



CONDENSED INTERIM STAND-ALONE FINANCIAL STATEMENTS  
OF BANK HANDLOWY W WARSZAWIE S.A.  
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2015

AUGUST 2015

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## Condensed income statement

For a period		II quarter	I half of the year	II quarter	I half of the year
		01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
PLN'000	Note				
Interest and similar income		288,559	597,037	384,846	761,104
Interest expense and similar charges		(50,162)	(103,879)	(86,040)	(172,917)
Net interest income		238,397	493,158	298,806	588,187
Fee and commission income		164,189	323,992	173,712	340,612
Fee and commission expense		(12,646)	(30,494)	(20,260)	(43,227)
Net fee and commission income		151,543	293,498	153,452	297,385
Dividend income		22,957	22,957	48,842	48,842
Net income on trading financial instruments and revaluation		72,310	156,987	105,898	230,965
Net gain on debt investment securities		20,342	118,800	65,656	105,288
Net gain on equity investment instruments		-	-	-	2,855
Net gain/(loss) on hedge accounting		910	910	-	(709)
Other operating income		8,462	23,258	15,025	32,877
Other operating expense		(9,143)	(23,349)	(9,766)	(22,113)
Net other operating income and expense		(681)	(91)	5,259	10,764
General administrative expense		(287,608)	(577,666)	(303,330)	(593,721)
Depreciation and amortization		(16,908)	(33,769)	(16,554)	(33,488)
Profit on sale of other assets		68	72	144	297
Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees	5	(2,239)	(5,861)	(3,946)	(1,610)
Profit before tax		199,091	468,995	354,227	655,055
Income tax expense		(34,107)	(90,832)	(50,672)	(110,709)
Net profit		164,984	378,163	303,555	544,346
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			2.89		4.17
Diluted net earnings per share (in PLN)			2.89		4.17

Explanatory notes on pages 8-18 are integral part of the condensed interim standalone financial statements.

## Condensed statement of comprehensive income

	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.
For a period	2015	2015	2014	2014
<i>PLN'000</i>				
<b>Net profit</b>	<b>164,984</b>	<b>378,163</b>	<b>303,555</b>	<b>544,346</b>
<b>Other comprehensive income, that might be subsequently reclassified to profit or loss</b>				
Changes in value of available-for-sale financial assets	(199,346)	(222,464)	74,013	45,942
<b>Total comprehensive income</b>	<b>(34,362)</b>	<b>155,699</b>	<b>377,568</b>	<b>590,288</b>

Explanatory notes on pages 8-18 are integral part of the condensed interim standalone financial statements.

## Condensed statement of financial position

<i>PLN '000</i>	State as at		30.06.2015	31.12.2014
	Note			
<b>ASSETS</b>				
Cash and balances with the Central Bank			5,347,946	1,522,949
Amounts due from banks			3,622,466	2,065,614
Financial assets held-for-trading			9,621,656	12,721,335
Hedging derivatives			41,311	-
Debt securities available-for-sale			13,161,858	14,435,099
Equity investments			240,319	240,417
Amounts due from customers	6		17,243,291	16,545,902
Tangible fixed assets			348,546	347,855
Intangible assets			1,379,747	1,386,118
Current income tax receivables			-	10,358
Deferred tax asset			223,543	157,815
Other assets			239,411	167,802
Non-current assets held-for-sale			1,928	2,113
<b>Total assets</b>			<b>51,472,022</b>	<b>49,603,377</b>
<b>LIABILITIES</b>				
Amounts due to banks			9,375,472	5,004,190
Financial liabilities held-for-trading			7,569,403	6,770,922
Hedging derivatives			593	-
Amounts due to customers			26,189,673	29,803,545
Provisions			25,045	26,188
Current income tax liabilities			45,978	-
Other liabilities			1,732,375	649,947
<b>Total liabilities</b>			<b>44,938,539</b>	<b>42,254,792</b>
<b>EQUITY</b>				
Ordinary shares			522,638	522,638
Share premium			2,944,585	2,944,585
Revaluation reserve			(169,842)	52,622
Other reserves			2,857,939	2,857,317
Retained earnings			378,163	971,423
<b>Total equity</b>			<b>6,533,483</b>	<b>7,348,585</b>
<b>Total liabilities and equity</b>			<b>51,472,022</b>	<b>49,603,377</b>

Explanatory notes on pages 8-18 are integral part of the condensed interim standalone financial statements.

## Condensed statement of changes in equity

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
<b>Balance as at 1 January 2015</b>	<b>522,638</b>	<b>2,944,585</b>	<b>52,622</b>	<b>2,857,317</b>	<b>971,423</b>	<b>7,348,585</b>
Total comprehensive income, including:	-	-	(222,464)	-	378,163	155,699
Net profit	-	-	-	-	378,163	378,163
Net valuation of available-for-sale financial assets	-	-	(222,464)	-	-	(222,464)
Dividends to be paid	-	-	-	-	(970,801)	(970,801)
Transfer to capital	-	-	-	622	(622)	-
<b>Balance as at 30 June 2015</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(169,842)</b>	<b>2,857,939</b>	<b>378,163</b>	<b>6,533,483</b>

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
<b>Balance as at 1 January 2014</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(43,190)</b>	<b>2,862,407</b>	<b>934,782</b>	<b>7,221,222</b>
Total comprehensive income, including:	-	-	45,942	-	544,346	590,288
Net profit	-	-	-	-	544,346	544,346
Net valuation of available-for-sale financial assets	-	-	45,942	-	-	45,942
Dividends to be paid	-	-	-	-	(934,216)	(934,216)
Transfer to capital	-	-	-	566	(566)	-
<b>Balance as at 30 June 2014</b>	<b>522,638</b>	<b>2,944,585</b>	<b>2,752</b>	<b>2,862,973</b>	<b>544,346</b>	<b>6,877,294</b>

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
<b>Balance as at 1 January 2014</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(43,190)</b>	<b>2,862,407</b>	<b>934,782</b>	<b>7,221,222</b>
Total comprehensive income, including:	-	-	95,812	(5,656)	971,423	1,061,579
Net profit	-	-	-	-	971,423	971,423
Net valuation of available-for-sale financial assets	-	-	95,812	-	-	95,812
Net actuarial losses on specific services program valuation	-	-	-	(5,656)	-	(5,656)
Dividends paid	-	-	-	-	(934,216)	(934,216)
Transfer to capital	-	-	-	566	(566)	-
<b>Balance as at 31 December 2014</b>	<b>522,638</b>	<b>2,944,585</b>	<b>52,622</b>	<b>2,857,317</b>	<b>971,423</b>	<b>7,348,585</b>

Explanatory notes on pages 8-18 are integral part of the condensed interim standalone financial statements.

## Condensed statement of cash flows

	For a period	01.01. – 30.06. 2015	01.01. – 30.06. 2014
<i>PLN '000</i>			
<b>A. Cash flows from operating activities</b>			
<b>I. Net profit</b>		<b>378,163</b>	<b>544,346</b>
<b>II. Adjustments to reconcile net profit or loss to net cash provided by operating activities:</b>		<b>3,090,396</b>	<b>(932,474)</b>
Current and deferred income tax recognized in income statement		90,832	110,709
Depreciation expense		33,769	33,488
Net impairment due to financial assets value loss		9,192	2,745
Net provisions (recoveries)		(154)	916
Net interest income		(493,158)	(588,188)
Dividend income from subsidiaries		(15,955)	(43,910)
Profit/loss on investing activities		(72)	(292)
Net unrealized exchange differences		(10,399)	(3,642)
Other adjustments		(4,762)	(919)
<b>Cash flows from operating income before changes in operating assets and liabilities</b>		<b>(390,707)</b>	<b>(489,093)</b>
<b>Change in operating assets (excl. cash and cash equivalents)</b>		<b>1,772,790</b>	<b>398,010</b>
Change in amounts due from banks		(1,500,322)	(1,286,189)
Change in amounts due from customers		(714,515)	(1,843,293)
Change in assets available-for-sale		1,012,967	4,836,341
Change in equity investments		(77)	1,537
Change in financial assets held-for-trading		3,070,807	(1,250,018)
Change in derivative hedging instruments		(41,311)	-
Change in assets held-for-sale		-	(1,174)
Change in other assets		(54,759)	(59,194)
<b>Change in operating liabilities (excl. cash and cash equivalents)</b>		<b>1,708,313</b>	<b>(841,391)</b>
Change in amounts due to banks		4,408,903	(2,370,949)
Change in amounts due to customers		(3,610,521)	(223,960)
Change in liabilities held-for-trading		798,481	1,578,280
Change in amounts due to hedging derivatives		593	(24,710)
Change in other liabilities		110,857	199,948
<b>Interest received</b>		<b>622,328</b>	<b>745,213</b>
<b>Interest paid</b>		<b>(103,426)</b>	<b>(176,168)</b>
<b>Income tax paid</b>		<b>(48,065)</b>	<b>(23,819)</b>
<b>III. Net cash flows from operating activities</b>		<b>3,939,396</b>	<b>157,098</b>
<b>B. Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(21,066)	(15,722)
Disposal of tangible fixed assets		7	145
Purchase of intangible assets		(11,620)	(3,461)
Disposal of fixed assets held-for-sale		250	147
Dividends received		4,451	14,821
<b>Net cash flows from investing activities</b>		<b>(27,978)</b>	<b>(4,070)</b>
<b>C. Cash flows from financing activities</b>			
Inflows due to long-term loans from financial sector		-	104,283
Repayment of long-term loans from financial sector		(33,874)	(11,273)
<b>Net cash flows from financing activities</b>		<b>(33,874)</b>	<b>93,010</b>
<b>D. Exchange rates differences resulting from cash and cash equivalent calculation</b>		<b>6,800</b>	<b>1,070</b>
<b>E. Net increase/(decrease) in cash and cash equivalent</b>		<b>3,884,344</b>	<b>247,108</b>
<b>F. Cash and cash equivalent at the beginning of reporting period</b>		<b>1,732,844</b>	<b>1,120,157</b>
<b>G. Cash and cash equivalent at the end of reporting period (see note 8)</b>		<b>5,617,188</b>	<b>1,367,265</b>

Explanatory notes on pages 8-18 are integral part of the condensed interim standalone financial statements.

## **Supplementary notes to the condensed interim standalone financial statements**

### **1. General information about the Bank**

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 basis 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 is expected to continue the business activity in the foreseeable future.

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

The Bank is a member of Citigroup Inc. The Bank is a subsidiary of Citibank Overseas Investments Corporation with its' headquarter in New Castle, USA., a subsidiary of Citibank N.A with its' headquarters in New York, USA, which is the ultimate parent company of the Bank.

The Bank operates on the basis of applicable regulations and its Articles of Association.

The Bank is a universal commercial bank that offers a wide range of banking services for individuals and corporate clients on domestic and foreign markets.

### **2. Declaration of conformity**

These condensed standalone interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 '*Interim Financial Reporting*' adopted by European Union and other applicable regulations, including additionally statement of Financial Supervision Authority (KNF) dated 12<sup>th</sup> February 2015 and opinion of the Ministry of Finance provided in letter dated 11<sup>th</sup> February 2015 regarding accounting for costs paid to Bank Guarantee Fund. These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the standalone financial statements of the Bank for the year ended 31 December 2014 and condensed interim consolidated financial statement of the Capital Group of Bank Handlowy w Warszawie S.A. for the period of 6 months ended 30 June 2015.

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 2015 which is deemed to be the current interim financial reporting period.

These condensed standalone interim financial statements were approved by the Board of Directors on 21 August 2015.

### **3. Significant accounting policies**

Condensed interim standalone financial statements of the Bank for the first half of 2014 have been prepared in accordance with accounting policies applied and summarized in the annual standalone financial statements of the Bank for the financial year ended 31 December 2014.

For periods beginning from 1<sup>st</sup> January 2015 the Bank has complied with the interpretations and standards published. Only interpretation IFRIC 21 "Levies" (published by the IFRS Interpretations Committee on 20<sup>th</sup> May 2013). The application of IFRIC 21 has no impact on costs on an annual basis, but it may affect interim financial statements.

According to the opinion of the Ministry of Finance and the statement of Financial Supervision Authority mentioned above, in order to ensure compliance with the recommended approach and comparability of the



financial statements across the banking sector in respect to accounting for Bank Guarantee Fund costs, Bank decided to amortize those costs over 2015, the same way as in previous years.

If Bank had recognized Bank Guarantee Fund costs immediately, the costs of operations and general management presented in this condensed interim financial statement for the 1<sup>st</sup> half of 2015 would increase by 33,672 thousand PLN. As a result, the consolidated net profit of the Bank for the 1<sup>st</sup> half of 2015 would be reduced by 28,613 thousand PLN.

The preparation of condensed interim standalone financial statements of the Bank with accordance to International Financial Reporting Standards requires from the Management to make certain estimates and adopt the 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 Bank for the financial year ended 31 December 2014, 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 2015, concern:

- Impairment of financial assets,
- Fair value of derivatives,
- Employee benefits.

The condensed interim standalone financial statements of the Bank have been prepared for the period from 1 January 2015 to 30 June 2015 and from 1 April 2015 to 30 June 2015, and for statements of financial situation as at 30 June 2015. Comparable financial data are presented for the period from 1 January 2014 to 30 June 2014 and from 1 April 2014 to 30 June 2014 and for statement of financial position as at 31 December 2014.

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

#### 4. Segment reporting

Information on operating segments is presented in the Condensed interim consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the 6 month period ended 30 June 2015.

#### 5. Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees

PLN'000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
<b>Impairment allowances for financial assets</b>				
Equity investments	(76)	(74)	(78)	(69)
Amounts due from banks	(500)	(1,026)	(588)	(1,176)
Amounts due from customers	(46,611)	(98,590)	(52,386)	(106,710)
Receivables from matured derivative transactions	(72)	(442)	(279)	(284)
Other	274	-	(1,303)	(3,721)
	<b>(46,985)</b>	<b>(100,132)</b>	<b>(54,634)</b>	<b>(111,960)</b>
<b>Reversals of impairment allowances for financial assets</b>				
Amounts due from banks	583	3,530	347	1,696
Amounts due from customers	40,720	86,567	48,799	106,586
Receivables from matured derivative transactions	62	75	7	521
Recoveries from sold debts	61	161	143	412
Others	608	608	-	-
	<b>42,034</b>	<b>90,941</b>	<b>49,296</b>	<b>109,215</b>
<b>Net impairment allowances financial assets</b>	<b>(4,951)</b>	<b>(9,191)</b>	<b>(5,338)</b>	<b>(2,745)</b>

PLN'000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
Created of provisions for granted financial and guarantee commitments	(7,287)	(14,955)	(6,497)	(13,750)
Release of provisions for granted financial and guarantee commitments	9,999	18,285	7,889	14,885
<b>Net impairment allowances provisions for granted financial and guarantee commitments</b>	<b>2,712</b>	<b>3,330</b>	<b>1,392</b>	<b>1,135</b>
<b>Net impairment allowances financial assets and provisions for granted financial and guarantees liabilities</b>	<b>(2,239)</b>	<b>(5,861)</b>	<b>(3,946)</b>	<b>(1,610)</b>

## 6. Amounts due from customers

PLN '000	30.06.2015	31.12.2014
<b>Amounts due from financial sector entities</b>		
Loans, placements and advances	343,821	341,517
Receivables related to reverse repo transactions	565,294	599,899
Guarantee funds and deposits pledged as collateral	46,300	43,912
<b>Total gross value</b>	<b>955,415</b>	<b>985,328</b>
Impairment write-downs	(17,250)	(19,082)
<b>Total net value</b>	<b>938,165</b>	<b>966,246</b>
<b>Amounts due from non-financial sector entities</b>		
Loans and advances	14,954,852	14,142,915
Unlisted debt securities	1,090,910	1,118,225
Purchased receivables	968,226	1,006,797
Realized guarantees	1,676	1,824
Other receivables	4,226	27,451
<b>Total gross value</b>	<b>17,019,890</b>	<b>16,297,212</b>
Impairment write-downs	(714,764)	(717,556)
<b>Total net value</b>	<b>16,305,126</b>	<b>15,579,656</b>
<b>Total net value of receivables from customers</b>	<b>17,243,291</b>	<b>16,545,902</b>

The closing balance of impairment recognized on loans and advances to customers consisted of:

PLN '000	30.06.2015	31.12.2014
Portfolio receivables impairment loss	(358,266)	(351,492)
Individual receivables impairment loss	(307,464)	(314,809)
Incurred but not reported (IBNR)	(66,284)	(70,337)
<b>Impairment allowances, total</b>	<b>(732,014)</b>	<b>(736,638)</b>

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

PLN '000	01.01. – 30.06. 2015	01.01.– 30.06. 2014
<b>As at 1 January</b>	<b>(736,638)</b>	<b>(921,971)</b>
Increases (due to):		
Increase of write downs	(98,590)	(106,710)
Net write-offs on receivables from matured derivative transactions	(367)	-
Other	(3,061)	(208)
Decreases (due to):		
Release of net write-downs in the period for receivables in respect of matured derivative instrument transactions	-	236
Receivables derocognition	19,874	53,408

PLN '000	01.01. – 30.06. 2015	01.01.– 30.06. 2014
Write-downs release	86,567	106,586
Other	201	1,221
<b>As at the end of period</b>	<b>(732,014)</b>	<b>(867,438)</b>

## 7. Financial instruments disclosures

### 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	30.06.2015		31.12.2014	
	Balance value	Fair value	Balance value	Fair value
<b>Assets</b>				
Amounts due from banks	3,622,466	3,622,469	2,065,614	2,065,614
Amounts due from customers	17,243,291	17,286,740	16,545,902	16,549,548
<b>Liabilities</b>				
Amounts due to banks	9,375,472	9,374,322	5,004,190	5,002,424
Amounts due to customers	26,189,673	26,188,977	29,803,545	29,802,026

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 standalone 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 Bank'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 the first 6 months period of 2015 the Bank did not sell any capital investments, the fair value of which could not have been estimated earlier.

### 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 Banks's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.

The Bank applies the following methods of measurement of particular types of derivative instruments 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.

Since 1 June 2015 there was new calculation model implemented, for derivative transactions and trade transactions regarding change of system's infrastructure.

#### Fair value included in stand-alone 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 quoted in an active market, where 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.

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

#### As at 30 June 2015

PLN '000	Level I	Level II	Total
<b>Financial assets</b>			
Financial assets held-for-trading	4,460,681	5,160,975	9,621,656
derivatives	158	5,052,559	5,052,717
debt securities	4,460,523	108,416	4,568,939
Derivative hedge instruments	-	41,311	41,311
Debt securities available-for-sale	8,954,755	4,207,103	13,161,858
<b>Financial liabilities</b>			
Financial liabilities held-for-trading	2,611,459	4,957,944	7,569,403
short sale of securities	2,611,459	-	2,611,459
derivatives	-	4,957,944	4,957,944
Derivative hedge instruments	-	593	593

**As at 31 December 2014**

<i>PLN '000</i>	<b>Level I</b>	<b>Level II</b>	<b>Total</b>
<b>Financial assets</b>			
Financial assets held-for-trading	6,944,306	5,777,029	12,721,335
derivatives	-	5,624,460	5,624,460
debt securities	6,944,306	152,569	7,096,875
Debt securities available-for-sale	8,753,310	5,681,789	14,435,099
<b>Financial liabilities</b>			
Financial liabilities held-for-trading	1,005,737	5,765,185	6,770,922
short sale of securities	1,005,545	-	1,005,545
derivatives	192	5,765,185	5,765,377

In the standalone statement of financial position, except for assets described above, there are assets available-for-sale, whose fair value decreased by sale cost is smaller than its carrying amount. In consequence, they are positioned in the standalone statement of financial position at fair value, which as at 30 June 2015 was PLN 1,928 thousands (31 December 2014: PLN 1,928 thousands).

In first half of 2015 the Bank has not made any transfers between levels of financial instruments' due to established method of setting fair value.

In the first 6 month period of 2015 the Bank has not made any changes in classification criteria of financial instruments (presented in the standalone statement of financial position at fair value) to each category reflecting fair value method (level I, level II, level III).

In the first 6 month period of 2015 the Bank has not made any changes in financial assets classification that could result from asset's purpose or usage change.

In the first half of 2015 there was no change in the business or economic situation, that could influence the fair value of Bank's financial assets or liabilities, independently whether these assets and liabilities were presented in fair value or amortized cost.

## 8. Funds

<i>PLN'000</i>	<b>30.06.2015</b>	<b>31.12.2014</b>
<b>Cash related items:</b>		
Cash in hand	427,995	495,408
Nostro current account in Central Bank	4,919,951	1,027,541
Current accounts in other banks (nostro, overdrafts on loro accounts)	269,242	209,895
	<b>5,617,188</b>	<b>1,732,844</b>

## 9. Seasonality or periodicity of business activity

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

## 10. Issue, redemption and repayment of debt and equity securities

In the first half of the year 2015 no issue, pay back or repurchase of debt or equity securities took place.

## 11. 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 2014 on June 22, 2015. The Meeting resolved to appropriate the amount of PLN 970,800,828.00 for the dividend payment, which means that the dividend per one ordinary share is PLN 7.43. 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 6, 2015 (the day of the dividend) and the day of the dividend payment for July 24, 2015 (the day of the dividend payment).

As at day of approval of this financial statement by Management Board the dividend was paid.

## 12. Changes in Bank's structure

In the first half of 2015 the structure of the Bank has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

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

After 30 June 2015 there were no major events undisclosed in these financial statements, that could have a significant influence on the net result of the Bank.

## 14. Changes in granted and received financial and guarantee commitments

The detailed specification of granted and received financial and guarantee commitments as at 30 June 2015 and changes in comparison with the end of 2014 are as follows:

PLN '000	As at		Change	
	30.06.2015	31.12.2014	PLN '000	%
<b>Contingent liabilities</b>				
Financial	16,385,049	15,083,033	1,302,016	8.6%
Import letters of credit issued	136,437	207,208	(70,771)	(34.2%)
Lines of credit granted	13,588,632	13,421,725	166,907	1.2%
Underwriting	1,123,050	1,264,450	(141,400)	(11.2%)
Reverse repo transactions with future currency date	1,536,930	189,650	1,347,280	710.4%
Guarantees	2,026,026	1,780,343	245,683	13.8%
Guarantees granted	2,026,026	1,779,425	246,601	13.9%
Export letters of credit confirmed	-	918	(918)	(100.0%)
	<b>18,411,075</b>	<b>16,863,376</b>	<b>1,547,699</b>	<b>9.2%</b>
<b>Contingent liabilities received</b>				
financial (deposits to receive)	391,337	708,148	(316,811)	(44.7%)
guarantees (guarantees received)	14,402,889	6,199,449	8,203,440	132.3%
	<b>14,794,226</b>	<b>6,907,597</b>	<b>7,886,629</b>	<b>114.2%</b>
<b>Contingent transactions due to FX, securities and derivatives (granted/received liabilities)</b>				
Current*	2,998,809	3,267,226	(268,417)	(8.2%)
Forward **	319,168,792	305,118,052	14,050,740	4.6%
	<b>322,167,601</b>	<b>308,385,278</b>	<b>13,782,323</b>	<b>4.5%</b>

\*Foreign exchange and securities transactions with current value date

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

## 15. Information about shareholders

The table below presents the list of shareholders that hold at both 30 June 2015 and the day of publishing this consolidated financial statement for the first half of 2015 directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital.

	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
	<b>522,638</b>	<b>130,659,600</b>	<b>100.0</b>	<b>130,659,600</b>	<b>100.0</b>

In the first half of 2015 or during the period from publishing last interim report for the first quarter 2015 to publishing this standalone financial statement for the first half of 2015, the structure of major shareholdings of the Bank has not undergone any changes.

## 16. Information on pending court proceedings

In the first half of 2015 there was no single proceeding regarding Bank'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 2015 the total value of all legal proceedings regarding receivables with the participation of the Bank did not exceed 10% of Bank's equity.

In the first half of 2015 the total value of all legal proceedings regarding liabilities with the participation of the Bank did not exceed 10% of Bank's equity.

In accordance with applicable regulations, the Bank 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 Bank recognized adequate provisions.

As at 30 June 2015, the Bank was among others a party to 17 proceedings regarding derivative transactions: in 10 proceedings it acted as a defendant and in 7 - as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of 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. In the first half of 2015 5 cases ended legally binding and in favour of the Bank, regarding term financial transactions, where the Bank was defendant. In 3 cases, where the Bank was defendant, agreements have been reached and cases were discontinued. 1 case, in which the Bank was plaintiff ended in favour of the Bank.

In the first half of 2015 the Bank made significant settlement due to court case. As the result of dispute's final settlement, the Bank has made a sentenced payment to plaintiff in amount of PLN 6,063 thousand, there was provision made within first half of 2015 for major part of this amount.

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 complaint was made a 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.

## 17. Related parties

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

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

The transactions with related entities result from present Bank's activity 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 subsidiaries

The receivables and liabilities towards subsidiaries are as follows

PLN '000	30.06.2015	31.12.2014
<b>Receivables</b>		
Overdraft facilities	335	680
<b>Receivables</b>		
Balance at the beginning of period	680	29,165
Balance at the end of period	335	680
<b>Deposits</b>		
Current accounts	27,569	16,076
Term deposits	224,714	245,386
	<b>252,283</b>	<b>261,462</b>
<b>Deposits</b>		
Balance at the beginning of period	261,462	198,325
Balance at the end of period	252,283	261,462
<b>Contingent liabilities granted</b>		
Credit lines granted	144,415	260,389
	<b>01.01. - 30.06. 2015</b>	<b>01.01. - 30.06. 2014</b>
PLN '000		
Interest and commission income	1,837	1,095
Interest and commission expense	1,425	2,059



On 30 June 2015 and 31 December 2014 there were no write-offs due to value loss of receivables and contingent liabilities granted.

### Transactions with other Citigroup Inc. subsidiaries

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

PLN '000	30.06.2015	31.12.2014
Receivables, including:	256,514	194,521
Placements	-	104,914
Liabilities, including:	6,606,975	2,485,807
Deposits	6,160,190	2,042,974
Derivative		
Assets held-for-trading	4,164,860	4,632,733
Assets due to hedge derivative instruments	37,540	-
Liabilities held-for-trading	3,893,845	4,514,920
Liabilities on hedge derivatives	528	-
Contingent liabilities granted	237,675	235,286
Contingent liabilities received	349,192	869,933
Contingent derivative transactions (liabilities granted/received), including:	241,753,621	235,984,565
Interest rate instruments	222,073,406	214,744,922
Currency instruments	18,928,662	20,708,532
Securities transactions	336,368	288,079
Commodity transactions	415,185	243,032

PLN '000	01.01. – 30.06. 2015	01.01. – 30.06. 2014
Interest and commission income	13,972	12,049
Interest and commission expense	7,133	6,046

The Bank 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 Bank's other clients and closing Bank's own position. On 30 June 2015 net balance valuation of transactions on derivatives amounted to PLN 308,027 thousand (31 December 2014: PLN 117,813 thousand).

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

In the first half of 2015 the costs incurred and accrued (including VAT reflected in the Bank's costs) in the from the agreements were connected, in particular, with costs of services regarding the maintenance of Bank'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 Bank and is presented in the Other operating income.

PLN '000	01.01. – 30.06. 2015	01.01. – 30.06. 2014
General administrative expenses	102,090	86,336
Other operating income	7,560	5,719

In first half of 2015 there was a capitalization of investments regarding efforts over modification of functionality of IT Bank's systems'. Total value of payments to Citigroup Inc. units amounted to PLN 7,782 thousand (in 2014: PLN 1,070 thousand)

## 18. Transactions with the key management personnel

PLN '000	30.06.2015		31.12.2014	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
<b>Loans granted</b>	<b>2,710</b>	-	<b>2,771</b>	-
<b>Deposits</b>				
Current accounts	3,334	7,990	3,344	6,143
Term deposits	9,796	124	2,632	123
	<b>13,130</b>	<b>8,114</b>	<b>5,976</b>	<b>6,266</b>

As at 30 June 2015 and 31 December 2014 no loans, guarantee and warranty transactions with members of the Management Board and Supervisory Board were made.

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

Staff expenses in the first half of 2015 include remuneration and bonuses paid and payable to current and former members of the Bank's Management Board in the amount of PLN 12,715 thousand (in first half of 2014: PLN 8,915 thousand).

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 Management Boards there is an employment contract concluded 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 Boards. 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 Management Board is obliged 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.

## 19. Other significant information

### Personal changes in the Bank's bodies

On 3rd March 2015 Mr. Brendan Carney, Vice-president of Management Board, informed that he would not seek reelection for another term. Mr. Brendan Carney's 3-year term as Vice-President of the Management Board expired on May 21, 2015, while his mandate to perform this function expired by law on the date of the Ordinary General Meeting of Shareholders in 2015.

On April 29, 2015 Ms. Iwona Dudzińska resigned from her function of the Management Board of the Bank, effective July 31, 2015, with the intention to take on work in Citi's global structures.

On June 22, 2015 Mr. David Mouillé was authorized to take position of Vice-President of Management Board since July 1 2015.

Members of Management Board signatures

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