	-	22,628	-
1-30 days	-	13,872	-	-	14,764	-
31-90 days	-	19,267	-	-	23,355	-
	24,231	53,340	677	26,348	60,747	1,173
Total impairment write-downs	437,797	492,090	677	448,225	535,808	1,173

In case of receivables due from individual customers neither impaired nor past due, the Group analyzes the quality of the credit portfolio in terms of delinquency history. From the amount of PLN 5,255,516 thousand on 30 June 2014 (PLN 4,898,946 thousand at the end of 2013), the amount of PLN 268,749 thousand is related to receivables, which from the moment of their arising at least once have exceeded 30 days past due (but have not exceeded 90 days) and the amount of PLN 7,544 thousand is related to receivables, which at least once have exceeded 90 days past due (respectively PLN 243,256 thousand and PLN 7,726 thousand at the end of 2013).

Receivables not impaired by delinquency:

PLN '000	30.06.2014			31.12.2013		
	Receivables from corporate customers	Receivables from customers	Receivables from banks	Receivables from corporate customers	Receivables from customers	Receivables from banks
Receivables with incurred but not reported (IBNR) losses						
Regular receivables	11,242,312	5,255,516	4,628,710	9,715,024	4,898,946	3,541,100
Overdue receivables, including:	27,914	286,808	-	97,079	274,997	-
1 – 30 days	13,480	232,327	-	88,681	212,290	-
Gross value	11,270,226	5,542,324	4,628,710	9,812,103	5,173,943	3,541,100

Structure of derivatives in terms of credit risk

<i>PLN '000</i>	30.06.2014			31.12.2013		
	Transactions with corporate customers	Transactions with customers	Transactions with to banks	Transactions with corporate customers	Transactions with customers	Transactions with to banks
Derivatives by risk rating						
Risk rating 1-4-	213,035	-	3,656,505	186,040	-	3,313,078
Risk rating +5-6-	7,007	-	21,100	13,474	-	16,600
Risk rating +7and greater	3,449	-	4	1,920	-	13
Total	223,491	-	3,677,609	201,434	-	3,329,691

Description below presents the classification of exposures in the portfolio of debt securities held for trading and portfolio of debt securities available for sale, according to Fitch agency ratings.

The portfolio of debt securities held-for-trading on 30 June 2014 in the amount of PLN 3,088,883 thousand (PLN 2,215,673 thousand at the end of 2013) includes debt securities with A issuer rating in amount of PLN 2,247,849 thousand (PLN 1,938,149 thousand at the end of 2013) and BBB- in amount of PLN 841,034 thousand (PLN 277,524 thousand at the end of 2013).

The portfolio of debt securities available-for-sale on 30 June 2014 in the amount of PLN 12,857,655 thousand (at the end of 2013: PLN 17,616,041 thousand) entirely includes debt securities with A issuer rating.

Other financial assets in amount of PLN 584,635 thousand on 30 June 2014 (PLN 295,782 thousand in the end of 2013) include gross receivables with delinquency over 90 days in amount of PLN 1,267 thousand (PLN 6,346 thousand in the end of 2013).

Structure of contingent liabilities in terms of risk rating:

<i>PLN'000</i>	30.06.2014		31.12.2013	
	Liabilities due to corporate customers	Liabilities due to banks	Liabilities due to corporate customers	Liabilities due to banks
Contingent liabilities granted by risk rating				
Risk rating 1-4-	7,791,432	217,793	7,792,063	411,916
Risk rating +5-6-	2,170,420	10,462	2,492,482	7,966
Risk rating +7and greater	191,659	-	191,985	-
Total	10,153,511	228,255	10,476,530	419,882

In case of granted contingent liabilities due to individual customers, the Group analyzes the quality of the credit portfolio in terms of delinquency history of these clients. From the amount of PLN 5,264,863 thousand on June 30 2014 (in the end of 2013: PLN 5,004,727 thousand), the amount of PLN 250,676 thousand is related to liabilities which from the moment of their arising at least once have exceeded 30 days of delay in payment (but have not exceeded 90 days) and the amount of PLN 1,585 thousand is related to receivables which at least once have exceeded 90 days of delay in payment (respectively PLN 221,064 thousand and PLN 1,476 thousand in the end of 2013).

The Group's ratio of impairment write-downs to receivables is presented in the table below:

<i>PLN'000</i>	30.06.2014	31.12.2013
Gross amount		
Receivables with recognized impairment, including:	1,116,970	1,229,314
Individual assesment	470,426	516,612
Portfolio assesment	646,544	712,702
Receivables without recognized impairment	21,441,260	18,527,146
Total gross amount	22,558,230	19,756,460
Impairment write-downs		
Receivables with recognized impairment, including:	852,316	896,938
Individual assesment	370,696	374,159
Portfolio assesment	481,620	522,779
Receivables without recognized impairment	78,248	88,268
Impairment write-downs in total	930,564	985,206
Net amount		
Receivables with recognized impairment, including:	264,654	332,376
Individual assesment	99,730	142,453
Portfolio assesment	164,924	189,923
Receivables without recognized impairment	21,363,012	18,438,878
Total net amount	21,627,666	18,771,254
Ratio of impairment allowances to impaired receivables	76.3%	73.0%

In addition to general principles of credit risk mitigation, the Group has defined specific rules for corporate and retail for acceptance, assessment, establishment and monitoring of various types of collaterals, including warranties, guarantees and similar instruments of support (hereinafter called jointly: collaterals). These principles are used for reducing residual risk associated with taking collaterals.

As at 30 June 2014 in the Group, the financial effect of collaterals for accepted individually assessed impaired amounts due to customers was PLN 85,429 thousand (as at 30 June 2013: PLN 149,685 thousand). This is the amount by which the level of impairment of the value assigned to this portfolio would be higher if the collaterals in flows were not included in the calculation of impairment.

Liquidity Risk

Liquidity risk is defined as the risk of Group's lack of ability to meet its financial commitments to customers or counterparties when due.

The objective of liquidity risk management is to ensure that the Group can meet all commitments to customers when due and to secure liquidity necessary to clear all money market transactions when due.

In the first half of 2014 the Group has not made any changes in liquidity risk management processes, procedures, systems and policies.

The level of modified cash flow gap and the level of liquid assets as at 30 June 2014 and 31 December 2013 are shown below.

The cumulated liquidity gap as at 30 June 2014 in real terms:

<i>PLN '000</i>	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	10,364,203	-	-	-	35,010,340
Liabilities	5,465,424	54,211	1,976,662	57,685	37,820,561
Balance-sheet gap in the period	4,898,779	(54,211)	(1,976,662)	(57,685)	(2,810,221)
Conditional derivative transactions – inflows	6,908,381	4,886,041	9,047,586	11,996,733	11,639,863
Conditional derivative transactions – outflows	6,868,005	4,944,549	8,019,701	13,072,308	11,917,381
Off-balance-sheet gap in the period	40,376	(58,508)	1,027,885	(1,075,575)	(277,518)
Cumulative gap	4,939,155	4,826,436	3,877,659	2,744,399	(343,340)

The cumulated liquidity gap as at 31 December 2013 in real terms:

<i>PLN'000</i>	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	11,891,135	330,718	10,000	-	33,166,536
Liabilities	8,923,893	643,002	1,485,820	29,156	34,316,518
Balance sheet gap in the period	2,967,242	(312,284)	(1,475,820)	(29,156)	(1,149,982)
Conditional derivative transactions – inflows	15,932,787	894,564	6,969,708	9,803,307	13,624,421
Conditional derivative transactions – outflows	15,995,106	1,074,591	7,083,140	9,848,427	13,559,271
Off-balance-sheet gap in the period	(62,319)	(180,027)	(113,432)	(45,120)	65,150
Cumulative gap	2,904,923	2,412,612	823,360	749,084	(335,748)

Liquid assets and cumulated liquidity gap up to 1 year:

<i>PLN'000</i>	30.06.2014	31.12.2013	Change
Liquid assets, including:	20,764,228	20,243,696	520,532
nostro account in NBP and stable part of cash	916,590	411,982	504,608
debt securities held-for-trading	6,989,983	2,215,673	4,774,310
debt securities available-for-sale	12,857,655	17,616,041	(4,758 386)
Cumulative liquidity gap up to 1 year	3,877,659	823,360	3,054,299
Coverage of the gap with liquid assets	Positive gap	Positive gap	

Market risk

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

The objective of market risk management is to ensure that the extent of risk accepted within the Bank corresponds to the level acceptable to the shareholders and banking supervision authorities and to ensure that all exposures to market risk are properly reflected in the calculated risk measures, communicated to relevant persons and bodies responsible for the management of the Group.

In the first half of 2014 the Group has not made any changes in market risk management processes, procedures, systems and policies.

In market risk management there are two types of portfolios: trading and bank portfolios.

The following risk measures are applied to bank portfolios:

- Interest rate gap analysis;
- Value-at-Close and Total Return methods;
- Interest Rate Exposure (IRE); and
- Stress testing.

Interest rate gap analysis uses the schedule of maturities or revaluations of balance-sheet positions, and of derivative instruments used in hedge accounting or qualified as economic hedge for the purpose of establishing the differences between positions whose maturity or interest rate revaluation fall within a given time frame.

The general rule in the interest rate gap analysis is that of classifying transactions to respective bank portfolio position revaluation bands by the contracted or assumed transaction interest rate revaluation dates.

It is assumed that:

- transactions with a fixed interest rate (such as term deposits, interbank deposits, portfolio of debt securities available-for-sale with a fixed interest rate, granted loans both repaid in full at maturity and repaid in installments) are classified into appropriate revaluation bands in accordance with their maturity dates;
- transactions with a floating interest rate, updated on the regular basis (primarily, loans granted with interest set based on a specific rate such as, e.g., WIBOR 1M) are classified into appropriate revaluation bands in accordance with the nearest interest rate revaluation date;
- transactions with an administrated floating interest rate (i.e., any changes in the interest rate and its revaluation date are reserved to sole decision of the Bank) or undefined maturity or interest rate revaluation date are classified into appropriate revaluation bands in accordance with historically observed or expert assessed shifts in the moment and scale of change in the interest rate of given positions in relation to change in the market interest rates (model of minimizing product margin variability). This group of transactions / balance-sheet positions includes among others: current accounts, card loans, overdraft facilities. Additionally, early loan repayments are taken into account based on analysis of actual repayments made by customers before the due date and product interest rate revaluation profiles are set on that basis. This pertains particularly to installment loans;
- transactions insensitive to changes of interest rates, including cash, fixed assets, equity, other assets/liabilities, are classified into the longest revaluation band;
- transactions executed directly by the Treasury Division for the purpose of management of interest rate risk and liquidity risk (Treasury Division's own portfolio) are always classified into appropriate revaluation bands in accordance with the contracted dates.

The Value-at-Close method is an estimation of the economic or "fair" value of positions, equivalent to the market valuation of the trading portfolio. Total return on a portfolio is the sum total of the changes in the value of closing the interest rate gap, accrued interest and gains/losses on sale of assets or cancelling of obligations.

The Interest Rate Exposure (IRE) method is used for estimation of potential impact of a specific parallel shift in the interest rate curves on interest income from the bank portfolio before tax which can be earned in a specific period of time. This is a prospective indicator, equivalent to Factor Sensitivity of trading portfolios. An assumption is made that under standard conditions interest rate shifts are identical for every currency and stand at 100 basis points upwards. IRE measures are calculated separately for positions in each currency in the time horizon of 10 years; however, for the purpose of current monitoring and limiting of interest rate risk positions in bank portfolios, the Bank normally applies IRE measures with one-year and five-year time horizons.

Group's IRE measures as at 30 June 2014 and 31 December 2013 are presented below. The list is shown in the main currencies, i.e. PLN, USD and EUR which jointly account to over 90% of Group's balance sheet.

PLN'000	30.06.2014		31.12.2013	
	IRE 12M	IRE 5L	IRE 12M	IRE 5L
PLN	58,932	214,324	51,840	213,324
USD	3,476	(13 831)	5,610	7,076
EUR	26,992	14,166	16,515	(5,735)

Stress tests measure the potential impact of material changes in the level or directionality of interest rate curves on open interest positions in the bank portfolio.

The Group runs stress tests of predefined interest rate movement scenarios, which represent combinations of market factor movements defined as large moves and stress moves occurring both in Poland and abroad. Values of the assumed market factor movements are revised at least once a year and adjusted as appropriate to changes in the market conditions of the Group's operation.

Activities relating to securities available-for-sale are the responsibility of the Assets and Liabilities Management Bureau within the Treasury Division. Three basic goals of activities in the portfolio of securities available-for-sale have been defined as follows:

- management of the liquidity;
- hedging against the risk transferred to the Treasury Division from other organizational units of the Bank or the Group's entities;
- opening of own interest rate risk positions on the Group's books by the Treasury Division

In order to avoid excessive fluctuations in the Bank's capital funds, caused by the revaluation of assets held-for-sale, the maximum limits of DV01 are applied for this kind of portfolios. The limits also concern the open positions in derivatives (i.e. interest rate swap transactions), carried out to hedge the fair value of the portfolio.

The table below presents the risk measured with DV01 for the portfolio of securities available-for-sale, including the economic collateral, broken down by currency:

PLN'000	30.06.2014			Total in the period 01.01.2014 – 30.06.2014		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(1,366)	(1,366)	-	(1,529)	(2,490)	(875)
USD	(365)	(365)	-	(259)	(382)	(119)
EUR	(513)	(513)	-	(686)	(774)	(502)

PLN'000	31.12.2013			Total in the period 01.01.2013 – 31.12.2013		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(911)	(1,799)	888	(1,782)	(2,769)	(911)
USD	(118)	(118)	-	(136)	(357)	-
EUR	(503)	(647)	144	(567)	(831)	(110)

Both base risk and option risk of bank's portfolio were considered as immaterial.

The following methods are applicable in measurement of the risk of the trading portfolios:

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

Factor Sensitivity measures the change in the value of positions in an underlying instrument in the case of a specific change in a market risk factor (e.g., change of the interest rate by 1 basis point at a given point on the interest rate curve, change of the currency exchange rate or share price by 1%).

In the case of interest rates, the applicable sensitivity measure is DV01 (Dollar Value of 1 basis point), which determines the potential change in the value of risk positions on a given interest rate curve at a specific nodal point (which brings together all the cash flows in a given time horizon), caused by a shift in the market interest rate by 1 basis point upwards, are established for this kind of portfolio

In the case of exchange rate (FX) risk, the Factor Sensitivity value is equal to the value of the FX position in a given currency.

In the case of positions held in equities, the Factor Sensitivity value is equal to the net value of the positions held in the respective instruments (shares, indices, participation units).

Value at Risk (VaR) is the integrated measure of the market risk of trading portfolios which combines the impact of positions in respective risk factors and accounts for the effect of correlation between the fluctuations of different factors. VaR is applied for the purpose of measuring the potential decrease in the value of a position or portfolio under normal market conditions, at a specific confidence level and within a specific time period. In the case of positions opened in the Group's trading portfolio, VaR is calculated at a 99% confidence level and a one-day holding period.

DV01 as well as VaR for the trading portfolio are calculated net of the economic hedge of the portfolio of securities available-for-sale, i.e., net of derivative instruments intended to hedge the fair value of the portfolio. The exposures to the risk of such transactions are mitigated through the application of relevant risk measurement methods and by the bank portfolio risk limits.

Each day, the Group runs stress tests on the assumption that the risk factors change by more than expected in the Value at Risk scenario, ignoring historical correlations of these factors.

The Group keeps records of exposures of the bank portfolios to market risk in over twenty currencies both for currency positions and exposures to interest rates risk. These exposures are significant only for a few currencies. For a large group of currencies, the exposures are the consequence of a gap between transactions executed on the customer's orders and closing transactions with other wholesale market counterparties. Significant exposures to market risk are opened for PLN, currencies of well-developed markets (predominantly USD and EUR with a lesser focus on GBP, CHF and JPY) and Central European currencies.

The values of significant exposures of the bank portfolios to the interest rates risk in terms of DV01 in the first half of 2014 are listed in the table below:

PLN '000	30.06.2014	31.12.2013	in the period 01.01.2014 - 30.06.2014		
			Average	Maximum	Minimum
PLN	234	164	(24)	650	(452)
EUR	(97)	(76)	(203)	53	(565)
USD	39	65	14	128	(141)

The currency structure of the positions in the first half of 2014 has not changed in comparison with the year 2013, as positions in LCY, USD and EUR were still the majority. The average exposure to interest

rates risk in EUR and PLN remained on a similar level to 2013, whereas USD positions were lower. The average risk tendency for instruments denominated in PLN amounted to PLN (24) thousand and in EUR it was PLN (203) thousand. The highest exposures were taken in PLN and EUR and were respectively PLN (452) thousand and PLN (565) thousand.

The table below shows the level of risk measured using VaR (excluding exposures resulting from available-for-sale portfolio's economic securities), divided into currency risk and interest rate risk positions in the first half of 2014:

PLN'000	30.06.2014	31.12.2013	In the period 1.01.2014 – 31.12.2014		
			Average	Maximum	Minimum
FX risk	1,869	1,629	780	2,397	180
Interest rate risk	2,849	3,803	6,131	9,709	2,849
Spread risk	9,174	8,068	8,787	10,022	7,259
Overall risk	10,304	9,181	10,852	13,100	8,336

The overall average price risk of trade portfolios in the first half of 2014 decreased by 25% comparing to the average price risk in 2013 and reached the level of PLN 11 million, mainly because of decrease in risk exposure changes and persistence of high exposure on base spread risk in dual currency transactions. Considering maximum risk levels, in case of spread change risk and price risk of the whole trading portfolio they also decreased in comparison with the previous year. Maximum price risk amounted to PLN 13.1 million while in 2013 it settled at PLN 22.2 million.

Capital instruments risk

Dom Maklerski Banku Handlowego S.A. (DMBH) is the Group's key entity transacting capital instruments. In order to run its core business, DMBH has been authorized to run the price risk of trade portfolio of shares, share rights, traded or likely to be traded on Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange or WSE), BondSpot, WIG20 futures and the Indexed Participation Units, as well as shares on the international stock exchanges of companies listed on the WSE. DMBH portfolio's price risk has volume limits for each kind of financial instruments and concentration-warning thresholds for each issuer. For DMBH the potential loss warning thresholds are also applied to stress testing and cumulated loss on the trade portfolio.

Currency exposure

Currency exposure of Group's assets and liabilities is presented in main currencies in the following table:

30 June 2014

PLN '000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	3,373,851	5,849,840	6,148,195	3,525,085	147,121
USD	3,013,202	2,071,389	2,783,895	3,777,460	(51,752)
GBP	160,940	175,263	12,677	1,256	(2,902)
CHF	646,483	80,026	21,884	585,776	2,565
Other currencies	832,690	355,122	1,113,898	1,590,002	1,464
	8,027,166	8,531,640	10,080,549	9,479,579	96,496

31 December 2013

PLN'000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	3,964,022	6,553,434	6,979,618	4,292,134	98,072
USD	1,987,796	2,792,078	3,379,668	2,588,651	(13,265)
GBP	165,567	172,209	5,967	-	(675)

PLN'000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
CHF	474,588	73,070	25,111	426,431	198
Other currencies	351,448	343,074	344,564	354,871	(1,933)
	6,943,421	9,933,865	10,734,928	7,662,087	82,397

Operational risk

Operational risk is the risk of loss resulting from inadequate or failing internal processes, people, or technical systems, or from external events.

Operational Risk includes reputation and franchise risk associated with operational risk events and business practices or market conduct. It also includes legal risk and compliance risk.

Operational risk does not include strategic risk or the risk of loss resulting from decisions made with respect to accepted credit, market, liquidity or insurance risk.

In the first half of 2014 the Group was working on adjusting internal processes and procedures in order to meet new requirements called D Recommendation. Its main actions are the improvement of IT management and IT security. The regulator, KNF, set a deadline for banks to modify their processes and meet D Recommendation, which expires on 31.12.2014. The Group predicts no difficulties in meeting this deadline.

Capital adequacy

In the first half of 2014 the Group fulfilled the capital adequacy requirements. Capital adequacy ratio is calculated according to respective regulations.

6. Interest income

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2014	01.01. - 30.06. 2014	01.04. - 30.06. 2013	01.01. - 30.06. 2013
Interest and similar income from				
Balances with the Central Bank	6,675	13,120	6,294	13,693
Amounts due from banks	16,155	29,081	13,930	23,824
Amounts due from customers, in respect of:	247,290	486,271	260,759	551,445
financial sector	4,504	10,891	9,338	21,328
non-financial sector	242,786	475,380	251,421	530,117
Debt securities available-for-sale	91,657	198,534	102,484	211,885
Debt securities held-for-trading	26,047	40,276	28,864	53,349
	387,824	767,282	412,331	854,196
Interest expense and similar charges for				
Amounts due to banks	(11,151)	(20,051)	(11,817)	(24,357)
Amounts due to financial sector entities	(22,901)	(46,185)	(22,215)	(47,350)
Amounts due to non-financial sector entities	(50,666)	(101,429)	(66,853)	(143,157)
Loans and advances acquired	(985)	(1,771)	(909)	(1,703)
Derivatives in hedge accounting	-	(2,642)	-	-
	(85,703)	(172,078)	(101,794)	(216,567)
Net interest income	302,121	595,204	310,537	637,629

Net interest income for the first half of 2014 includes interest on impaired loans of PLN 3,720 thousand (for the first half of 2013: PLN 5,414 thousand).

7. Net fee and commission income

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2014	01.01. - 30.06. 2014	01.04. - 30.06. 2013	01.01. - 30.06. 2013
Fee and commission income				
Insurance and investment products distribution	35,409	68,926	37,980	72,649
Payment and credit cards	61,354	121,024	58,155	113,714
Payment services	28,059	54,874	26,583	52,758
Custody services	28,411	54,306	25,432	49,702
Cash loans fees	909	1,990	1,389	2,902
Brokerage activity	19,137	38,257	20,770	52,163
Clients' cash on account management services	6,334	13,081	6,304	13,384
Guarantees granted	3,457	7,540	3,260	6,777
Financial liabilities granted	1,439	2,932	1,392	2,799
Other	8,329	15,916	13,142	20,993
	192,838	378,846	194,407	387,841
Fee and commission expense				
Payment and credit cards	(11,814)	(25,928)	(13,222)	(28,674)
Brokerage activity	(5,448)	(11,492)	(6,078)	(12,392)
Fees paid to the National Depository for Securities (KDPW)	(5,027)	(10,190)	(5,209)	(10,249)
Brokerage fees	(836)	(1,999)	(1,425)	(2,383)
Other	(2,583)	(5,110)	(3,343)	(5,383)
	(25,708)	(54,719)	(29,277)	(59,081)
Net fee and commission expense	167,130	324,127	165,130	328,760

The net commission result for the first half of 2014 comprises commission income (other than income covered by the calculation of the effective interest rate), which are related to financial assets and liabilities not valued at fair value through profit or loss in the amount of PLN 124,123 thousand (for the first half of 2013: PLN 117,035 thousand) and commission expenses in the amount of PLN 25,928 thousand (for the first half of 2013: PLN 28,674 thousand).

8. Net income on financial instruments and revaluation

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2014	01.01. - 30.06. 2014	01.04. - 30.06. 2013	01.01. - 30.06. 2013
Net income on financial instruments valued at fair value through profit or loss				
Debt instruments	47,433	66,430	4,569	14,019
Equity instruments	32	469	396	777
Derivative instruments, including:	(4,635)	19,945	35,957	54,008
Interest rate derivatives	(4,611)	19,749	35,555	53,081
	42,830	86,844	40,922	68,804
Net income on FX operations				
Operations on FX derivative instruments	78,434	174,145	108,169	204,484
FX gains and losses (revaluation)	(15,320)	(29,664)	(31,999)	(35,435)
	63,114	144,481	76,170	169,049
Net income on financial instruments and revaluation	105,944	231,325	117,092	237,853

Net income on financial instruments and revaluation includes increase/decrease in net releases regarding pricing adjustments of counterparty's credit risk on derivative transactions in the amount of PLN 4,579 thousand (for the first half of 2013: PLN 18,550 thousand).

Net income on debt instruments includes the net result on trading in: government securities, corporate debt securities and monetary market instruments held-for-trading.

Net income on derivative instruments comprises net income on transactions regarding interest rate swaps, options, futures and other derivatives.

Net profit on foreign exchange includes profit and losses on valuation of assets and liabilities denominated in foreign currency and foreign currency derivatives, such as: forward, CIRS and option contracts. It additionally contains a margin realized on spot and forward currency transactions.

9. Net gain on debt investment securities

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06.	01.01. - 30.06.	01.04. - 30.06.	01.01. - 30.06.
	2014	2014	2013	2013
Profits realized on debt securities available-for-sale	65,656	105,288	81,334	253,298

10. Net other operating income

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06.	01.01. - 30.06.	01.04. - 30.06.	01.01. - 30.06.
	2014	2014	2013	2013
Other operating income				
Income from provision of services for related parties	3,103	5,401	1,546	6,499
Income from office rental	2,241	4,460	1,637	3,328
Income from VAT settlement for previous years	-	-	4,207	6,200
Other	9,516	20,718	6,243	17,627
	14,860	30,579	13,633	33,654
Other operating expenses				
Amicable procedure and vindication expenses	(6,186)	(11,147)	(4,815)	(9,958)
Fixed assets held-for-sale valuation	-	(369)	-	-
Fixed assets held-for-sale maintenance cost	(162)	(320)	(95)	(181)
Net provision for litigation	1,701	(275)	(1,324)	(2,705)
Other	(5,623)	(10,601)	(7,080)	(11,035)
	(10,270)	(22,712)	(13,314)	(23,879)
Net other operating income	4,590	7,867	319	9,775

11. General administrative expenses

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06.	01.01. - 30.06.	01.04. - 30.06.	01.01. - 30.06.
	2014	2014	2013	2013
Staff expenses				
Remuneration costs, including:	(103,627)	(212,936)	(111,792)	(230,919)
Costs of retirement benefits	(5,582)	(13,006)	(5,696)	(13,971)
Bonuses and rewards including:	(32,593)	(52,409)	(31,100)	(70,396)

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2014	01.01. - 30.06. 2014	01.04. - 30.06. 2013	01.01. - 30.06. 2013
Payments related to own equity instruments	(5,863)	(7,568)	(16,390)	(28,027)
Social security costs	(18,039)	(39,725)	(19,978)	(42,687)
	(154,259)	(305,070)	(162,870)	(344,002)
Administrative expenses				
Telecommunication fees and hardware purchase costs	(45,351)	(87,970)	(50,986)	(92,552)
Costs of external services, including advisory, audit, consulting services	(17,495)	(34,670)	(18,806)	(38,483)
Building maintenance and rent costs	(23,556)	(45,919)	(22,128)	(44,681)
Marketing costs	(7,671)	(12,559)	(4,803)	(12,933)
Costs of cash management services, costs of cleaning services and other transaction costs	(11,388)	(23,199)	(10,741)	(21,780)
Costs of external services related to distribution of banking products	(14,402)	(26,256)	(13,253)	(24,629)
Postal services, office supplies and printmaking costs	(3,450)	(7,037)	(5,642)	(11,051)
Training and education costs	(880)	(1,909)	(2,538)	(3,929)
Banking supervision costs	(2,476)	(4,838)	(2,198)	(4,452)
Other expenses	(29,544)	(57,155)	(23,631)	(50,401)
	(156,213)	(301,512)	(154,726)	(304,891)
General administrative expenses, total	(310,472)	(606,582)	(317,596)	(648,893)

Staff expenses in the first half of 2013 include remuneration and bonuses paid and payable to current and former members of the Bank's Management Board in the amount of PLN 8,915 thousand (in first half of 2013: PLN 23,677 thousand).

Change due to restructuring provision

Table below presents a change of restructuring provisions set on costs of restructuring of workforce and the consumer bank branch network, which started in 2013. On 1 January 2013 balance shows the rest of an amount from restructuring of the consumer bank branch network, set up in 2012, which was used in 2013 in amount of PLN 3,229 thousand and reversal in amount of PLN 512 thousand.

000' PLN	01.01. – 30.06. 2014		01.01. – 30.06. 2013	
	Employment restructuring provisions	Branch network restructuring provisions	Employment restructuring provisions	Branch network restructuring provisions
Balance on January 1	53,787	7,034	-	3,741
Increases:				
Provisions created	-	1,777	2,040	-
Decreases:				
Provisions utilised	(22,763)	(5,290)	-	(2,543)
Balance at the end of period	31,024	3,521	2,040	1,198

<i>w tys. zł</i>	01.01. – 31.12. 2013	
	Employment restructuring provisions	Branch network restructuring provisions
Balance on January 1	-	3,741
Increases:		
Provisions created	57,720	7,193
Decreases:		
Provisions utilised	(3,933)	(3,388)
Reversal of provisions	-	(512)
Balance at 31 December 2013	53,787	7,034

12. Net impairment due to financial assets and provisions for granted financial liabilities and guarantees

<i>PLN'000</i>	II quarter 01.04. - 30.06. 2014	I half of the year 01.01. - 30.06. 2014	II quarter 01.04. - 30.06. 2013	I half of the year 01.01. - 30.06. 2013
Impairment allowances for financial assets				
Amounts due from banks	(588)	(1,176)	(469)	(1,314)
Amounts due from customers	(53,578)	(109,547)	(62,291)	(129,220)
Receivables from matured derivative transactions	(279)	(284)	(1)	(11)
Other	(1,303)	(3,721)	(2,787)	(5,414)
	(55,748)	(114,728)	(65,548)	(135,959)
Reversals of impairment allowances for financial assets				
Amounts due from banks	347	1,696	698	1,085
Amounts due from customers	49,482	108,967	70,589	129,657
Receivables from matured derivative transactions	7	521	65	995
Recovers from sold debts	143	412	23,441	23,441
	49,979	111,596	94,793	155,178
Net impairment allowances financial assets	(5,769)	(3,132)	29,245	19,219
Created provisions for granted financial and guarantee commitments	(6,497)	(13,750)	(8,502)	(16,362)
Release of provisions for granted financial and guarantee commitments	7,889	14,885	8,455	15,871
Net impairment allowances provisions for granted financial and guarantee commitments	1,392	1,135	(47)	(491)
Net impairment allowances financial assets and provisions for granted financial and guarantees liabilities	(4,377)	(1,997)	29,198	18,728

13. Income tax expense

Recognized in the income statement

PLN '000	II quarter 01.04. - 30.06. 2014	I half of the year 01.01. - 30.06. 2014	II quarter 01.04. - 30.06. 2013	I half of the year 01.01. - 30.06. 2013
Current tax				
Current year CIT	(53,378)	(121,034)	(40,895)	(92,532)
Adjustments for prior years	9,637	8,922	-	(3,272)
	(43,741)	(112,112)	(40,895)	(95,804)
Deferred tax				
Net changes on temporary differences	(8,900)	(1,475)	(34,463)	(63,642)
	(8,900)	(1,475)	(34,463)	(63,642)
Income tax expense	(52,641)	(113,587)	(75,358)	(159,446)

Reconciliation of effective tax rate

PLN '000	II quarter 01.04. - 30.06. 2014	I half of the year 01.01. - 30.06. 2014	II quarter 01.04. - 30.06. 2013	I half of the year 01.01. - 30.06. 2013
Profit before tax	318,890	627,486	375,705	815,220
Income tax at the tax rate of 19%	(60,589)	(119,222)	(71,384)	(154,892)
Non-deductible expenses, including:	(2,330)	(5,282)	(5,929)	(3,055)
Impairment write-downs	(1,835)	(914)	(7,160)	(6,144)
Taxable income not recognized in the income statement	(27)	(267)	(86)	(134)
Deductible expenses not recognized in the income statement	4	1,242	(57)	(86)
Non-taxable income	917	1,331	2,523	2,552
Other	9,384	8,611	(425)	(3,831)
Income tax expense	(52,641)	(113,587)	(75,358)	(159,446)
Effective tax rate	16.51%	18.10%	20%	20%

Deferred tax recognized directly in equity

Deferred tax recognised directly in equity as at 30 June 2014 is related to debt and equity instruments available-for-sale and equals PLN (695) thousand (30 June 2013: PLN 6,633 thousand).

14. Statement of changes in other comprehensive income

Deferred income tax and reclassifications recognized in other comprehensive income relate to the valuation of financial assets available-for-sale (AFS) related to revaluation reserve.

PLN '000	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2014	(53,041)	(10,078)	(42,963)
Change in valuation of AFS	161,988	(30,778)	131,210
Valuation of AFS sold, recognised to income statement	(105,288)	20,005	(85,283)
Balance as at 30 June 2014	3,659	(695)	2,964

<i>PLN '000</i>	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2013	318,261	(60,470)	257,791
Change in valuation of AFS	(99,876)	18,976	(80,900)
Valuation of AFS sold, recognised to income statement	(253,298)	48,127	(205,171)
Balance as at 30 June 2013	(34,913)	6,633	(28,280)

15. Amounts due from banks

Amounts due from banks (by category)

<i>PLN '000</i>	30.06.2014	31.12.2013
Current accounts	144,256	342,006
Deposits	1,041,274	614,985
Credits and loans	348,853	347,686
Receivables due to purchased securities with repurchase agreement	2,492,118	1,841,873
Deposits pledged as collateral	601,571	394,188
Other receivables	639	362
Total gross value	4,628,711	3,541,100
Impairment write- downs	(677)	(1,173)
Total net value	4,628,034	3,539,927

Movement in amounts due from banks presents as follows:

<i>PLN '000</i>	01.01. – 30.06. 2014	01.01. – 30.06. 2013
As at 1 January	(1,173)	(126)
Increases (due to):		
Write- downs increase	(1,176)	(1,314)
Other	(24)	(1)
Decreases (due to):		
Write-downs release	1,696	1,085
As at the end of period	(677)	(356)

As at 30 June 2014 and 31 December 2013 recognized impairment write-downs on amounts due from banks concerned incurred but not reported (IBNR) write-downs.

16. Financial assets and liabilities held-for-trading

Financial assets held-for-trading

<i>PLN '000</i>	30.06.2014	31.12.2013
Debt securities held-for-trading		
Bonds and notes issued by:		
banks*	106,382	114,137
Government	2,982,501	2,101,536
	3,088,883	2,215,673
Including:		
Listed	2,551,183	1,544,888
Unlisted	537,700	670,785

PLN '000	30.06.2014	31.12.2013
Equity instruments	532	5,030
Including:		
Listed	532	5,030
Derivatives	3,901,100	3,531,126
Financial assets held-for-trading, total	6,990,515	5,751,829

* As at 30 June 2014 all the securities (bonds) issued by banks in amount PLN 106,382 thousand are covered by guarantee of State Treasury (31 December 2013: PLN 114,137 thousand).

Financial liabilities held-for-trading

PLN '000	30.06.2014	31.12.2013
Liabilities related to short-sale of securities	1,468,888	481,601
Derivatives	4,306,288	3,715,295
Financial liabilities held-for-trading, total	5,775,176	4,196,896

As at 30 June 2014 and 31 December 2013 the Group did not hold any financial assets and liabilities designed at fair value through profit or loss initial recognition. .

As at 30 June 2014 derivative financial assets were adjusted due to counterparty credit risk by the amount of PLN 7,049 thousand (as at 31 December 2013: PLN 10,065 thousand).

Derivative financial instruments as at 30 June 2014

PLN '000	Notional value of derivatives with remaining life of				Total	Fair value	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	28,833,893	50,068,267	136,919,159	21,794,360	237,615,679	3,706,721	3,817,318
Currency instruments	15,756,162	6,655,917	4,467,693	25,000	26,904,772	184,165	477,342
Securities transactions	2,188,812	-	-	-	2,188,812	1,767	3,188
Commodity transactions	278,092	140,358	-	-	418,450	8,447	8,440
Derivative instruments total	47,056,959	56,864,542	141,386,852	21,819,360	267,127,713	3,901,100	4,306,288

Derivative financial instruments as at 31 December 2013

PLN '000	Notional value of derivatives with remaining life of				Total	Fair value	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	29,279,105	48,074,990	128,382,483	19,708,033	225,444,611	3,245,616	3,204,747
Currency instruments	16,993,509	6,265,122	5,075,209	6,766	28,340,606	270,896	495,592
Securities transactions	361,102	-	-	-	361,102	1,113	1,520
Commodity transactions	496,422	479,356	-	-	975,778	13,501	13,436
Derivative instruments total	47,130,138	54,819,468	133,457,692	19,714,799	255,122,097	3,531,126	3,715,295

17. Debt securities available-for-sale

PLN '000	30.06.2014	31.12.2013
Bonds and notes issued by:		
Central Banks	6,498,619	9,748,646
Other banks*	680,508	1,288,739
Government, including:	5,678,528	6,578,656
Covered bonds in fair value hedge accounting	-	1,836,219
Debt securities available-for-sale, total	12 857,655	17,616,041
Including:		
Listed instruments	4,460,121	6,177,716
Unlisted instruments	8,397,534	11,438,325

*As at 30 June 2014 part of securities (bonds) issued by other banks in the amount of PLN 268,576 thousand is covered by guarantee of State Treasury (31 December 2013: PLN 895,910 thousand)

18. Amounts due from customers

Amounts due from customers (by category)

PLN '000	30.06.2014	31.12.2013
Amounts due from financial sector entities		
Loans, placements and advances	518,870	487,673
Purchased receivables	-	2
Receivables related to reverse repo transactions	557,814	100,789
Guarantee funds and deposits pledged as collateral	142,173	136,349
Other receivables	18,650	9,781
Total gross value	1,237,507	734,594
Impairment write-downs	(19,138)	(19,128)
Total net value	1,218,369	715,466
Amounts due from non-financial sector entities		
Loans and advances	14,071,925	12,921,969
Unlisted debt securities	1,207,604	718,003
Purchased receivables	1,074,559	1,416,240
Realized guarantees	2,347	2,173
Other receivables*	335,577	422,381
Total gross value	16,692,012	15,480,766
Impairment write-downs	(910,749)	(964,905)
Total net value	15,781,263	14,515,861
Total net value of receivables from customers	16,999,632	15,231,327

As at 30 June 2014 position "Other receivables" contains leasing receivables in amount PLN 317,375 thousand (31 December 2013: PLN 419,024 thousand)

PLN'000	30.06.2014	31.12.2013
Portfolio impairment loss	(481,620)	(522,779)
Individual impairment loss	(370,696)	(374,159)
Incurred but not reported (IBNR)	(77,571)	(87,095)
Impairment allowances, total	(929,887)	(984,033)

Movement in value loss due to receivables from customers consisted of following categories:

<i>PLN '000</i>	01.01. – 30.06. 2014	01.01. – 30.06. 2013
As at 1 January	(984,033)	(1,130,927)
Increases (due to):		
Increase of write downs	(109,547)	(129,220)
Other	(208)	(3,390)
Decreases (due to):		
Release of net write-downs in the period for receivables in respect of matured derivative instrument transactions	236	984
Receivables derecognition	53,477	54,931
Write-downs release	108,967	129,657
Sale of receivables	-	2,748
Other	1,221	482
As at the end of period	(929,887)	(1,074,735)

Finance lease receivables

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

Amounts due from customers include the following amounts concerning finance lease receivables from non-financial sector entities:

<i>PLN '000</i>	30.06.2014	31.12.2013
Gross finance lease receivables	329,030	438,805
Unrealized finance income	(11,655)	(19,781)
Net finance lease receivables	317,375	419,024

As at 30 June 2014 impairment for finance lease receivables amounted to PLN 62,449 thousand (as at 31 December 2012 amounted PLN 62,062 thousand).

Finance lease income is presented in the 'interest income'.

19. Deferred income tax asset

<i>PLN'000</i>	30.06..2014	31.12.2013
Deferred income tax asset	912,427	830,120
Deferred income tax provision	(721 543)	(626,988)
Deferred income tax net asset	190,884	203,132

Deferred income tax asset and liabilities are presented in the statement of financial position after compensation.

20. Amounts due to banks

Amounts due to banks (by category)

<i>PLN '000</i>	30.06.2014	31.12.2013
Current accounts	1,087,820	861,508
Time deposits	2,225,117	3,356,503
Credits and loans received	418,473	374,898
Liabilities due to sold securities under repurchase agreements	273,250	1,783,602
Other liabilities	46,724	1,925
Total amounts due to banks	4,051,384	6,378,436

21. Amounts due to customers

Amounts due to customers (by category)

<i>PLN '000</i>	30.06.2014	31.12.2013
Deposits from financial sector entities		
Current accounts	349,663	320,634
Deposits	4,266,717	2,939,233
	4,616,380	3,259,867
Deposits from non-financial sector entities		
Current accounts, including:	15,402,483	16,983,122
corporate customers	7,326,516	7,703,769
individual customers	6,135,953	5,931,907
budgetary units	1,940,014	3,347,446
Time deposits, including:	5,818,102	5,841,724
corporate customers	3,886,576	4,649,633
individual customers	1,230,191	975,276
budgetary units	701,335	216,815
	21,220,585	22,824,846
Total deposits	25,836,965	26,084,713
Other liabilities		
Securities sold under repurchase agreements	304,138	352,153
Other liabilities, including:	158,238	131,899
cash collateral	101,916	101,646
Total other liabilities	462,376	484,052
Total amounts due to customers	26,299,341	26,568,765

22. Financial assets and liabilities by maturity date

As at 30 June 2014

<i>PLN '000</i>	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Amounts due from banks (Gross)	15	4,628,711	4,113,867	906	342,708	171,230	-
Financial assets held-for-trading							
Debt securities held-for-trading	16	3,088,883	105,468	76,263	703,301	1,252,684	951,167

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Financial assets available-for-sale							
Debt securities available-for-sale	17	12,857,655	6,498,618	-	111,383	4,198,624	2,049,030
Amounts due from customers (gross)							
Amounts due from financial sector entities	18	1,237,507	706,416	39,615	491,476	-	-
Amounts due from non-financial sector entities	18	16,692,012	8,274,357	732,823	1,981,661	4,522,830	1,180,341
Amounts due to banks	20	4,051,384	1,803,185	4,000	1,991,622	252,549	28
Amounts due to customers							
Amounts due to financial sector entities:	21	4,920,518	4,892,032	18,153	9,695	624	14
Amounts due to non-financial sector entities	21	21,378,823	20,544,644	459,303	367,215	7,598	63

As at 31 December 2013

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Amounts due from banks (Gross)	15	3,541,100	2,857,832	334,617	10,491	338,160	-
Financial assets held-for-trading							
Debt securities held-for-trading	16	2,215,673	30,379	-	342,976	1,224,881	617,437
Financial assets available-for-sale							
Debt securities available-for-sale	17	17,616,041	9,748,646	-	189,730	6,004,765	1,672,900
Amounts due from customers (gross)							
Amounts due from financial sector entities	18	734,594	194,940	70,000	469,654	-	-
Amounts due from non-financial sector entities	18	15,480,766	8,080,050	908,698	1,279,995	4,158,861	1,053,162
Amounts due to banks	20	6,378,436	3,880,747	622,080	1,706,623	168,958	28
Amounts due to customers							
Amounts due to financial sector entities:	21	3,612,020	3,590,261	10,448	10,677	622	12
Amounts due to non-financial sector entities	21	22,956,745	22,240,800	366,247	339,559	10,076	63

23. Financial instruments disclosure

Fair value of financial assets and liabilities

The summary below provides statement of financial position (by category) and fair value information for each category of financial assets and liabilities.

PLN '000	Note	30.06.2014		31.12.2013	
		Balance value	Fair value	Balance value	Fair value
Assets					
Amounts due from banks	15	4,628,034	4,628,037	3,539,927	3,540,153
Amounts due from customers	18	16,999,632	17,009,754	15,231,327	15,235,756
Liabilities					
Amounts due to banks	20	4,051,384	4,052,170	6,378,436	6,380,167
Amounts due to customers	21	26,299,341	26,298,588	26,568,765	26,568,234

With exception to information provided in the table above and investments in equity instruments available-for-sale, the balance value of other assets and financial liabilities included in the consolidated statement of financial position are equal to fair value due to their short-term nature.

Investments in equity instruments available-for-sale do not have value that is actively priced at the market and their fair value cannot be reliably estimated.

According to the Group's strategy, presented equity investments will be gradually reduced except for selected strategic investments in "infrastructure companies" that provide services to the financial sector. Particular entities will be sold at the most suitable time under market conditions.

In first half of 2014, among equity investments which valuation at fair value was not possible, the Group decided to sell its shareholding in Kuźnia Polska S.A, which constituted 5.20% share in share capital and 5.20% in votes of Annual General Meeting. The balance value of sold Kuźnia Polska S.A shares amounted PLN 1,536 thousand and profit on sale amounted PLN 2,855 thousand.

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 on active markets is determined using valuation techniques. If valuation techniques are used to determine the fair values, these methods 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 flow 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 are available and turnover is sufficient
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 debt 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 (counterparty credit risk).

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

As at 30 June 2014

<i>PLN '000</i>	Note	Level I	Level II	Total
Financial assets				
Financial assets held-for-trading	16	2,983,159	4,007,356	6,990,515
derivatives		126	3,900,974	3,901,100
debt securities		2,982,501	106,382	3,088,883
equity instruments		532	-	532
Debt securities available-for-sale	17	5,678,528	7,179,127	12,857,655
Financial liabilities				
Financial liabilities held-for-trading	16	1,470,730	4,304,446	5,775,176
short sale of securities		1,468,888	-	1,468,888
derivatives		1,842	4,304,446	4,306,288

As at 31 December 2013

<i>PLN '000</i>	Note	Level I	Level II	Total
Financial assets				
Financial assets held-for-trading	16	2,108,682	3,643,147	5,751,829
derivatives		2,116	3,529,010	3,531,126
debt securities		2,101,536	114,137	2,215,673
equity instruments		5,030	-	5,030
Debt securities available-for-sale	17	6,578,656	11,037,385	17,616,041
Financial liabilities				
Financial liabilities held-for-trading	16	481,804	3,715,092	4,196,896
short sale of securities		481,601	-	481,601
derivatives		203	3,715,092	3,715,295
Hedge derivatives		-	24,710	24,710

In the consolidated statement of financial position, except for assets described above, there are tangible assets available-for-sale, whose fair value decreased by sale cost is smaller than its carrying amount. In consequence, they are positioned in the consolidated statement of financial position at fair value, which as at 30 June 2014 was PLN 3,458 thousands (31 December 2013: PLN 2,653 thousands).

In the first half of 2014 the Group has made no transfers between levels of instruments' fair value due to established method of setting fair value.

In the 6 month period of 2014, 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 6 month period of 2014, the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

In the first half of 2014 there was no change in the business or economic situation, that could influence the fair value of Group's financial assets or liabilities, independently whether these assets and liabilities were presented in fair value or amortized cost.

24. Seasonality or periodicity of business activity

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

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

In the first half of the year 2014 no issue, pay back or repurchase of debt or equity securities had place.

26. Paid or declared dividends

Dividends declared

The Ordinary General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. (hereinafter WZ) adopted a resolution on distribution of the net profit for 2013 on June 04, 2014. The Meeting resolved to appropriate the amount of PLN 934,216,140.00 for the dividend payment, which means that the dividend per one ordinary share is PLN 7.15. The dividend has cash character and the number of shares covered by the dividend equals to 130,659,600.

Simultaneously, the WZ resolved to set the date of the right to the dividend for July 7, 2014 (day of dividend) and the day of the dividend payment for August 29, 2014 (day of the dividend payment).

27. Changes in Group's structure

In the first half of 2014 the structure of the Group has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

28. Major events after the balance sheet date not included in the financial statements

After 30 June 2014, there were no major events, undisclosed in these financial statements, that could have a significant influence on the net result of the Group.

29. Changes in granted and received financial and guarantee commitments

The detailed specification of granted and received financial and guarantee commitments as at 30 June 2014 and changes in comparison with the end of 2013 are as follows:

PLN '000	As at		Change	
	30.06.2014	31.12.2013	PLN '000	%
Contingent liabilities				
financial	13,913,844	14,085,282	(171,438)	(1.2)
Import letters of credit issued	205,599	135,060	70,539	52.2
Lines of credit granted	12,205,824	12,199,651	6,173	0.1
Securities issuance guarantees granted to other issuers	1,473,050	1,508,050	(35,000)	(2.3)
Reverse repo transactions with future currency date	29,371	242,521	(213,150)	(87.9)
guarantees	1,732,785	1,815,857	(83,072)	(4.6)
Guarantees granted	1,700,715	1,775,108	(74,393)	(4.2)
Export letters of credit confirmed	3,014	2,509	505	20.1
Other	29,056	38,240	(9,184)	(24.0)
	15,646,629	15,901,139	(254,510)	(1.6)

PLN '000	As at		Change	
	30.06.2014	31.12.2013	PLN '000	%
Contingent liabilities received				
financial (deposits to receive)	1,296,613	1,247,960	48,653	3.9
guarantees (guarantees received)	6,023,576	4,970,167	1,053,409	21.2
	7,320,189	6,218,127	1,102,062	17.7
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	3,815,969	2,249,655	1,566,314	69.6
Forward **	263,311,800	254,642,942	8,668,858	3.4
	267,127,769	256,892,597	10,235,172	4.0

*Foreign exchange and securities transactions with current value date

** Derivatives: FX, interest rate transactions and options

30. Information about shareholders

The table below present the list of shareholders that hold, at both 30 June 2014 and the day of publishing this consolidated financial statement for the first half of 2014, at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital:

	Value of shares (‘000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75.0	97,994,700	75.0
Other shareholders	130,659	32,664,900	25.0	32,664,900	25.0
	522,638	130,659,600	100.0	130,659,600	100.0

In the first half of 2014 or during the period from publishing last interim report for the first quarter 2014 to publishing this consolidated financial statement for the first half of 2014, the structure of major shareholdings of the Bank has not undergone any changes.

31. Information on pending proceedings

In the first half of 2014 there was no single proceeding regarding Group's receivables or liabilities, the value of which would equal to at least 10% of Bank's equity, pending in court, public administration authority or an arbitration authority.

In the first half of 2014 the total value of all legal proceedings regarding receivables or liabilities with the participation of the Bank and its subsidiaries did not exceed 10% of Bank's equity.

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 due to fulfillment of the obligation, the Group recognized adequate provisions.

As at 30 June 2014, the Bank was among others a party to 31 proceedings regarding derivative transactions: in 22 proceedings it acted as a defendant and in 9 - as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of dispute refers mainly to the validity of the derivative transactions and client's liabilities demanded by the Bank with respect to those derivative transactions as well as potential claims regarding invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from

derivative transactions; they question the validity of the agreements, dispute their liabilities towards the Bank and, in some cases, demand payments from the Bank. As at the day of preparing financial statements, in cases regarding term financial operations, seven final, including five positive for Bank and two negative were made, in seven cases Bank has made an agreement.

The Bank is a party to the proceeding initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa Europay payment system operators and banks - issuers of Visa cards and Europay/ Eurocard/ Mastercard.

This procedure applies to practices limiting the competition on payment-cards market in Poland, by consisting in the joint determination of 'interchange fees' for transactions made by cards of Visa and Europay / Eurocard / Mastercard as well as limiting the access to market for operators who do not belong to the unions of card issuers and against whom proceedings have been initiated. On 22 April 2010 the Court of Appeal overturned the verdict of the Court of Competition and Consumer Protection (SOKiK), sending the case back to the court of first instance.

In accordance with the decision from 8 May 2012, the SOKiK has stopped the proceeding until the final ending of the proceeding taking place in European Union Court regarding MasterCard's European Commission Decision compliment (Act T 111/08). For the SOKiK decision from 8 May 2012 was made a complaint to the Court of Appeal. On 25 October 2012, the Appeal Court changed the appealed decision by dismissing the application for suspension of the proceedings. The Appeal Court decided that, in view of the case involving the Bank and considered by SOKiK being different from the proceedings before the Court of Justice of the European Union in the case brought by MasterCard against a decision of the European Commission (ref. no. T 111/08), it is not admissible to conclude that the proceedings before the Court of Justice of the European Union are prejudicial proceedings for the case considered by SOKiK. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set up at the amount of PLN 1,775,720.00. SOKiK dismissed the appeals of the banks in the remaining range, refusing to consider the interchange fee agreements as complying with the law and to include them into the agreements covered with the individual exemptions as in article 11 paragraph 2 in relation to article 7 paragraph 1 of the Act on protection of competition and customers of 15 December 2000, indicating that the banks did not prove there are indications for such an exemption. The judgment is invalid and is likely to be verified of instance due to appealing by the Bank and other parties against the judgment of SOKiK. After the proceeding before the Court of Appeal, the judgment of SOKiK may be maintained, set aside or amended.

In the first half of 2014 no significant settlements due to court case had place.

32. Related parties

Transactions with related parties

The Group is a member of Citigroup Inc. Citibank Overseas Investment Corporation, a subsidiary of Citibank N.A., is the ultimate parent entity for the Bank.

Within its normal course of business activities, the Group enters into transactions with related entities, in particular with entities of Citigroup Inc.

The transactions with related entities result from current activity of the Group, and mainly include loans, deposits, guarantees and derivatives transactions.

Apart from the transactions described in this section, in the presented period neither the Bank nor the Bank's subsidiaries conducted any transactions with related entities, which would be individually or jointly significant. No transaction with related entities was concluded on terms other than market terms.

Transactions with Citigroup Inc. entities

The receivables and liabilities towards Citigroup Inc. companies are as follows:

<i>PLN '000</i>	30.06.2014	31.12.2013
Receivables, including:	834,972	805,086
Placements	217,487	138,509
Liabilities, including:	3,180,763	4,128,851
Deposits	2,106,673	3,328,060
Loans received	154,375	205,368
Derivative		
Assets held-for-trading	3,126,513	2,699,322
Liabilities held-for-trading	3,529,378	2,891,447
Liabilities due to hedge derivatives	-	17,486
Contingent liabilities granted	190,146	163,971
Contingent liabilities received	1,473,855	1,418,444
Contingent derivative transactions (liabilities granted/received), including:	199,872,951	182,584,553
Interest rate instruments	182,495,301	165,280,456
Currency instruments	16,974,292	16,744,149
Securities transactions	194,133	72,059
Commodity transactions	209,225	487,889
<hr/>		
<i>PLN '000</i>	01.01. – 30.06. 2014	01.01. – 30.06. 2013
Interest and commission income	26,474	27,266
Interest and commission expense	6,421	3,080

The Group receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge market risk. These are back to back derivative transactions, opposite to transactions with Group's other clients, and closing Group's own position. On 30 June 2014 net balance valuation of transactions on derivatives amounted to PLN (402,865) thousand (31 December 2013: PLN (209,611) thousand).

Furthermore the Group incurs costs and receives income from agreements between Citigroup Inc. entities and the Group, regarding the provision of mutual services.

In the first half of 2014, the costs incurred and accrued (including VAT reflected in the Group's costs) from the agreements were connected, in particular, with costs of services regarding the maintenance of Group's information systems and advisory support, and are presented in the General administrative expenses and other operating expenses; income was related to data processing and other services rendered by the Group and is presented in the Other operating income.

<i>PLN '000</i>	01.01. – 30.06. 2014	01.01. – 30.06. 2013
General administrative expenses	82,129	87,344
Other operating income	3,103	6,710

33. Transactions with the key management personnel

PLN '000	30.06.2014		31.12.2013	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted	2,832	-	584	-
Deposits				
Current accounts	3,206	2,062	6,827	28,701
Term deposits	4,738	1,784	3,000	271
	7,944	3,846	9,827	28,972

As at 30 June 2014 and 31 December 2013 no loans, guarantee and warranty transactions with members of the Management Board and Supervisory Board were made.

All transactions of the Group with members of the Management Board and the Supervisory Board are at arm's length.

From a range of work relation, among contracts of employment concluded between Bank and Members of Management Board, only in case of one of the members of the Management Board, there is an employment contract conducted with the Bank that include a provision on the financial compensation, in case of its termination upon notice.

A separate non-competition agreement conducted with the Bank applies to each member of the Bank's Management Board. According to its provisions, in case of termination of employment in the Bank, in the period of 12 months (in case of one member of the Management Board – of 6 months) from the date of employment termination, the member of the Management Board is obligated to refrain from competitive activities against the Bank. Due to limitations mentioned above, the Bank will be obliged to pay the compensation to the member of the Management Board.

34. Other significant information

Personal changes in the Bank's bodies.

On 5 March 2014 President of the Supervisory Board accepted Misbah Ur-Rahman-Shah's resignation from Board of Management Member, with 18 March 2014.

On 19 March 2014 Maciej Kropidłowski was appointed the Vice-President of the Management Board.

On 20 May 2014 Czesław Piasek was appointed Member of Management Board.

On 24 June 2014 by operation of law, expired mandate of Supervisory Board Member – Marc Luet's.

On 24 June 2014 Anil Wadhwani was appointed Member of the Supervisory Board.

Members of Management Board signatures

18.08.2014	Sławomir S. Sikora	The President of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
18.08.2014	Brendan Carney	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
18.08.2014	Maciej Kropidłowski	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
18.08.2014	Barbara Sobala	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
18.08.2014	Witold Zieliński	Vice-president of Management Board, Chief Financial Officer	
..... Date	..... Name	..... Position/Function	..... Signature
18.08.2014	Iwona Dudzińska	Member of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
18.08.2014	Czesław Piasek	Member of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature