



2013 SEMI-ANNUAL REPORT  
OF THE CAPITAL GROUP OF  
BANK HANDLOWY W WARSZAWIE S.A.

AUGUST 2013

SELECTED FINANCIAL DATA	In PLN '000		In EUR '000***	
	First half of 2013	First half of 2012	First half of 2013	First half of 2012
<b>Condensed Interim Consolidated Financial Statements data</b>				
Interest income	854,196	1,047,913	202,704	248,050
Fee and commission income	387,841	358,014	92,036	84,745
Profit before tax	815,220	594,918	193,455	140,822
Net profit	655,774	474,321	155,618	112,276
Comprehensive income	371,404	591,738	88,136	140,070
Increase of net cash	1,529	(184,227)	363	(43,608)
Total assets*	46,283,721	43,508,763	10,691,056	10,642,523
Amounts due to banks*	7,104,380	2,356,429	1,641,038	576,398
Amounts due to customers*	24,951,588	26,852,165	5,763,556	6,568,212
Shareholders' equity	7,006,300	6,675,322	1,618,382	1,566,499
Share capital	522,638	522,638	120,724	122,648
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	53,62	51,09	12,39	11,99
Earnings per share (PLN/EUR)	5,02	3,63	1,19	0,86
Diluted net earnings per share (PLN/EUR)	5,02	3,63	1,19	0,86
<b>Condensed Interim Standalone Financial Statements data</b>				
Interest income	844,327	1,032,382	200,362	244,374
Fee and commission income	335,779	331,237	79,682	78,407
Profit before tax	787,360	615,159	186,844	145,614
Net profit	633,102	497,825	150,238	117,840
Comprehensive income	347,036	616,400	82,353	145,907
Increase of net cash	11,897	(204,413)	2,823	(48,386)
Total assets*	45,061,803	42,873,788	10,408,806	10,487,204
Amounts due to banks*	6,844,197	2,097,033	1,580,938	512,948
Amounts due to customers*	24,954,329	26,882,179	5,764,189	6,575,554
Shareholders' equity	6,934,245	6,611,366	1,601,738	1,551,490
Share capital	522,638	522,638	120,724	122,648
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	53,07	50,60	12,26	11,87
Earnings per share (PLN/EUR)	4,85	3,81	1,15	0,90
Diluted net earnings per share (PLN/EUR)	4,85	3,81	1,15	0,90
Declared or paid dividends per share (PLN/EUR)**	5,79	2,76	1,34	0,65

\* Comparable data according to balance sheet as at 31 December 2012.

\*\* The presented ratios relate respectively to dividend approved from the distribution of 2012 profit and dividend paid in 2012 from the distribution of 2011 profit.

\*\*\* The following exchange rates were applied to convert PLN to EUR: for the statement of financial position- NBP average exchange rate as at 30 June 2013 – PLN 4.3292 (as at 31 December 2012: PLN 4.0882; as at 30 June 2012 – PLN 4.2613); for the income statement, a statement of comprehensive income and statement of cash flows - the arithmetic mean of NBP end-of-month exchange rates in the first half of 2013 - PLN 4.2140 (in the first half of 2012: PLN 4.2246).



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE CAPITAL GROUP OF  
BANK HANDLOWY W WARSZAWIE S.A.  
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2013

AUGUST 2013

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## 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. 2013	01.01. - 30.06. 2013	01.04. - 30.06. 2012	01.01. - 30.06. 2012
<i>PLN'000</i>					
Interest and similar income	6	412,331	854,196	512,551	1,047,913
Interest expense and similar charges	6	(101,794)	(216,567)	(143,709)	(281,182)
<b>Net interest income</b>	<b>6</b>	<b>310,537</b>	<b>637,629</b>	<b>368,842</b>	<b>766,731</b>
Fee and commission income	7	194,407	387,841	176,878	358,014
Fee and commission expense	7	(29,277)	(59,081)	(25,632)	(54,668)
<b>Net fee and commission income</b>	<b>7</b>	<b>165,130</b>	<b>328,760</b>	<b>151,246</b>	<b>303,346</b>
Dividend income		4,225	4,225	5,489	5,489
Net income on financial instruments and revaluation	8	117,092	237,853	101,011	218,017
Net gain on debt investment securities	9	81,334	253,298	46,139	119,068
Net gain on capital investment instruments		-	1,844	-	-
Other operating income	10	13,633	33,654	7,919	21,142
Other operating expenses	10	(13,314)	(23,879)	(11,774)	(26,225)
<b>Net other operating income</b>	<b>10</b>	<b>319</b>	<b>9,775</b>	<b>(3,855)</b>	<b>(5,083)</b>
General administrative expenses	11	(317,596)	(648,893)	(345,288)	(743,870)
Depreciation of tangible and intangible assets		(13,389)	(26,795)	(17,890)	(34,313)
Profit/(loss) on sale of non-financial assets		94	162	19	68
Net impairment due to financial assets and provisions value for granted financial and guarantees liabilities	12	29,198	18,728	(20,028)	(34,800)
<b>Operating income</b>		<b>376,944</b>	<b>816,586</b>	<b>285,685</b>	<b>594,653</b>
Share in net profits/losses of entities valued at equity method		(1,239)	(1,366)	25	265
<b>Profit before tax</b>		<b>375,705</b>	<b>815,220</b>	<b>285,710</b>	<b>594,918</b>
Income tax expense	13	(75,358)	(159,446)	(54,960)	(120,597)
<b>Net profit</b>		<b>300,347</b>	<b>655,774</b>	<b>230,750</b>	<b>474,321</b>
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Net earnings per share (in PLN)			5,02		3,63
Diluted net earnings per share (in PLN)			5,02		3,63
Including:					
Net profit attributable to Bank's shareholders			655,774		474,321

Explanatory notes on pages: 11–38 are integral part of the condensed interim consolidated financial statements.

## Condensed consolidated statement of comprehensive income

	For a period	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.
		2013	2013	2012	2012
<i>PLN'000</i>	Note				
Net profit		300,347	655,774	230,750	474,321
Other comprehensive income:					
Net valuation of financial assets available-for-sale	14	(100,377)	(286,071)	3,993	118,592
Exchange rates differences		1,055	1,701	677	(1,175)
Other comprehensive income after tax		(99,322)	(284,370)	4,670	117,417
Total comprehensive income		201,025	371,404	235,420	591,738

Including:

Comprehensive income attributable to Bank's shareholders		371,404	591,738
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Explanatory notes on pages: 11–38 are integral part of the condensed interim consolidated financial statements.

## Condensed consolidated statement of financial position

<i>PLN'000</i>	As at Note	30.06.2013	31.12.2012
<b>ASSETS</b>			
Cash and balances with Central Bank		759,657	1,357,308
Amounts due from banks	15	2,304,167	1,461,901
Financial assets held-for-trading	16	8,876,177	6,838,483
Debt securities available-for-sale	17	14,123,084	15,003,003
Equity investments valued at equity method		13,305	15,110
Other equity investments available for sale		15,183	19,921
Amounts due from customers	18	17,029,070	16,221,412
Tangible fixed assets		397,360	409,916
Intangible assets		1,405,867	1,379,931
Receivables due to current income tax		17,324	2,702
Asset due to deferred income tax	19	222,248	218,786
Other assets		1,107,541	567,736
Non-current assets held-for-sale		12,738	12,554
<b>Total assets</b>		<b>46,283,721</b>	<b>43,508,763</b>
<b>LIABILITIES</b>			
Amounts due to banks	20	7,104,380	2,356,429
Financial liabilities held-for-trading	16	4,843,821	5,846,404
Amounts due to customers	21	24,951,588	26,852,165
Provisions		27,654	28,656
Current income tax liabilities		586	55,343
Other liabilities		2,349,392	978,351
<b>Total liabilities</b>		<b>39,277,421</b>	<b>36,117,348</b>
<b>EQUITY</b>			
Share capital		522,638	522,638
Share premium		2,997,759	3,011,380
Revaluation reserve		(28,280)	257,791
Other reserves		2,860,571	2,637,066
Retained earnings		653,612	962,540
<b>Total equity</b>		<b>7,006,300</b>	<b>7,391,415</b>
<b>Total liabilities and equity</b>		<b>46,283,721</b>	<b>43,508,763</b>

Explanatory notes on pages: 11–38 are integral part of the condensed interim consolidated financial statements.



## Condensed consolidated statement of changes in equity

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

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non- controlling shares	Total equity
<b>Balance as at 1 January 2012</b>	<b>522,638</b>	<b>3,009,396</b>	<b>(82,294)</b>	<b>2,264,082</b>	<b>730,659</b>	-	<b>6,444,481</b>
Total comprehensive income, including:	-	-	118,592	(1,175)	474,321	-	591,738
Net profit	-	-	-	-	474,321	-	474,321
Exchange rate differences from the foreign operations' conversion	-	-	-	(1,175)	-	-	(1,175)
Valuation of financial assets available-for-sale	-	-	118,592	-	-	-	118,592
Dividends to be paid	-	-	-	-	(360,897)	-	(360,897)
Transfer to capital	-	1,984	-	375,370	(377,354)	-	-
<b>Balance as at 30 June 2012</b>	<b>522,638</b>	<b>3,011,380</b>	<b>36,298</b>	<b>2,638,277</b>	<b>466,729</b>	-	<b>6,675,322</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non- controlling shares	Total equity
<b>Balance as at 1 January 2012</b>	<b>522,638</b>	<b>3,009,396</b>	<b>(82,294)</b>	<b>2,264,082</b>	<b>730,659</b>	-	<b>6,444,481</b>
Total comprehensive income, including:	-	-	340,085	(2,386)	970,132	-	1,307,831
Net profit	-	-	-	-	970,132	-	970,132
Exchange rate differences from the foreign operations' conversion	-	-	-	(2,386)	-	-	(2,386)
Valuation of financial assets available-for-sale	-	-	340,085	-	-	-	340,085
Dividends paid	-	-	-	-	(360,897)	-	(360,897)
Transfer to capital	-	1,984	-	375,370	(377,354)	-	-
<b>Balance as at 31 December 2012</b>	<b>522,638</b>	<b>3,011,380</b>	<b>257,791</b>	<b>2,637,066</b>	<b>962,540</b>	-	<b>7,391,415</b>

Explanatory notes on pages: 11–38 are integral part of the condensed interim consolidated financial statements.

## Condensed consolidated statement of cash flows

	For a period	01.01. - 30.06. 2013	01.01. - 30.06. 2012
<i>PLN '000</i>			
<b>A. Cash flows from operating activities</b>			
I. Net profit		655,774	474,321
II. Adjustments to reconcile net profit or loss to net cash provided by operating activities:		(1,059,803)	(1,014,951)
Current and deferred income tax recognized in income statement		159,446	120,597
Share in net profits/(losses) of entities valued at equity method		1,366	(265)
Depreciation expense		26,795	34,313
Net impairment due to financial assets value loss		(19,219)	35,011
Net provisions (recoveries)		3,827	47,353
Net interest income		(637,629)	(768,068)
Profit/loss on sale of investments		(158)	(61)
Other adjustments		(12,389)	(5,936)
Cash flows from operating income before changes in operating assets and liabilities		(477,961)	(537,056)
Increase/decrease in operating assets (excl. cash and cash equivalents)		(2,963,788)	483,262
Increase/decrease in amounts due from banks		(241,475)	(322,903)
Increase/decrease in amounts due from customers		(792,209)	(218,990)
Increase/decrease in debt securities available-for-sale		611,598	2,370,594
Increase/decrease in equity investments		4,716	1,793
Increase/decrease in financial assets held-for-trading		(2,013,659)	(1,129,648)
Increase/decrease in assets held-for-sale		(185)	-
Increase/decrease in other assets		(532,574)	(217,584)
Increase/decrease in operating liabilities (excl. cash and cash equivalents)		2,381,946	(961,157)
Increase/decrease in amounts due to banks		4,671,946	2,791,668
Increase/decrease in amounts due to customers		(1,896,194)	(2,977,108)
Increase/decrease in amounts due to debt securities issuance		-	(2,297)
Increase/decrease in liabilities held-for-trading		(1,002,583)	(1,196,658)
Increase/decrease in other liabilities		608,777	423,238
Interest received		760,079	828,099
Interest paid		(218,451)	(276,625)
Income tax paid		(167,492)	(154,724)
<b>III. Net cash flows from operating activities</b>			
<b>B. Cash flows from investing activities</b>		(29,893)	(143,880)
Purchase of tangible fixed assets		(15,352)	(23,510)
Disposal of tangible fixed assets		3,400	1,099
Purchase of intangible assets		(31,898)	(15,922)
Disposal of fixed assets/liabilities held-for-sale		88	-
Other investing inflows/outflows		-	42,355
<b>Net cash flows from investing activities</b>		(43,762)	4,022
<b>C. Cash flows from financing activities</b>			
Inflows due to long-term loans from financial sector		103,777	-
Repayment of long-term loans from financial sector		(37,934)	(39,308)
<b>Net cash flows from financing activities</b>		65,843	(39,308)
<b>D. Exchange rates differences resulting from cash and cash equivalent calculation</b>		9,341	(5,061)
<b>E. Net increase/decrease in cash and cash equivalent</b>		1,529	(184,227)
<b>F. Cash and cash equivalent at the beginning of reporting period</b>		1,544,322	1,044,182
<b>G. Cash and cash equivalent at the end of reporting period</b>		1,545,851	859,955

Explanatory notes on pages: 11–38 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

Bank Handlowy w Warszawie S.A. ("the Bank") has its registered office in Warsaw at Senatorska 16, 00-923 Warszawa. The Bank was founded on the strength of Notarial Deed of 13 April 1870 and is registered in the Register of Entrepreneurs in the National Court Register kept by the District Court for the Capital City of Warsaw, XII Economic Department in Warsaw, under KRS number 0000001538.

The Bank was given REGON number: 000013037 and tax identification number – NIP: 526-030-02-91.

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

Share capital 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 shares are quoted on the Warsaw Stock Exchange.

The Group is a member of Citigroup Inc. Citibank Overseas Investments Corporation, a subsidiary of Citibank N.A., is the parent 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 subordinated entities:

- 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., composed of Bank Handlowy w Warszawie S.A. as the parent and its subordinated entities: Dom Maklerski Banku Handlowego S.A., Handlowy-Leasing Sp. z o.o., Handlowy Investmens S.A., PPH Spomasz Sp. z o.o. w likwidacji, Handlowy Inwestycje Sp. z o.o. and Handlowy Investmens II S.a.r.l. (all together hereinafter referred to as "the Group").

In the first half of 2013 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 Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*, adopted by European Union and with other applicable regulations. They 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 2012.

In accordance with 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 2009, No. 33, item 259 with further changes) the Bank is obliged to publish its financial results for the six-month period ended 30 June 2013 which is deemed to be the current interim financial reporting period.

These condensed consolidated interim financial statements were approved by the Management Board on 27 August 2013.

### 3. Significant accounting policies

Condensed interim consolidated financial statements of the Group for the first half of 2013 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the financial year ended 31 December 2012.

The changes of accounting standards, that were approved by the European Union and entered into force from 1 January 2013, had no significant influence on these interim consolidated financial statements. Additional disclosures on the fair value, required in relation to use IFRS 13 "Fair Value Measurement", were presented in these statements.

The preparation of condensed interim consolidated financial statements of the Group with accordance to IFRS requires from the Management to make certain estimates and adopting 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 Group for the financial year ended 31 December 2012, 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 2013, 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 2013 to 30 June 2013 and from 1 April 2013 to 30 June 2013. Comparable financial data are presented for the period from 1 January 2012 to 30 June 2012 and from 1 April 2012 to 30 June 2012 and for statement of financial position as at 31 December 2012.

The financial statements are presented in PLN, rounded to the nearest thousand.

### 4. Segmental 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 as 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 only from maturity and currency structure of assets and liabilities.

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

#### Corporate Banking

Within the Corporate Banking segment the Group offers products and renders services to business entities, municipal units and public sector. Apart from traditional banking services covering credit and deposit activities, the segment provides services in the area of cash management, trade financing, leases, brokerage and custody services in respect of securities and 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

via public and non-public issues of financial instruments. The activities also comprise proprietary transactions in the capital, debt and derivative instruments market.

## Consumer Banking

Within the Consumer Banking segment the Group provides products and financial services to individuals as well as micro enterprises and individual entrepreneurs within the framework of Citibusiness offer. Apart from keeping bank accounts and providing extensive credit and deposit products, it also offers cash loans, mortgage loans and credit cards, 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 – 30.06.2013			01.01 – 30.06.2012		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
Net interest income	298,207	339,422	637,629	376,350	390,381	766,731
Internal interest income, including:	(17,576)	17,576	-	1,258	(1,258)	-
Internal income	-	17,576	17,576	1,258	-	1,258
Internal expenses	(17,576)	-	(17,576)	-	(1,258)	(1,258)
Net fee and commission income	158,040	170,720	328,760	131,101	172,245	303,346
Dividend income	1,294	2,931	4,225	1,775	3,714	5,489
Net income on financial instruments and revaluation	221,365	16,488	237,853	199,454	18,563	218,017
Net gain on debt investment securities	253,298	-	253,298	119,068	-	119,068
Net gain on capital investment instruments	1,844	-	1,844	-	-	-
Net other operating income	19,749	(9,974)	9,775	7,224	(12,307)	(5,083)
General administrative expenses	(291,057)	(357,836)	(648,893)	(323,631)	(420,239)	(743,870)
Depreciation of tangible and intangible assets	(13,154)	(13,641)	(26,795)	(16,766)	(17,547)	(34,313)
Profit/loss on sale of non-financial assets	92	70	162	47	21	68
Net impairment due to financial assets and provisions value for granted financial and guarantees liabilities	(20,856)	39,584	18,728	(8,570)	(26,230)	(34,800)
<b>Operating income</b>	<b>628,822</b>	<b>187,764</b>	<b>816,586</b>	<b>486,052</b>	<b>108,601</b>	<b>594,653</b>
Share in net profits/losses of entities valued at equity method	(1,366)	-	(1,366)	265	-	265
<b>Profit before tax</b>	<b>627,456</b>	<b>187,764</b>	<b>815,220</b>	<b>486,317</b>	<b>108,601</b>	<b>594,918</b>
Income tax expense			(159,446)			(120,597)
<b>Net profit</b>			<b>655,774</b>			<b>474,321</b>

As at:	30.06.2013			31.12.2012		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<b>Total assets, including:</b>	<b>40,551,154</b>	<b>5,732,567</b>	<b>46,283,721</b>	<b>37,764,514</b>	<b>5,744,249</b>	<b>43,508,763</b>
Equity investments valued at equity method	13,305	-	13,305	15,110	-	15,110
Non-current assets held-for-sale	-	12,738	12,738	-	12,554	12,554
<b>Total liabilities and equity, including:</b>	<b>37,052,158</b>	<b>9,231,563</b>	<b>46,283,721</b>	<b>34,667,691</b>	<b>8,841,072</b>	<b>43,508,763</b>
Liabilities	31,727,229	7,550,192	39,277,421	29,193,148	6,924,200	36,117,348

## 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 suffering. It is supported by Group's regulations and implemented control processes.

The active process of portfolio quality management includes both assigning appropriate risk ratings and classification to facilities as well as the application of remedial and debt collection actions. The Bank has put in place a uniform internal system for classification of receivables against predetermined criteria. Risk rating assignment and classification system are crucial in defining the level of impairment losses write-downs.

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

In the first half of 2013 there were no significant changes in credit risk management systems and processes. Nevertheless, after taking into consideration the dynamic market conditions' fluctuations, changes in credit granting principles and procedures were implemented.

The tables below present the Group's portfolio grouped by receivables from customers with established impairment are and without impairment. The tables also present the details of impairment write-offs. Impaired receivables are divided into the classifiable portfolio (individual assessment) and the delinquency managed portfolio (portfolio assessment). Exposures without impairment are classified based on internal risk ratings from 1 to 7, where risk category 1 is the best rating.

The internal risk ratings are received in the complex credit assessment's process, which consists of rating models and methodologies, additional corrections resulting among others from the acquired support and the security, 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 within the 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 maximum Group's credit risk exposure is presented below.

<i>PLN '000</i>	<i>Note</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
Gross credit receivables (banks and customers)	15, 18	20,408,328	18,814,366
Financial assets held for trading	16	8,876,177	6,838,483
Debt securities available for sale	17	14,123,084	15,003,003
Other financial assets		1,107,541	567,736
Conditional liabilities received	30	15,690,492	14,253,958
		<b>60,205,622</b>	<b>55,477,546</b>

<i>PLN '000</i>	30.06.2013		31.12.2012	
	Receivables from customers	Receivables from banks	Receivables from customers	Receivables from banks
<b>Receivables with established impairment</b>				
Classifiable receivables				
Gross amount	576,981	-	590,572	-
Impairment	409,367	-	400,831	-
Net amount	167,614	-	189,741	-
 Delinquency managed receivables from customers and banks (without individuals) by delinquency				
0-90 days	13,966	-	4,892	-
91-180 days	2,218	-	9,616	-
181-360 days	4,726	-	4,666	-
more than 361 days	57,274	-	55,493	-
from individuals, including:	688,710	-	742,893	-
restructured portfolio	126,212	-	134,959	-
Gross amount	766,894	-	817,560	-
Impairment	560,336	-	611,488	-
Net amount	206,558	-	206,072	-
 Not impaired receivables from customers and banks (excl. individuals), by risk rating				
Risk rating 1-4-	7,637,832	2,288,767	6,726,857	1,454,135
Risk rating +5-6-	3,754,212	15,756	3,911,704	7,892
Risk rating +7 and greater	228,900	-	133,475	-
Receivables from individuals, by delinquency				
no delinquency	4,820,263	-	4,827,705	-
1-30 days	242,554	-	255,525	-
31-90 days	76,169	-	88,941	-
Gross amount	16,759,930	2,304,523	15,944,207	1,462,027
Impairment	105,032	356	118,608	126
Net amount	16,654,898	2,304,167	15,825,599	1,461,901
<b>Total net value</b>	<b>17,029,070</b>	<b>2,304,167</b>	<b>16,221,412</b>	<b>1,461,901</b>

  

<i>PLN '000</i>	30.06.2013		31.12.2012	
	Receivables from customers	Receivables from banks	Receivables from customers	Receivables from banks
<b>Impairment write-offs for impaired receivables</b>				
Impairment write-offs for classifiable receivables	409,367	-	400,831	-
Impairment write-offs for delinquency managed receivables, by delinquency				
for amounts due from customers and banks(without individuals) by delinquency				
0-90 days	4,478	-	1,715	-
91-180 days	712	-	3,233	-
181-360 days	2,277	-	1,864	-
more than 361 days	42,732	-	40,248	-
for receivables from individuals, including	510,137	-	564,428	-
restructured portfolio	86,348	-	99,344	-
	560,336	-	611,488	-

<b>IBNR provisions</b>				
for receivables from customers and banks (excl. individuals), by risk rating				
Risk rating 1-4-	1,654	296	1,659	86
Risk rating +5-6	17,583	60	18,141	40
Risk rating +7 and greater	8,574	-	4,767	-
for receivables from individuals by delinquency				
no delinquency	26,769	-	32,058	-
1 – 30 days	20,389	-	24,250	-
31 – 90 days	30,063	-	37,733	-
	<b>105,032</b>	<b>356</b>	<b>118,608</b>	<b>126</b>
<b>Total net impairment value</b>	<b>1,074,735</b>	<b>356</b>	<b>1,130,927</b>	<b>126</b>

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
<b>Receivables with incurred but not recognized (IBNR) losses</b>		
Regular receivables	18,594,494	16,946,558
Overdue receivables, including:	469,959	459,676
1 – 30 days	364,496	344,490
<b>Gross value</b>	<b>19,064,453</b>	<b>17,406,234</b>

Provision coverage for Group's receivables in relation to accounts receivable are presented in the table below:

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
<b>Gross value</b>		
Receivables with recognized impairment, including	1,343,875	1,408,132
Receivables assessed individually	576,981	590,572
Receivables assessed collectively	766,894	817,560
Receivables without recognized impairment	19,064,453	17,406,234
<b>Total Gross Value</b>	<b>20,408,328</b>	<b>18,814,366</b>
<b>Impairment write-downs</b>		
Receivables with recognized impairment, including	969,703	1,012,319
Receivables assessed individually	409,367	400,831
Receivables assessed collectively	560,336	611,488
Receivables without recognized impairment	105,388	118,734
<b>Total Impairment write- downs</b>	<b>1,075,091</b>	<b>1,131,053</b>
<b>Net Value</b>		
Receivables with recognized impairment, including	374,172	395,813
Receivables assessed individually	167,614	189,741
Receivables assessed collectively	206,558	206,072
Receivables without recognized impairment	18,959,065	17,287,500
<b>Total Net Value</b>	<b>19,333,237</b>	<b>17,683,313</b>
<b>Provision coverage ratio for receivables with recognized impairment</b>	<b>72.2%</b>	<b>71.9%</b>

In addition to general principles of credit risk mitigation, the Group has defined specific rules for corporate and retail for adoption, 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 2013 in the Group, the financial effect of including receivables from taken collaterals for amounts due to customers with recognized impairment in individual analysis was PLN 149,685 thousand (as at 30 June 2012: PLN 164,882 thousand). This is the amount by which the requirement level of impairment of the value assigned to this portfolio would be higher if the collaterals flows were not included in the estimation of impairment.



## Liquidity Risk

Liquidity risk is defined as the risk of Group's not being able 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 2013 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 2013 and 31 December 2012 are shown below.

The cumulated liquidity gap as at 30 June 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	11,238,662	298,276	19,971	5,009	34,721,803
Liabilities	10,330,861	27,867	1,420,753	351,920	34,152,320
Balance-sheet gap in the period	907,801	270,409	(1,400,782)	(346,911)	569,483
Conditional derivative transactions – inflows	4,716,058	6,683,236	18,643,056	6,695,843	18,656,227
Conditional derivative transactions – outflows	5,616,959	6,735,852	18,637,416	6,809,666	17,685,062
Off-balance-sheet gap in the period	(900,901)	(52,616)	5,640	(113,823)	971,165
Cumulative gap	6,900	224,693	(1,170,449)	(1,631,183)	(90,535)

The cumulated liquidity gap as at 31 December 2012 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	9,765,848	-	-	-	33,742,915
Liabilities	10,506,745	15,653	430,162	35,614	32,520,589
Balance-sheet gap in the period	(740,897)	(15,653)	(430,162)	(35,614)	1,222,326
Off-balance-sheet transactions – inflows	13,145,218	3,934,663	17,757,422	8,030,165	11,529,551
Off-balance-sheet transactions – outflows	13,144,474	4,051,952	17,951,240	8,079,727	11,726,748
Off-balance-sheet gap in the period	744	(117,289)	(193,818)	(49,562)	(197,197)
Cumulative gap	(740,153)	(873,095)	(1,497,075)	(1,582,251)	(557,122)

Liquid assets and cumulated liquidity gap up to 1 year:

<i>PLN '000</i>	30.06.2013	31.12.2012	Change
Liquid assets, including:	19,522,684	18,588,543	934,141
obligatory reserve in NBP and stable part of cash	475,708	1,053,485	(577,777)
debt securities held-for-trade	4,923,892	2,532,055	2,391,837
debt securities available-for-sale	14,123,084	15,003,003	(879,919)
Cumulative liquidity gap up to 1 year	(1,170,449)	(1,497,075)	326,626
Coverage of the gap with liquidity assets	1668%	1242%	426 p.p.

## 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 2013 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: trade and bank portfolios.  
The following risk measures are applied to bank portfolios:

- Interest rate gap analysis;
- Value-at-Close and Total Return methods. VaC is the position's economic or "fair" value, analogous to the market valuation of trading portfolio. TR is, set for the given period of time, sum of: the change of VaC, accrued interest and profit/loss risen from sale of assets and settlement of liabilities before maturity.
- Interest Rate Exposure (IRE); measured with parallel change of interest rates by 100 basis points in 12 months and 5 years.
- Stress tests as an element of calculation and allocation of venture capital.

Group's IRE measures as at 30 June 2013 and 31 December 2012 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	30.06.2013		31.12.2012	
	IRE 12M	IRE 5L	IRE 12M	IRE 5L
PLN	24,516	73,269	39,957	164,132
USD	7,261	16,084	5,872	21,540
EUR	16,680	(5,209)	11,789	42,146

The DV01-measured risk level for the available-for-sale securities portfolio divided into currency portfolios is shown below:

PLN '000	30.06.2013	Overall, in the period 01.01.2013 - 30.06.2013		
		Average	Maximum	Minimum
PLN	(2,263)	(1,806)	(1,363)	(2,769)
USD	(12)	(149)	0	(357)
EUR	(603)	(570)	(110)	(831)

PLN '000	31.12.2012	Overall, in the period 01.01.2012 - 31.12.2012		
		Average	Maximum	Minimum
PLN	(2,975)	(2,211)	(998)	(3,266)
USD	(56)	(181)	(42)	(759)
EUR	(110)	(321)	(110)	(1,070)

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

The following methods are used in measuring the trade portfolios risk:

- Factor Sensitivity defined as DV01 (Dollar Value of 1 basis point),
- Value at Risk (VaR) as the potential loss that cannot be exceeded, assuming the certain level of confidence. The Bank assumes 1 day as the time horizon for VaR and the level of confidence 99%. VaR is calculated using the Monte Carlo simulation method,
- Stress testing as an element of calculation and allocation of venture capital.

The values of significant exposures of the bank portfolios to the interest rates risk in terms of DV01 in the first half of 2013 are listed in the table below:

PLN '000	30.06.2013	31.12.2012	in the period 01.01.2013 - 30.06.2013		
			Average	Maximum	Minimum
PLN	(167)	279	38	494	(336)
EUR	(397)	24	(296)	6	(496)
USD	19	(72)	(16)	56	(154)

The currency structure of the positions in the first half of 2013 has not changed in comparison with the year 2012, as positions in LCY, USD and EUR were still the majority. The average exposure to interest rates risk in EUR remained on the higher level than in 2012, whereas LCY positions were lower. The average risk tendency for instruments denominated in PLN amounted to PLN 38 thousand and in EUR it was PLN (296) thousand. The highest exposures were taken in PLN and EUR and were respectively PLN 494 thousand and PLN (496) 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 2013:

PLN '000	30.06.2013	31.12.2012	in the period 1.01.2013 - 30.06.2013		
			Average	Maximum	Minimum
FX risk	3,793	1,036	1,667	5,064	89
Interest rate risk	7,264	7,762	7,250	9,490	5,586
Spread risk	10,734	10,970	13,889	19,662	10,461
Overall risk	14,178	13,026	15,981	22,221	12,340

The overall average price risk of trade portfolios in the first half of 2013 was higher by 18.6% than the average price risk in 2012 and reached the level of PLN 16 million, mainly because of increase in risk exposure changes and persistence of high exposure on base spread risk in dual currency transactions. As far as maximum risk levels are concerned, in case of spread change risk and price risk of the whole trading portfolio they were also higher in comparison with the previous year. Maximum price risk amounted to PLN 22.2 million while in 2012 it settled at PLN 17 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 or share rights, traded or likely to be traded on Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange or WSE), or Centralna Tabela Ofert (Central Bids Table or CeTO), 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 2013

PLN '000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	5,553,482	8,993,950	6,272,915	2,985,564	(153,117)
USD	3,493,166	4,103,053	3,223,044	2,693,406	(80,249)
GBP	792,562	826,314	36,153	229	2,172
CHF	805,670	395,507	53,973	463,731	405
Other currencies	457,494	851,544	629,335	234,416	869
	11,102,374	15,170,368	10,215,420	6,377,346	(229,920)

#### 31 December 2012

PLN '000	Balance-sheet transaction		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	3,752,504	5,418,512	3,984,868	2,178,249	140,611
USD	3,310,617	3,748,608	2,720,593	2,322,573	(39,971)
GBP	744,330	778,407	36,073	705	1,291
CHF	729,900	323,669	160,834	556,935	10,130
Other currencies	409,754	642,996	714,355	505,067	(23,954)
	8,947,105	10,912,192	7,616,723	5,563,529	88,107

### 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 risk, associated with business practices or market conduct. Operational risk also includes legal risk and the risk of non-compliance with applicable laws and regulations.

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 2013 the Group adapted processes and internal procedures to the Recommendation M, including: clarified the operational risk's definition, strategy of operational risk management, revised attitude to appetite for operational risk and limits within appetite, published data on the operational loss for 2012 and implemented changes in the entities and the areas, where it was necessary to adapt processes and internal procedures to standards of the new Recommendation M.

### Capital adequacy

In the first half of 2013 the Group fulfilled the prudential regulations as far as capital adequacy is concerned. Capital adequacy ratio is calculated consistently with 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.	01.01. - 30.06.	01.04. - 30.06.	01.01. - 30.06.
	2013	2013	2012	2012
<b>Interest and similar income from:</b>				
Balances with Central Bank	6,294	13,693	9,678	19,464
Amounts due from banks	13,930	23,824	11,413	21,408
Amounts due from customers, in respect of:	260,759	551,445	311,724	623,918
financial sector	9,338	21,328	10,640	23,523
non-financial sector	251,421	530,117	301,084	600,395
Debt securities available-for-sale	102,484	211,885	149,628	323,697
Debt securities held-for-trading	28,864	53,349	30,108	59,426
	<b>412,331</b>	<b>854,196</b>	<b>512,551</b>	<b>1,047,913</b>
<b>Interest expense and similar charges for:</b>				
Amounts due to banks	(11,817)	(24,357)	(26,893)	(44,337)
Amounts due to financial sector entities	(22,215)	(47,350)	(22,096)	(44,142)
Amounts due to non-financial sector entities	(66,853)	(143,157)	(92,690)	(188,439)
Loans and advances acquired	(909)	(1,703)	(1,798)	(3,762)
Debt securities issuance	-	-	(232)	(502)
	<b>(101,794)</b>	<b>(216,567)</b>	<b>(143,709)</b>	<b>(281,182)</b>
<b>Net interest income</b>	<b>310,537</b>	<b>637,629</b>	<b>368,842</b>	<b>766,731</b>

Net interest income for the first half of 2013 includes interest on impaired loans of PLN 5,414 thousand (for the first half of 2012: PLN 6,639 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.	01.01. - 30.06.	01.04. - 30.06.	01.01. - 30.06.
	2013	2013	2012	2012
<b>Fee and commission income</b>				
Insurance and investment products	37,980	72,649	30,239	64,773
Payment and credit cards	58,155	113,714	63,935	125,595
Payment services	26,583	52,758	27,250	55,273
Custody services	25,432	49,702	23,149	43,721
Cash loans fees	1,389	2,902	1,790	3,767
Brokerage activity	20,770	52,163	11,219	27,044
Clients' cash on account management services	6,304	13,384	7,068	14,637
Guarantees granted	3,260	6,777	3,576	7,230
Financial liabilities granted	1,392	2,799	1,569	3,126
Other	13,142	20,993	7,083	12,848
	<b>194,407</b>	<b>387,841</b>	<b>176,878</b>	<b>358,014</b>
<b>Fee and commission expense</b>				
Payment and credit cards	(13,222)	(28,674)	(13,772)	(29,625)
Brokerage activity	(6,078)	(12,392)	(4,506)	(9,852)
Fees paid to the National Depository for Securities (KDPW)	(5,209)	(10,249)	(4,111)	(8,083)
Brokerage fees	(1,425)	(2,383)	(905)	(2,343)
Other	(3,343)	(5,383)	(2,338)	(4,765)
	<b>(29,277)</b>	<b>(59,081)</b>	<b>(25,632)</b>	<b>(54,668)</b>
<b>Net fee and commission expense</b>	<b>165,130</b>	<b>328,760</b>	<b>151,246</b>	<b>303,346</b>

The net commission result for the first half of 2013 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 their fair value through profit or loss in the amount of PLN 117,035 thousand (for the first half of 2012: PLN 129,528 thousand) and commission expenses in the amount of PLN 28,674 thousand (for the first half of 2012: PLN 29,625 thousand).

## 8. Net income on financial instruments and revaluation

<i>PLN '000</i>	II quarter 01.04. - 30.06. 2013	I half of the year 01.01. - 30.06. 2013	II quarter 01.04. - 30.06. 2012	I half of the year 01.01. - 30.06. 2012
Net income on financial instruments valued at fair value through profit or loss				
Debt instruments	4,569	14,019	37,222	90,089
Capital instruments	396	777	242	1,121
Derivative instruments, including:	35,957	54,008	(10,893)	(6,166)
Interest rate derivatives	35,555	53,081	(12,162)	(8,921)
	<b>40,922</b>	<b>68,804</b>	<b>26,571</b>	<b>85,044</b>
Net income on FX operations				
Operations on FX derivative instruments	108,169	204,484	274,529	(53,820)
FX gains and losses (revaluation)	(31,999)	(35,435)	(200,089)	186,793
	<b>76,170</b>	<b>169,049</b>	<b>74,440</b>	<b>132,973</b>
Net income on financial instruments and revaluation	<b>117,092</b>	<b>237,853</b>	<b>101,011</b>	<b>218,017</b>

Net income on financial instruments and revaluation includes increase/decrease in net releases regarding pricing correction of counterparty's credit risk on derivative transactions in the amount of PLN 18,550 thousand (for the first half of 2012: net releases PLN 4,388 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 result on FX operations contains gains and losses from revaluation of assets and liabilities denominated in foreign currency and from FX derivative instruments like forward, swap and options. Net result on FX operations contains also the margin executed on current and fixed currency transactions.

## 9. Net gain on debt investment securities

<i>PLN '000</i>	II quarter 01.04. - 30.06. 2013	I half of the year 01.01. - 30.06. 2013	II quarter 01.04. - 30.06. 2012	I half of the year 01.01. - 30.06. 2012
Profits realized on debt securities available-for-sale	81,334	253,298	46,139	119,068

## 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. 2013	01.01. - 30.06. 2013	01.04. - 30.06. 2012	01.01. - 30.06. 2012
<b>Other operating income</b>				
Income from provision of services for related entities	1,546	6,499	1,740	3,853
Income from office rental	1,637	3,328	1,624	3,046
Income from VAT settlement for previous years	4,207	6,200	-	-
Other	6,243	17,627	4,555	14,243
	<b>13,633</b>	<b>33,654</b>	<b>7,919</b>	<b>21,142</b>
<b>Other operating expenses</b>				
Amicable procedure and vindication expenses	(4,815)	(9,958)	(4,822)	(9,638)
Fixed assets held-for-sale maintenance cost	(95)	(181)	(544)	(1,025)
Net provision for litigation	(1,324)	(2,705)	(541)	(5,360)
Other	(7,080)	(11,035)	(5,867)	(10,202)
	<b>(13,314)</b>	<b>(23,879)</b>	<b>(11,774)</b>	<b>(26,225)</b>
<b>Net other operating income</b>	<b>319</b>	<b>9,775</b>	<b>(3,855)</b>	<b>(5,083)</b>

## 11. General administrative expenses

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2013	01.01. - 30.06. 2013	01.04. - 30.06. 2012	01.01. - 30.06. 2012
<b>Staff expenses</b>				
Remuneration costs, including:	(111,792)	(230,919)	(124,777)	(290,224)
Provisions for retirement benefits	(5,696)	(13,971)	(5,452)	(12,815)
Bonuses and rewards including:	(31,100)	(70,396)	(27,635)	(58,276)
Payments related to own equity instruments	(16,390)	(28,027)	1,015	(3,747)
Social security costs	(19,978)	(42,687)	(21,384)	(46,441)
	<b>(162,870)</b>	<b>(344,002)</b>	<b>(173,796)</b>	<b>(394,941)</b>
<b>Administrative expenses</b>				
Telecommunication fees and hardware purchase costs	(50,986)	(92,552)	(49,756)	(95,107)
Advisory, audit, consulting and other external services costs	(18,806)	(38,483)	(20,806)	(42,348)
Building maintenance and rent costs	(22,128)	(44,681)	(26,316)	(62,965)
Marketing costs	(4,803)	(12,933)	(15,539)	(28,949)
Costs of cash management services, costs of KIR services and other transaction costs	(10,741)	(21,780)	(10,993)	(23,160)
Costs of external services related to distribution of banking products	(13,253)	(24,629)	(13,606)	(27,074)
Postal services, office supplies and printmaking costs	(5,642)	(11,051)	(5,350)	(11,618)
Training and education costs	(2,538)	(3,929)	(1,420)	(2,427)
Banking supervision costs	(2,198)	(4,452)	(2,085)	(4,266)
Other expenses	(23,631)	(50,401)	(25,621)	(51,015)
	<b>(154,726)</b>	<b>(304,891)</b>	<b>(171,492)</b>	<b>(348,929)</b>
<b>General administrative expenses, total</b>	<b>(317,596)</b>	<b>(648,893)</b>	<b>(345,288)</b>	<b>(743,870)</b>

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 23,677 thousand (in first half of 2012: PLN 14,748 thousand).

Position 'Remuneration costs' for the first half of 2013 includes employment restructuring costs in amounts PLN 2,040 thousand, resulting from reduction of leasing activity within the Bank's Group to execution of lease agreements concluded by the company Handlowy-Leasing Sp. z o.o. As at 30 June 2013 the amount of PLN 1,680 thousand was used.

Position 'Remuneration costs' for the first half of 2012 includes employment restructuring costs in amounts PLN 32,400 thousand, connected with started in 2012 optimization of the branch network. Position 'Building maintenance and rent costs' for the first half of 2012 includes the costs of restructuring the retail Bank's branches in amount PLN 9,808 thousand. A total amount of restructuring provisions made was PLN 42,208 thousand. As at 30 June 2012 the amount of PLN 9,201 thousand was used due to employment restructuring.

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

PLN'000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2013	01.01. - 30.06. 2013	01.04. - 30.06. 2012	01.01. - 30.06. 2012
<b>Impairment of financial assets value</b>				
<b>Impairment write-downs</b>				
Amounts due from banks	(469)	(1,314)	(290)	(405)
Amounts due from customers	(62,291)	(129,220)	(87,031)	(151,766)
Receivables from matured derivative transactions	(1)	(11)	(1,150)	(1,285)
Other	(2,787)	(5,414)	(3,326)	(6,639)
	<b>(65,548)</b>	<b>(135,959)</b>	<b>(91,797)</b>	<b>(160,095)</b>
<b>Reversals of impairment write-downs</b>				
Amounts due from banks	698	1,085	98	198
Amounts due from customers	70,589	129,657	57,671	110,081
Receivables from matured derivative transactions	65	995	110	252
Recovers from sold debts	23,441	23,441	14,551	14,551
	<b>94,793</b>	<b>155,178</b>	<b>72,430</b>	<b>125,082</b>
	<b>29,245</b>	<b>19,219</b>	<b>(19,367)</b>	<b>(35,013)</b>
<b>Net charges to / releases of provisions for granted financial and guarantee commitments</b>				
Establish of provisions for granted financial and guarantee commitments	(8,502)	(16,362)	(4,890)	(9,136)
Release of provisions for granted financial and guarantee commitments	8,455	15,871	4,229	9,349
	<b>(47)</b>	<b>(491)</b>	<b>(661)</b>	<b>213</b>
<b>Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities</b>	<b>29,198</b>	<b>18,728</b>	<b>(20,028)</b>	<b>(34,800)</b>



### 13. Income tax expense

#### Recognized in the income statement

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2013	01.01. - 30.06. 2013	01.04. - 30.06. 2012	01.01. - 30.06. 2012
<b>Current tax</b>				
Current year	(40,895)	(92,532)	(27,501)	(105,701)
Adjustments for prior years	-	(3,272)	-	(1,576)
	<b>(40,895)</b>	<b>(95,804)</b>	<b>(27,501)</b>	<b>(107,277)</b>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	(34,463)	(63,642)	(27,459)	(13,320)
	<b>(34,463)</b>	<b>(63,642)</b>	<b>(27,459)</b>	<b>(13,320)</b>
<b>Income tax expense</b>	<b>(75,358)</b>	<b>(159,446)</b>	<b>(54,960)</b>	<b>(120,597)</b>

#### Reconciliation of effective tax rate

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2013	01.01. - 30.06. 2013	01.04. - 30.06. 2012	01.01. - 30.06. 2012
Profit before tax	375,705	815,220	285,710	594,918
Income tax at the domestic tax rate of 19%	(71,384)	(154,892)	(54,285)	(113,034)
Non-deductible expenses, including:	(5,929)	(3,055)	(3,128)	(8,520)
Impairment write-offs	(7,160)	(6,144)	(1,291)	(2,752)
Taxable income not recognized in the income statement	(86)	(134)	(377)	(176)
Deductible expenses not recognized in the income statement	(57)	(86)	1,976	1,507
Non-taxable income	2,523	2,552	1,262	1,309
Other	(425)	(3,831)	(408)	(1,683)
<b>Income tax expense</b>	<b>(75,358)</b>	<b>(159,446)</b>	<b>(54,960)</b>	<b>(120,597)</b>
<b>Effective tax rate</b>	<b>20%</b>	<b>20%</b>	<b>19%</b>	<b>20%</b>

#### Deferred tax recognized directly in equity

Deferred tax recognized directly in equity as at 30 June 2013 is related to debt and capital instruments available-for-sale and equals PLN 6,633 thousand (30 June 2012: PLN (8,465) 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 2013	318,261	(60,470)	257,791
Change in valuation of AFS	(99,876)	18,976	(80,900)
Valuation of AFS sold, moved to income statement	(253,298)	48,127	(205,171)
<b>Balance as at 30 June 2013</b>	<b>(34,913)</b>	<b>6,633</b>	<b>(28,280)</b>

<i>PLN '000</i>	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2012	(101,597)	19,303	(82,294)
Change in valuation of AFS	265,477	(50,440)	215,037
Valuation of AFS sold, moved to income statement	(119,068)	22,623	(96,445)
Balance as at 30 June 2012	44,812	(8,514)	36,298

## 15. Amounts due from banks

### Amounts due from banks (by category)

<i>PLN '000</i>	30.06.2013	31.12.2012
Current accounts	789,318	177,111
Deposits	432,845	85,964
Credits and loans	358,442	347,086
Receivables due to purchased securities with repurchase agreement	503,061	765,279
Other receivables	220,857	86,587
<b>Total gross value</b>	<b>2,304,523</b>	<b>1,462,027</b>
Impairment write-downs	(356)	(126)
<b>Total net value</b>	<b>2,304,167</b>	<b>1,461,901</b>

Movement in amounts due from banks presents as follows:

<i>PLN '000</i>	01.01. – 30.06. 2013	01.01. – 30.06. 2012
As at 1 January	(126)	(63)
Increases (due to):		
Write-downs creation	(1 314)	(405)
Other	(1)	-
Decreases (due to):		
Write-downs release	1 085	198
other	-	1
<b>As at the end of period</b>	<b>(356)</b>	<b>(269)</b>

As at 30 June 2013 and 31 December 2012 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>	30.06.2013	31.12.2012
<b>Debt securities held-for-trading</b>		
Bonds and notes issued by:		
banks*	246,880	246,409
Government	4,677,012	2,285,646
	<b>4,923,892</b>	<b>2,532,055</b>
Including:		
Listed	4,682,772	2,508,343
Unlisted	241,120	23,712
<b>Capital instruments</b>	<b>2,798</b>	-
Including:		
Listed	2,798	-

PLN '000	30.06.2013	31.12.2012
Derivatives	3,949,487	4,306,428
Financial assets held-for-trading, total	8,876,177	6,838,483

\* As at 30 June 2013 all the securities (bonds) issued by banks in amount PLN 246,880 thousand are covered by guarantee of State Treasury (31 December 2012: PLN 221,486 thousand).

#### Financial liabilities held-for-trading

PLN '000	30.06.2013	31.12.2012
Liabilities related to short-sale of securities	842,066	1,027,729
Derivatives	4,001,755	4,818,675
	4,843,821	5,846,404

As at 30 June 2013 and 31 December 2012 the Group did not hold any financial assets and liabilities, designed at initial recognition for valuation at fair value through profit or loss.

As at 30 June 2013 derivative financial assets were adjusted due to counterparty credit risk by the amount of PLN 19,440 thousand (as at 31 December 2012: PLN 20,883 thousand).

#### Derivative financial instruments as at 30 June 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	33,232,864	63,864,752	101,367,076	18,185,709	216,650,401	3,560,154	3,590,802
Currency instruments	14,377,214	14,435,913	6,511,734	7,754	35,332,615	373,482	391,559
Securities transactions	4,147,428	-	-	-	4,147,428	6,011	9,554
Commodity transactions	129,077	545,570	-	-	674,647	9,840	9,840
Derivative instruments total	51,886,583	78,846,235	107,878,810	18,193,463	256,805,091	3,949,487	4,001,755

#### Derivative financial instruments as at 31 December 2012

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	56,899,328	41,752,639	85,359,810	15,840,643	199,852,420	3,861,326	4,017,773
Currency instruments	16,511,520	15,676,671	7,413,650	12,770	39,614,611	444,548	799,505
Securities transactions	284,209	-	-	-	284,209	158	1,001
Commodity transactions	1,960,413	-	-	-	1,960,413	396	396
Derivative instruments total	75,655,470	57,429,310	92,773,460	15,853,413	241,711,653	4,306,428	4,818,675

## 17. Debt securities available-for-sale

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
Bonds and notes issued by:		
Central Banks	8,497,388	7,997,178
Other banks*	1,508,029	2,459,016
Government	4,117,667	4,546,809
	<b>14,123,084</b>	<b>15,003,003</b>
Including:		
Listed instruments	4,450,182	6,315,963
Unlisted instruments	9,672,902	8,687,040

\*As at 30 June 2013 part of securities (bonds) issued by other banks in the amount of PLN 1,216,694 thousand is covered by guarantee of State Treasury (31 December 2012: PLN 1,425,266 thousand)

## 18. Amounts due from customers

### Amounts due from customers (by category)

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
<b>Amounts due from to financial sector entities</b>		
Loans, placements and advances	581,737	498,049
Purchased receivables	2	2
Receivables related to reverse repo transactions	1,658,932	336,588
Other receivables	207,078	117,746
<b>Total gross value</b>	<b>2,447,749</b>	<b>952,385</b>
Impairment write-downs	(19,141)	(19,113)
<b>Total net value</b>	<b>2,428,608</b>	<b>933,272</b>
<b>Amounts due from non-financial sector entities</b>		
Loans and advances	13,046,298	13,562,249
Unlisted debt securities	840,890	1,013,486
Purchased receivables	1,215,036	1,207,908
Realized guarantees	2,473	2,342
Other receivables*	551,359	613,969
<b>Total gross value</b>	<b>15,656,056</b>	<b>16,399,954</b>
Impairment write-downs	(1,055,594)	(1,111,814)
<b>Total net value</b>	<b>14,600,462</b>	<b>15,288,140</b>
<b>Total net value of receivables from customers</b>	<b>17,029,070</b>	<b>16,221,412</b>

\*Position "Other receivables" contains leasing receivables in amount PLN 533,530 thousand (31 December 2012: PLN 606,551 thousand)

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

<i>PLN '000</i>	<b>01.01. – 30.06. 2013</b>	<b>01.01.– 30.06. 2012</b>
<b>As at 1 January</b>	<b>(1,130,927)</b>	<b>(1,235,789)</b>
Increases (due to):		
Creation of write downs	(129,220)	(151,766)
Creations of net write-downs for receivables due to matured derivatives transactions	-	(1,033)
Other	(3,390)	(1,326)
Decreases (due to):		
Release of net write-down in the period for receivables in respect of matured derivative instrument transactions	984	-
Restating receivables into write- downs	54,931	17,327
Write-downs release	129,657	110,081
Sale of receivables	2,748	-
other	482	1,739
<b>As at the end of period</b>	<b>(1,074,735)</b>	<b>(1,260,767)</b>

The closing balance of recognized values loss due to receivables from customers consisted of following categories:

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
Portfolio receivables impairment loss	(560,336)	(611,488)
Individual receivables impairment loss	(409,367)	(400,831)
Incurred but not reported losses (IBNR)	(105,032)	(118,608)

### 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>	<b>30.06.2013</b>	<b>31.12.2012</b>
Gross finance lease receivables	562,854	642,501
Unrealized finance income	(29,324)	(35,950)
<b>Net finance lease receivables</b>	<b>533,530</b>	<b>606,551</b>

As at 30 June 2013 impairment for finance lease receivables amounted to PLN 62,385 thousand (as at 31 December 2012 amounted PLN 63,800 thousand).

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

## 19. Provisions and assets due to deferred income tax

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
Assets due to deferred income tax	859,690	1,010,549
Provisions due to deferred income tax	(637,442)	(791,763)
<b>As at the end of period</b>	<b>222,248</b>	<b>218,786</b>

The provisions and assets due to deferred income tax are presented in the consolidated statement of financial position.

## 20. Amounts due to banks

### Amounts due to banks (by category)

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
Current accounts	1,864,259	938,655
Time deposits	3,864,129	537,903
Credits and loans received	401,187	323,924
Liabilities due to sold securities under repurchase agreements	964,380	552,680
Other liabilities	8,539	127
Accrued interests	1,886	3,140
<b>Total amounts due to banks</b>	<b>7,104,380</b>	<b>2,356,429</b>

## 21. Amounts due to customers

### Amounts due to customers (by category)

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
<b>Deposits from financial sector entities</b>		
Current accounts	863,745	444,961
Deposits	3,358,877	2,346,533
Accrued interest	7,157	3,296
	<b>4,229,779</b>	<b>2,794,790</b>
<b>Deposits from non-financial sector entities</b>		
Current accounts, including:	13,554,837	13,834,538
corporate customers	6,325,666	6,990,395
individual customers	5,813,188	4,835,774
budgetary units	1,415,983	2,008,369
Time deposits, including:	6,471,155	6,984,086
corporate customers	4,879,547	5,110,253
individual customers	957,776	1,050,734
budgetary units	633,832	823,099
Accrued interest	12,980	16,306
	<b>20,038,972</b>	<b>20,834,930</b>
<b>Total deposits</b>	<b>24,268,751</b>	<b>23,629,720</b>
<b>Other liabilities</b>		
Securities sold under repurchase agreements	147,038	3,059,546
Other liabilities, including:	535,407	160,143
cash collateral	77,814	74,380
Accrued interest	392	2,756
<b>Total other liabilities</b>	<b>682,837</b>	<b>3,222,445</b>
<b>Total amounts due to customers</b>	<b>24,951,588</b>	<b>26,852,165</b>

## 22. Financial assets and liabilities by maturity date

As at 30 June 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
<b>Amounts due from banks (Gross)</b>	15	2,304,523	1,627,592	300,555	20,596	355,780	-
<b>Financial assets held-for-trading</b>							
Debt securities held-for-trading	16	4,923,892	29,098	-	469,250	3,448,775	976,769
<b>Financial assets available-for-sale</b>							
Debt securities available-for-sale	17	14,123,084	8,497,388	-	189,682	2,926,409	2,509,605
<b>Amounts due from customers (gross)</b>							
Amounts due from financial sector entities	18	2,447,749	1,841,468	-	235,216	371,065	-
Amounts due from non-financial sector entities	18	15,656,056	7,692,731	891,618	1,755,483	4,328,166	988,058
<b>Amounts due to banks</b>	20	7,104,380	5,366,893	-	1,271,532	379,347	86,608
<b>Amounts due to customers</b>							
Amounts due to financial sector entities:	21	4,376,880	4,197,864	2,126	166,485	10,393	12
Amounts due to non-financial sector entities	21	20,574,708	19,723,847	424,579	420,862	5,357	63

As at 31 December 2012

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
<b>Amounts due from banks (Gross)</b>	15	1,462,027	1,120,709	2,228	410	338,680	-
<b>Financial assets held-for-trading</b>							
Debt securities held-for-trading	16	2,532,055	29,435	2,982	178,065	1,518,156	803,417
<b>Financial assets available-for-sale</b>							
Debt securities available-for-sale	17	15,003,003	7,997,178	-	-	2,240,783	4,765,042
<b>Amounts due from customers (gross)</b>							
Amounts due from financial sector entities	18	952,385	428,798	-	72,205	451,382	-
Amounts due from non-financial sector entities	18	16,399,954	8,608,178	731,957	2,110,440	3,884,092	1,065,287
<b>Amounts due to banks</b>	20	2,356,429	2,002,870	-	288,776	64,759	24
<b>Amounts due to customers</b>							
Amounts due to financial sector entities:	21	5,856,749	5,674,435	5,534	160,762	16,006	12
Amounts due to non-financial sector entities	21	20,995,416	20,172,842	444,585	375,566	2,342	81

## 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	30.06.2013		31.12.2012	
	Balance value	Fair value	Balance value	Fair value
<b>Assets</b>				
Amounts due from banks	2,304,167	2,304,620	1,461,901	1,461,901
Amounts due from customers	17,029,070	17,038,112	16,221,412	16,239,445
<b>Liabilities</b>				
Amounts due to banks	7,104,380	7,106,524	2,356,429	2,356,295
Amounts due to customers	24,951,588	24,948,767	26,852,165	26,848,279

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 2013 the Group disposed off its minority shareholding in Elektromontaż Poznań S.A., which in prior periods, the fair value of investment could not be reliably measured. The balance value of sold Elektromontaż Poznań S.A shares amounted PLN 4,715 thousand and profit on sale amounted PLN 1,844 thousand.

The fair value of deposit portfolio at 30 June 2013 did not change significantly in comparison to December end 2012. Notable decrease of fair value of corporate loans portfolio resulted from margin of credit margin, which was one of the PLN credit valuation element. Margin from December was under valued due to granted in December individually large credits with low margin in comparison to whole portfolio.

### Valuation methods and assumptions used for the purposes of fair value

Fair value of assets and financial liabilities are valued 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 entity'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 – "Bootstrap" or "Newton Raphson" model;
  - options – option market-based valuation model;
  - interest rate transactions – "Bootstrap" or "Newton Raphson" model;
  - futures – current quotations.
- For valuation securities transactions - current quotations are used or in case no quotations are available, adequate models based on discount and forward curves including decrease of credit spread if needed.
  - The fair value of other assets and financial liabilities (excluding described above) are estimated with accordance to models used for valuation and discounted cash flows analysis and takes into account fluctuations in market interest rates as well as 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 quoted in an active market;
- Level II: financial assets / liabilities valued on the basis of a valuation technique based on assumptions using information from an active market or market-based observations;



- Level III: financial assets / liabilities valued on the basis of valuation techniques using relevant parameters not market-based (counterparty credit risk).

The tables below present carrying amounts of assets and financial liabilities presented in the consolidated statement of financial position measured at fair value, arranged according to the above categories:

As at 30 June 2013

PLN '000	Level I	Level II	Total
<b>Financial assets</b>			
Financial assets held-for-trading	4,679,838	4,196,339	8,876,177
derivatives	28	3,949,459	3,949,487
debt securities	4,677,012	246,880	4,923,892
capital instruments	2,798	-	2,798
Debt securities available-for-sale	4,117,668	10,005,416	14,123,084
<b>Financial liabilities</b>			
Financial liabilities held-for-trading	842,640	4,001,181	4,843,821
short sale of securities	842,066	-	842,066
derivatives	574	4,001,181	4,001,755

Except assets described above tangible assets available-for-sale are shown in consolidated statement of financial position, which fair value decreased by sale cost is higher than its carrying amount. In consequence they are shown in consolidated statement of financial position by carrying amount, which as at 30 June 2013 was PLN 12,738 thousands (31 December 2012: PLN 12,554 thousands).

In first half of 2013, the Group transferred financial assets available-for-sale from the category valued using relevant parameters not market-based (level III) to the category valued using information from an active market (level II). The change of the category concerns derivatives and results from change of the market-based valuation model. The value of transferred assets was PLN 1,523 thousands.

Additionally, taking into account the market activity, there was made a transfer of the part of debt securities classified to financial assets held-for-trading in amount PLN 246,880 thousands and the part of debt securities available-for-sale in amount PLN 1,216,694 thousand from the category valued directly on the basis of prices quoted in an active market (level I) to the category valued using information from an active market (level II).

In the 6 month period of 2013 the Group has not made any changes in principles of financial instruments' classification (presented in the consolidated statement of financial position at fair value) to the separate categories of fair value establishing method used (level I, level II, level III).

The decrease of fair value of financial instruments classified as held-for-trading at 30 June 2013 in comparison to the end of 2012 was connected with expected by the Bank changes in economic environment.

The decrease of financial instruments portfolio size classified as available-for-sale (AFS) was influenced by the sale of securities on which in the first half of 2013 the Bank has realized profit.

In the 6 month period of 2013 the Group has not made any changes in financial assets classification that may result from asset's purpose or usage change.

## 24. Change in intangible assets

In the first half of 2013 there was the significant increase of the intangible assets' balance which, as at 30 June 2013, was PLN 1,405,867 thousands and was PLN 25,936 thousand more in comparison with the end of 2012. The change in intangible assets was especially the result of the incurred investments in the amount of PLN 27,150 thousand regarding functionality modification of retail banking IT systems.

## 25. 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.

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

In the first half of the year 2013 no issue, pay back or repurchase of debt or equity securities had place.

## 27. 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 2012 on June 20, 2013. The Meeting resolved to appropriate the amount of PLN 756,519,084.00 for the dividend payment, which means that the dividend per one ordinary share is PLN 5.79. The number of shares covered by the dividend is 130,659,600.

Simultaneously, the WZ resolved to set the day of the right to the dividend for July 5, 2013 (day of dividend) and the day of the dividend payment for August 30, 2013 (day of the dividend payment).

## 28. Changes in Group's structure

In the first half of 2013 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.

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

As at 30 June 2013 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

On 26 July 2013 the Handlowy Investmens II S.a.r.l shares, representing 100% of the share in the capital and 100% of votes at the General Meeting of Shareholders, were sold. The balance value of sold shares was PLN 5,532 thousand.

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

The detailed specification of granted and received financial and guarantee commitments as at 30 June 2013 and changes in comparison with the end of 2012 are as follows:

PLN '000	As at		Change	
	30.06.2013	31.12.2012	PLN '000	%
<b>Contingent liabilities</b>				
financial	13,898,252	12,449,875	1,448,377	11.6
Import letters of credit issued	108,896	144,855	(35,959)	(24.8)
Lines of credit granted	12,048,064	11,092,470	955,594	8.6
Securities issuance guarantees granted to other issuers	1,508,050	1,212,550	295,500	24.4
Reverse repo transactions with future currency date	233,242	-	233,242	-
guarantees	1,792,240	1,804,083	(11,843)	(0.7)
Guarantees granted	1,766,530	1,764,624	1,906	0.1
Export letters of credit confirmed	4,665	4,273	392	9.2
Other	21,045	35,186	(14,141)	(40.2)
	<b>15,690,492</b>	<b>14,253,958</b>	<b>1,436,534</b>	<b>10.1</b>

PLN '000	As at		Change	
	30.06.2013	31.12.2012	PLN '000	%
<b>Liabilities received</b>				
financial (deposits to receive)	1,998,148	122,646	1,875,502	-
guarantees (guarantees received)	4,183,741	4,798,611	(614,870)	(12.8)
	<b>6,181,889</b>	<b>4,921,257</b>	<b>1,260,632</b>	<b>25.6</b>
<b>Contingent transactions due to FX, securities and derivatives (granted/received liabilities)</b>				
Current*	4,852,781	2,359,957	2,492,824	105.6
Forward **	251,705,756	239,351,697	12,354,059	5.2
	<b>256,558,537</b>	<b>241,711,654</b>	<b>14,846,883</b>	<b>6.1</b>

\*Foreign exchange and securities transactions with current value date

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

### 31. Information about shareholders

As at both 30 June 2013 and the day of publishing this consolidated financial statement for the first half of 2013 the list of shareholders who held at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

	Value of shares (‘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 2013 or during the period from publishing last interim report for the first quarter 2013 to publishing this consolidated financial statement for the first half of 2013, the structure of major shareholdings of the Bank has not undergone any changes.

### 32. Information on pending proceedings

In the first half of 2013 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 2013 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 created by the Group are adequate reserves.

As at 30 June 2013, the Bank was among others a party to 33 proceedings regarding derivative transactions: in 24 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 the financial statements, in cases regarding term financial operations, six final and positive settlement regarding the derivative transactions proceedings and two negative to which the Bank is a party was made in the court, no final settlements were made for other cases.

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. As at 30 June 2013 no final settlements were made in the court. 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 complainment 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. As at 30 June 2013 the conditions from IFRS 37.14 were not fulfilled, according to the Bank.

In the first half of 2013 no significant settlements due to court case had place.

### 33. Related parties

#### Transactions with related parties

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 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>	<b>30.06.2013</b>	<b>31.12.2012</b>
Receivables, including:	630,499	283,805
Placements	104,236	84,692
Liabilities, including:	4,986,893	1,236,202
Deposits	3,652,348	449,070
Loans received	260,077	259,289
Balance valuation of derivative transactions		
Assets held-for-trading	3,099,827	3,263,844
Liabilities held-for-trading	3,235,626	3,871,681

<i>PLN '000</i>	<b>30.06.2013</b>	<b>31.12.2012</b>
Conditional liabilities granted	159,720	153,653
Conditional liabilities received	1,715,070	226,035
Conditional derivative transactions (liabilities granted/received), including:	176,819,935	168,476,833
Interest rate instruments	149,751,424	135,206,525
Currency instruments	26,115,563	32,155,394
Securities transactions	615,625	134,707
Commodity transactions	337,323	980,207

<i>PLN '000</i>	<b>01.01. – 30.06. 2013</b>	<b>01.01. – 30.06. 2012</b>
Interest and commission income	27,266	17,520
Interest and commission expense	3,080	5,937

The Group receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge in 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 2013 net balance valuation of transactions on derivatives amounted to PLN (135,799) thousand (31 December 2012: PLN (607,837) thousand).

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

The costs incurred and accrued (including VAT reflected in the Group's costs) in the first half of 2013 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>	<b>01.01. – 30.06. 2013</b>	<b>01.01. – 30.06. 2012</b>
General administrative expenses	87,344	92,831
Other operating income	6,710	6,418

In the first half of 2013 the capitalization of started in 2012 and continued investments regarding functionality modification of retail banking IT systems took place. Total payments for Citigroup Inc. entities amounted PLN 12,248 thousand (in 2012: PLN 60,027 thousand).

#### 34. Transactions with members of the Management Board and Supervisory Board.

<i>PLN '000</i>	<b>30.06.2013</b>		<b>31.12.2012</b>	
	<b>Members of the Management Board</b>	<b>Members of the Supervisory Board</b>	<b>Members of the Management Board</b>	<b>Members of the Supervisory Board</b>
Loans granted	594	-	603	-
Deposits				
Current accounts	8,310	1,669	8,460	2,225
Term deposits	1,015	620	3,519	119
	<b>9,325</b>	<b>2,289</b>	<b>11,979</b>	<b>2,344</b>

As at 30 June 2013 and 31 December 2012 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.

### 35. Other significant information

#### Personal changes in the Bank's bodies.

On 20 June 2013 Robert Daniel Massey JR ceased to be the Vice-President of the Management Board, due to making a declaration on 30 April 2013 of not competing to be chosen as the Vice-President of the Management Board for the next cadency.

On 10 June 2013 Krzysztof Opolski resigned from the function of the Member of the Supervisory Board from 28 June 2013.

On 20 June 2013 Anna Rulkiewicz was appointed the Member of the Supervisory Board from 29 June 2013.

### Signatures of Management Board Members

27.08.2013	Sławomir S. Sikora	President of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature
27.08.2013	Brendan Carney	Vice-President of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature
27.08.2013	Misbah Ur-Rahman-Shah	Vice-President of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature
27.08.2013	Witold Zieliński	Vice- President of the Management Board Chief Financial Officer	
..... Date	..... Name	..... Position / function	..... Signature
27.08.2013	Iwona Dudzińska	Member of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature