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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OF THE CAPITAL GROUP OF

BANK HANDLOWY W WARSZAWIE S.A.

FOR THE THIRD QUARTER 2013

NOVEMBER 2013

TRANSLATION

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	Third quarter accruals period from 01.01.13 to 30.09.13	Third quarter accruals period from 01.01.12 to 30.09.12	Third quarter accruals period from 01.01.13 to 30.09.13	Third quarter accruals period from 01.01.12 to 30.09.12
Data related to the interim condensed consolidated financial statements				
Interest income	1,256,592	1,579,509	297,552	376,540
Fee and commission income	569,478	531,506	134,848	126,706
Profit before tax	1,020,077	910,422	241,547	217,036
Net profit	820,961	725,564	194,398	172,967
Total income	495,546	890,746	117,342	212,345
Increase of net cash	1,158,402	193,213	274,301	46,060
Total assets*	47,248,398	43,508,763	11,206,128	10,642,523
Amounts due to banks*	7,616,947	2,356,429	1,806,548	576,398
Amounts due to customers*	25,355,436	26,852,165	6,013,670	6,568,212
Shareholders' equity	7,130,442	6,974,330	1,691,161	1,695,350
Share capital	522,638	522,638	123,957	127,045
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	54.57	53.38	12.94	12.98
Capital adequacy ratio (%)*	16.7	18.1	16.7	18.1
Earnings per ordinary share (PLN / EUR)	6.28	5.55	1.49	1.32
Diluted net earnings per share (PLN / EUR)	6.28	5.55	1.49	1.32
Data related to the interim condensed standalone financial statements				
Interest income	1,242,297	1,557,340	294,167	371,255
Fee and commission income	503,860	494,807	119,310	117,957
Profit before tax	983,918	925,318	232,985	220,587
Net profit	790,367	745,156	187,153	177,638
Total income	464,027	912,536	109,878	217,540
Increase of net cash	1,168,871	182,820	276,780	43,583
Total assets*	46,023,813	42,873,788	10,915,687	10,487,204
Amounts due to banks*	7,387,717	2,097,033	1,752,180	512,948
Amounts due to customers*	25,368,961	26,882,179	6,016,878	6,575,554
Shareholders' equity	7,051,236	6,907,502	1,672,375	1,679,105
Share capital	522,638	522,638	123,957	127,045
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	53.97	52.87	12.80	12.85
Capital adequacy ratio (%)*	16.7	17.7	16.7	17.7
Earnings per ordinary share (PLN / EUR)	6.05	5.70	1.43	1.36
Diluted net earnings per share (PLN / EUR)	6.05	5.70	1.43	1.36
Declared or paid dividend per share (PLN / EUR)**	5.79	2.76	1.37	0.67

** Comparable balance data according as at 31 December 2012.*

*** The presented ratios are related to dividend paid in 2013 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 September 2013 - PLN 4.2163 (as at 31 December 2012: PLN 4.0882; as at 30 September 2012 – PLN 4.1138); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the first, second and third quarter of 2013 - PLN 4.2231 (in the first, second and third quarter of 2012: PLN 4.1948).*

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Condensed consolidated income statement

PLN '000	Third quarter period from 01.07.13 to 30.09.13	Third quarter accruals period from 01.01.13 to 30.09.13	Third quarter period from 01.07.12 to 30.09.12	Third quarter accruals period from 01.01.12 to 30.09.12
Interest and similar income	402,396	1,256,592	531,596	1,579,509
Interest expense and similar charges	(96,196)	(312,763)	(161,387)	(442,569)
Net interest income	306,200	943,829	370,209	1,136,940
Fee and commission income	181,637	569,478	173,492	531,506
Fee and commission expense	(28,646)	(87,727)	(21,697)	(76,365)
Net fee and commission income	152,991	481,751	151,795	455,141
Dividend income	121	4,346	1,004	6,493
Net income on trade financial instruments and revaluation	28,153	266,006	61,389	279,406
Net gain on debt investment securities	32,037	285,335	97,844	216,912
Net gain on capital investment instruments	-	1,844	-	-
Other operating income	10,231	43,885	6,360	27,502
Other operating expenses	(11,053)	(34,932)	(14,218)	(40,443)
Net other operating income	(822)	8,953	(7,858)	(12,941)
General administrative expenses	(295,764)	(944,657)	(321,246)	(1,065,116)
Depreciation of tangible and intangible assets	(17,109)	(43,904)	(15,579)	(49,892)
Profit/(loss) on sale of other assets	590	752	6	74
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	(1,564)	17,164	(22,286)	(57,086)
Operating income	204,833	1,021,419	315,278	909,931
Share in net profits/(losses) of entities valued at equity method	24	(1,342)	226	491
Profit before tax	204,857	1,020,077	315,504	910,422
Income tax expense	(39,670)	(199,116)	(64,261)	(184,858)
Net profit	165,187	820,961	251,243	725,564
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net earnings per share (in PLN)		6.28		5.55
Diluted net earnings per share (in PLN)		6.28		5.55
Including:				
Net profit due to shareholders of the dominant entity		820,961		725,564

Condensed consolidated statement of comprehensive income

PLN '000	Third quarter period from 01.07.13 to 30.09.13	Third quarter accruals period from 01.01.13 to 30.09.13	Third quarter period from 01.07.12 to 30.09.12	Third quarter accruals period from 01.01.12 to 30.09.12
Net income	165,187	820,961	251,243	725,564
Other comprehensive income:				
Valuation of financial assets available-for-sale (net)	(40,272)	(326,343)	48,796	167,388
Exchange rate differences	(773)	928	(1,031)	(2,206)
Other comprehensive income after tax	(41,045)	(325,415)	47,765	165,182
Total comprehensive income	124,142	495,546	299,008	890,746

Including:				
Comprehensive income due to shareholders of the dominant entity		495,546		890,746

TRANSLATION

Condensed consolidated statement of financial position

State as at *PLN '000*	30.09.2013	31.12.2012
ASSETS		
Cash and balances with the Central Bank	2,433,852	1,357,308
Amounts due from banks	2,505,706	1,461,901
Financial assets held-for-trading	6,419,351	6,838,483
Debt securities available-for-sale	15,777,977	15,003,003
Capital investments valued at equity method	7,797	15,110
Other capital investments available for sale	15,185	19,921
Amounts due from customers	16,849,948	16,221,412
Tangible fixed assets	386,520	409,916
Intangible assets	1,416,894	1,379,931
Receivables due to current income tax	80.958	2,702
Asset due to deferred income tax	191,488	218,786
Other assets	1,149,984	567,736
Fixed assets held-for-sale	12,738	12,554
Total assets	47,248,398	43,508,763
LIABILITIES		
Amounts due to banks	7,616,947	2,356,429
Financial liabilities held-for-trading	5,442,455	5,846,404
Amounts due to customers	25,355,436	26,852,165
Provisions	28,145	28,656
Current income tax liabilities	346	55,343
Other liabilities	1,674,627	978,351
Total liabilities	40,117,956	36,117,348
EQUITY		
Share capital	522,638	522,638
Share premium	2,997,759	3,011,380
Revaluation reserve	(68,552)	257,791
Other reserves	2,859,798	2,637,066
Retained earnings	818,799	962,540
Total equity	7,130,442	7,391,415
Total liabilities and equity	47,248,398	43,508,763

Condensed consolidated statement of changes in equity

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2013	522,638	3,011,380	257,791	2,637,066	962,540	-	7,391,415
Total comprehensive income, including:	-	-	(326,343)	928	820,961	-	495,546
Net profit	-	-	-	-	820,961	-	820,961
Exchange rate differences from foreign units' conversion	-	-	-	928	-	-	928
Valuation of financial assets available-for-sale (net)	-	-	(326,343)	-	-	-	(326,343)
Dividends to be paid	-	-	-	-	(756,519)	-	(756,519)
Transfer to capital	-	(13,621)	-	221,804	(208,183)	-	-
Balance as at 30 September 2013	522,638	2,997,759	(68,552)	2,859,798	818,799	-	7,130,442

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2012	522,638	3,009,396	(82,294)	2,264,082	730,659	-	6,444,481
Total comprehensive income, including:	-	-	167,388	(2,206)	725,564	-	890,746
Net profit	-	-	-	-	725,564	-	725,564
Exchange rate differences from foreign units' conversion	-	-	-	(2,206)	-	-	(2,206)
Valuation of financial assets available-for-sale (net)	-	-	167,388	-	-	-	167,388
Dividends to be paid	-	-	-	-	(360,897)	-	(360,897)
Transfer to capital	-	1,984	-	375,370	(377,354)	-	-
Balance as at 30 September 2012	522,638	3,011,380	85,094	2,637,246	717,972	-	6,974,330

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

Condensed consolidated statement of cash flows

PLN '000	Third quarter accruals period from 01.01.13 to 30.09.13	Third quarter accruals period from 01.01.12 to 30.09.12
Cash at the beginning of the reporting period	1,544,322	1,044,182
Cash flows from operating activities	1,943,972	663,884
Cash flows from investing activities	(58,433)	(6,840)
Cash flows from financing activities	(727,137)	(463,831)
Cash at the end of the reporting period	2,702,724	1,237,395
Increase/(decrease) in net cash	1,158,402	193,213

Supplementary notes to the interim condensed consolidated financial statements

1 General information about the Bank and the Capital Group

Bank Handlowy w Warszawie S.A. ("the dominant entity", "the Bank", "Citi Handlowy") has its registered office in Warsaw at Senatorska 16, 00-923 Warszawa. The Bank was founded on the strength of a 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 Warsaw, XII Commercial 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 the Group were set up for unspecified period of time.

Issued 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 bank that offers a wide range of banking services for individuals and corporate customers on the domestic and foreign markets. Additionally, the Group conducts the following activities through its subordinated entities:
- brokerage operations,
- lease services,
- investment operations.

This interim consolidated report presents financial data of the Capital Group of Bank Handlowy w Warszawie S.A. ('the Group'), composed of Bank Handlowy w Warszawie S.A. ('the Bank') as the parent and its subordinated entities.

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2013	31.12.2012
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00
Entities valued at equity method			
Handlowy Inwestycje Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.a.r.l.	Luxembourg	-	100.00

In the third quarter of 2013 there were no changes in the structure of Group's entities. 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.

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 as at and 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 9 month period ended 30 September 2013 which is deemed to be the current interim financial reporting period.

3 Principles accepted at the composition of the report

The condensed interim consolidated financial statements of the Group for the third quarter 2013 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group as at and for the period 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 standalone 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 form 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 as at and for the period ended 31 December 2012, including the reasons and sources of uncertainty as at the balance sheet date.

The most significant estimates made for the 9 month period ended 30 September 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 September 2013 and from 1 July 2013 to 30 September 2013. Comparable financial data are presented for the period from 1 January 2012 to 30 September 2012 and from 1 July 2012 to 30 September 2012, and for the statement of financial position as at 31 December 2012.

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

4 Macroeconomic trends and conditions prevailing on the monetary, FX and capital markets

1. Macroeconomic trends and conditions prevailing on the monetary and FX markets

Monthly macroeconomic figures indicate a gradual increase in economic growth in Q3 2013, from 0.8% year-on-year in Q2 2013 and 0.5% year-on-year in Q1 2013. This is supported, among others, by figures related to industrial production, which between July and September 2013 recorded a 4.9% rise year-on-year compared to 1.2% year-on-year in Q2 2013 and -1.5% year-on-year in Q1 2013. At the same time, the purchasing managers index (PMI) in the industrial sector increased over 50 points, reaching the level of 53.1 points in September, which is a record level since April 2011, signaling a recovery. The average export growth rate in July and August 2013 was 3.9% year-on-year, while imports recorded an average rise by 0.2% year-on-year. In the first half of 2013, the export growth rate was slightly higher, i.e. 4.4% year-on-year, while imports dropped by 2.1% year-on-year, which was still due to limited domestic demand. A gradual increase in internal demand resulted in a lower balance of the current account in July and August 2013 vs. the first half of 2013.

A gradual increase in economic growth and improved economic outlooks for the following quarters was accompanied by stabilization and gradual improvement of the situation in the labor market. Although between January and August 2013 the registered unemployment rate remained above 14% - a record level since 2007 – in the following months it dropped to 13.0% at the end of August 2013, both as under the influence of seasonal factors and a gradual increase in demand in the labor market. Additionally, in Q3 2013 an average decrease of -0.5% year-on-year was observed in employment in the enterprise sector compared to -0.9% year-on-year in the first half of 2013. At the same time, the rise in pays reached 3% year-on-year compared to 2.2% in Q2 2013 and 2% in Q1 2013. Given the gradual improvement of the conditions in the labor market and an insignificant rise in household loans in Q3 2013, an increase in private consumption was also observed. In July and August 2013 the rise in retail sales reached 3.9% year-on-year compared to 0.7% year-on-year in the first half of 2013, while in real terms retail sales went up to the level of 3.9% year-on-year compared to 1.3% year-on-year in Q2 2013 and 0.4% year-on-year in Q1 2013.

After inflation had gone down in June 2013 to 0.2% year-on-year, i.e. the lowest level in history, in July 2013 it rose to 1.1%, though only due to considerable increases in administrative fees for waste disposal. Following the stabilization observed in August 2013, September 2013 saw a drop in the inflation level to 1% as a result of substantial decreases in kindergarten fees. In Q3 2013, inflation went up, on average, to 1.1% from the level of 0.5% year-on-year in Q2 2013 compared to 1.3% year-on-year in Q1 2013.

In response to a significant drop in inflation and the economic growth rate remaining clearly below the potential growth rate of the Polish economy, in July the Monetary Policy Council decided to further reduce interest rates by 25 b.p. Consequently, the reference rate of the National Bank of Poland fell to its historic low, i.e. 2.5%. The Monetary Policy Council has also announced the end of the monetary policy easing cycle.

In Q3 2013, appreciation of the Polish zloty against the euro was observed and the EUR/PLN exchange rate dropped by ca. 4.22 at the end of September 2013, from 4.32 at the end of June 2013 compared to 4.07 at the end of 2012. On the other hand, the USD/PLN exchange rate dropped to 3.12 at the end of September 2013 from 3.32 at the end of June 2013 compared to 3.085 at the end of 2012. Appreciation of the Polish currency between July and September 2013 was mainly due to appreciation of the euro against the dollar as well as better economic outlooks. At the same time, a substantial decrease in the deficit in the current account and short-term foreign liabilities in the recent quarters has probably allowed to avoid considerable depreciation of the currency, which was observed in the case of currencies of numerous emerging economies in Q3 in relation to investors' concerns about the effect of the Fed's reduction of the asset repurchase program on funding the external imbalance in those countries.

As regards the debt market, in Q3 2013 the yield on the short end of the yield curve dropped slightly, which was accompanied by a higher yield on long-term instruments. A drop in the prices of the latter was related to market expectations concerning the Fed's beginning of reduction of the asset repurchase program, which made the debt of emerging economies less attractive. Additionally, more positive outlooks for the economic growth in developed countries and in Poland exerted a negative effect on debt prices, which translated into lower attractiveness of bonds as an asset class in favor of stocks. Changes in the yield on domestic bonds were consistent with the behavior of the underlying debt markets. The effect of negative factors on short-term bonds was limited due to low inflation and the expected interest rate stability to be achieved in the following quarters. In September, prices in the debt market rose as the expectations concerning the scale of reduction of the bond repurchase program by the American central bank were lowered. The yield on 2-year bonds at the end of Q3 2013 stayed at the level of 3.06% compared to 3.10% at the end of June 2013 and 3.15% at the end of 2012. On the other hand, the yield on 10-year bonds rose at the end of September 2013 up to 4.46% from the level of 4.33% at the end of June 2013 compared to 3.74% at the end of 2012. The 3 M WIBOR rate dropped at the same time down to 2.67% from 2.73% at the end of June 2013 and 4.13% at the end of the preceding year.

2. Capital market situation

In Q3 2013, the sentiments observed in the Polish stock market improved substantially. FED's continued quantitative easing policy supported an optimistic outlook in the global financial markets. Among local factors supporting the upturn on the Warsaw Stock Exchange ("WSE") one may identify very good economic figures indicating a recovery, presentation of detailed information regarding the reform of open-end pension funds, absence of a considerable demand for stocks as well as an inflow, though still inconsiderable, of new funds to Polish stock funds.

More optimistic sentiments resulted in positive rates of return for all the major indices on the WSE. Performance of WIG20, a blue-chip index, which rose by 6.5% in Q3, was the worst in the market as a whole. The mWIG40 index, which includes medium capitalization entities, achieved the highest return of 18% quarter-on-quarter. A significant rise was also observed among small companies, whose sWIG80 index increased by 13.6% compared to the end of Q2 2013. The value of WIG20 changed slightly in annual terms (+0.8% year-on-year), while the prices of mid- and small-cap companies rose significantly (by 39.2% and 35.2% year-on-year, respectively).

In Q3 2013, the media sector, whose sub-index increased by almost 23%, stands out among the remaining economic sectors. WIG-Banks, which rose by 16.6% quarter-on-quarter, also performed very well. On the other hand, the sub-index of property developers was the only one to drop compared to the end of the preceding quarter (-2.8%). Also chemical as well as oil and gas companies, whose prices rose by only 1.3%, performed considerably worse compared to the market as a whole. WIG-Telecom recorded the most substantial drop year-on-year (-40.9%), while WIG-Media may boast about an increase of almost 55% year-on-year at the same time.

In Q3 2013, the initial public offering activity continued to be insignificant. Shares in four new entities began to be traded on the main floor of WSE (two of them transferred from New Connect), while the total value of offerings exceeded slightly the level of PLN 42.1 million. At the same time, three companies were delisted from the main floor. Consequently, at the end of September, shares in 443 entities (398 Polish and 45 foreign companies) were traded on WSE. The total market value of all WSE-listed entities rose compared to Q2 2013 by 12%, reaching the level of PLN 810.7 billion (with aggregate capitalization of Polish companies of PLN 571 billion).

Stock market indices, as at 30 September 2013

Index	30.09.2013	30.06.2013	Change (%) QoQ	30.09.2012	Change (%) YoY
WIG	50,301.85	44,747.79	12.4%	43,739.81	15.0%
WIG-PL	51,191.50	45,442.51	12.7%	43,697.72	17.1%
WIG-div	1,101.87	962.64	14.5%	1,033.24	6.6%
WIG20	2,391.53	2,245.64	6.5%	2,371.42	0.8%
mWIG40	3,275.69	2,776.93	18.0%	2,353.20	39.2%
sWIG80	13,314.68	11,716.43	13.6%	9,850.84	35.2%
Sector sub-indices					
WIG-Banks	7,692.60	6,598.44	16.6%	6,279.65	22.5%
WIG-Construction	2,010.06	1,851.41	8.6%	1,661.81	21.0%
WIG-Chemicals	11,595.82	11,447.78	1.3%	9,218.86	25.8%
WIG-Developers	1,435.33	1,476.14	(2.8%)	1,265.05	13.5%
WIG-Energy	3,605.39	3,207.57	12.4%	3,832.02	(5.9%)
WIG-IT	1,344.48	1,160.39	15.9%	1,065.91	26.1%
WIG-Media	3,526.95	2,875.12	22.7%	2,276.93	54.9%
WIG-Oil&Gas	3,571.03	3,524.10	1.3%	3,094.24	15.4%
WIG-Food	3,494.36	3,103.44	12.6%	3,624.45	(3.6%)
WIG-Basic materials	4,345.14	3,880.97	12.0%	5,086.10	(14.6%)
WIG-Telecom	886.97	797.01	11.3%	1,499.66	(40.9%)

Source: WSE, Dom Maklerski Banku Handlowego S.A.

Value of trading in shares and bonds and volume of trading in derivatives on WSE in Q3 2013

	Q3 2013	Q2 2013	Change (%) QoQ	Q3 2012	Change (%) YoY
Shares (PLN million)*	123,155	122,125	0.8%	104,979	17.3%
Bonds (PLN million)	625	549	13.8%	548	14.1%
Futures (‘000 contracts)	6,378	6,282	1.5%	5,079	25.6%
Options (‘000 contracts)	478	446	7.4%	388	23.3%

** figures excluding calls*
Source: WSE, Dom Maklerski Banku Handlowego S.A.

In Q3 2013, the value of shares traded exceeded slightly the level of PLN 123 billion and remained at a similar level compared to Q2 (+0.8%). On an annual basis, investor activity in this segment of the capital market increased by more than 17%.

The market of debt instruments saw a rise of ca. 14% in the value of traded instruments, both compared to the preceding three months and year-on-year.

The trading volume of forwards between July and September 2013 exceeded the level of 6.3 million, which represents a 1.5% increase quarter-on-quarter as well as a 25.6% rise compared to Q3 2012.

A slightly higher rise on a quarterly basis was seen by the option trading volume (+7.4%), which reached the level of 478,000. The volume in this segment increased by 23.3% year-on-year.

5 Situation in the banking sector

Figures published by the National Bank of Poland indicate an increase in the volume of corporate loans by only 1.3% year-on-year in Q3 2013. Their balance at the end of September 2013 exceeded PLN 258 billion. Hence, we have observed a slowdown in credit activity since the last quarter of 2012. Considering the maturity structure of the corporate loan portfolio, rises were only recorded with respect to loans whose maturity exceeds five years (3.1% year-on-year). Loans with shorter maturity saw a drop by 3.4% year-on-year (those maturing from one to five years) and by 1.1% (those with maturity shorter than one year). As regards the type structure, the increased credit activity was observed in investment loans (4.9% year-on-year). However, the aforementioned rise was offset by a drop in overdraft loans (4.4% year-on-year), while real estate loans remained at an unchanged level (0.1%). The corporate loan portfolio quality, measured by the ratio of non-performing loans, has slightly deteriorated on an annual basis (NPL ratio increase by +0.2 p.p. from 11.3% in September 2012 to 11.5% at the end of September 2013). This was due to lower quality of loans in the SME segment (NPL increased by 0.8 p.p. from 12.3% in September 2012 to 13.1% in September 2013), while the quality of the portfolio in the large enterprise segment improved (NPL dropped by 0.6 p.p. from 9.7% in September 2012 to 9.1% in September 2013). As regards industries, the portfolio quality suffered mainly in commerce and property management.

At the end of September 2013, the balance of household loans increased to almost PLN 546 billion (+4.2% year-on-year, i.e. PLN 22 billion), primarily due to real estate loans (+5.3% year-on-year, PLN 17 billion). The increase in the volume of real estate loans was mainly driven by loans originated in the Polish currency, whose balance rose by 16.6% year-on-year (+ PLN 24 billion, from PLN 143 billion in Q3 2012 to PLN 167 billion in Q3 2013), while the volume of foreign currency denominated loans dropped by 3.8% year-on-year (-PLN 6 billion, from PLN 179 billion in Q3 2012 to PLN 173 billion in Q3 2013). Following a decline observed since December 2010, the consumer loan portfolio shows some signs of recovery, recording a rise of 0.5% year-on-year, up to the level of PLN 131 billion. The strongest rebound was observed in Q3 2013. Compared to Q2 2013, the growth was 3.0% (PLN 3.9 billion). The quality of household loans improved. NPL in the segment dropped by 0.4 p.p. year-on-year, down to the level of 7.1%, while the NPL ratio for mortgage loans rose by 0.3 p.p. year-on-year, to 3.0%, and NPL for consumer loans dropped by 2.3 p.p. year-on-year, to the level of 15.6%.

Corporate deposits increased by 7.3% on an annual basis, with a balance of more than PLN 190 billion at the end of Q3 2013. The increase was due to current deposits, which rose by 25.8% year-on-year (PLN 21 billion), while term deposits saw a drop of 8.2% year-on-year (PLN 8 billion).

The level of household deposits increased by almost PLN 35 billion, up to the level of PLN 523 billion (+7.1% year-on-year). While current deposits rose dynamically at a rate of 19.1% year-on-year (PLN 44 billion), the volume of term deposits decreased by 3.5% year-on-year (PLN 9 billion). Hence, the structure of household deposits changed in favor of current deposits, which at the end of Q3 2013 accounted for 52% of all deposits, compared to 47% a year earlier. This was due to reduced client interest in deposits in the low interest rates' environment.

The net profit of the banking sector for the first three quarters of 2013 decreased by 2.5% (PLN 300 million) year-on-year and approached the level of PLN 11.8 billion. The drop was driven by considerably lower revenue from banking activity (-6.1% year-on-year, PLN 2.7 billion). Drops affected all revenue components, whereas the most significant decreases concerned the net interest income (-7.6% year-on-year, PLN 2.0 billion), which was due to cuts in the base interest rates over the past 12 months (225 b.p.). The drop in revenue was partly offset by a significant decrease in impairment losses on assets (-23.9% year-on-year, PLN 1.7 billion), while operating expenses remained at a virtually unchanged level (-0.2% year-on-year, PLN 54 million).

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

1. Consolidated statement of financial position

At the end of the third quarter of 2013, total assets amounted to PLN 47.2 billion compared to PLN 43.5 billion reported at the end of 2012, up by PLN 3.7 billion (or 8.6%). The change in total assets was due to the following factors:

- increase in receivables from banks by PLN 1.0 billion or 71.4%;
- increase in the balance of debt securities available-for-sale by PLN 0.8 billion, or 5.2%, mainly due to the higher position in Treasury bonds;
- increase in net receivables from customers by PLN 0.6 billion or 3.9%, reflecting an increase in receivables from financial sector entities by PLN 1.1 billion or 120.0% (mainly due to the reverse repo transactions) and a decline in loans to non-financial sector (by PLN 0.5 billion, or 3.2%). The decline was a result of a lower level of receivables from corporate customers (mainly due to a decrease in loans in the Corporate and Global customers' segments) and, to a smaller extent, from individual customers (mainly driven by a decline in cash loans).

Amounts due from customers

PLN '000	30.09.2013	31.12.2012	Change	
			PLN '000	%
Amounts due from financial sector entities	2,052,730	933,272	1,119,458	120.0%
Amounts due from non-financial sector entities, including:	14,797,218	15,288,140	(490,922)	(3.2%)
Corporate clients*	9,572,484	10,027,941	(455,457)	(4.5%)
Individual clients, including:	5,224,734	5,260,199	(35,465)	(0.7%)
credit cards	2,114,011	2,150,189	(36,178)	(1.7%)
cash loans	1,989,440	2,103,643	(114,203)	(5.4%)
mortgage loans	1,031,642	925,740	105,902	11.4%
Total net receivables from customers	16,849,948	16,221,412	628,536	3.9%

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

Amounts due from customers divided into not at risk of / with recognized impairment

PLN '000	30.09.2013	31.12.2012	Change	
			PLN '000	%
Not at risk of impairment, including:	16,595,344	15,938,733	656,611	4.1%
non-financial sector entities	14,542,477	15,005,344	(462,867)	(3.1%)
corporate clients*	9,414,644	9,833,172	(418,528)	(4.3%)
individual clients	5,127,833	5,172,172	(44,339)	(0.9%)
With recognized impairment, including:	1,190,483	1,299,462	(108,979)	(8.4%)
non-financial sector entities	1,171,487	1,280,466	(108,979)	(8.5%)
corporate clients*	507,887	531,645	(23,758)	(4.5%)
individual clients	663,600	748,821	(85,221)	(11.4%)
Dues related to matured derivative transactions	100,927	114,144	(13,217)	(11.6%)
Total gross receivables, including:	17,886,754	17,352,339	534,415	3.1%
non-financial sector entities	15,713,964	16,285,810	(571,846)	(3.5%)
corporate clients*	9,922,531	10,364,817	(442,286)	(4.3%)
individual clients	5,791,433	5,920,993	(129,560)	(2.2%)
Impairment, including:	(1,036,806)	(1,130,927)	94,121	(8.3%)
Dues related to matured derivative transactions	(84,171)	(94,925)	10,754	(11.3%)
Total net receivables from customers	16,849,948	16,221,412	628,536	3.9%
Impairment coverage ratio with recognized impairment**	80.0%	79.7%		
corporate clients*	72.2%	67.0%		
individual clients	85.4%	88.2%		
Non-performing loans ratio (NPL)	6.7%	7.5%		

**Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.*
***Ratio calculated with IBNR impairment*

On the liabilities side, the biggest change was reported for liabilities towards banks, which grew by PLN 5.3 billion compared to the end of 2012.

Customer deposits were also up compared to the end of 2012 (by PLN 0.8 billion, or 3.3%), primarily due to financial sector customers (up by PLN 1.1 billion, or 40.7%; a result of higher term deposit balances) and individual customers (up by PLN 0.9 billion, or 15.7%, as a result of the consistent strategy of focusing on operating accounts). As of the end of the third quarter 2013 the corporate customers' deposits declined by PLN 1.3 billion, or 8.6% due to a decline in both current and term deposit balances. Other liabilities towards customers also fell (down by PLN 2.3 billion, or 70.5%), which was driven mainly by lower liabilities under repo transactions. As a result of the above, total liabilities towards customers were lower by PLN 1.5 billion or 5.6% compared to the end of 2012.

Amounts due to customers

PLN '000	30.09.2013	31.12.2012	Change	
			PLN '000	%
Current accounts, including:	14,319,926	14,279,499	40,427	0.3%
financial sector entities	233,283	444,961	(211,678)	(47.6%)
non- financial sector entities, including:	14,086,643	13,834,538	252,105	1.8%
Corporate clients*, including:	8,250,734	8,998,764	(748,030)	(8.3%)
Budgetary units	1,529,550	2,008,369	(478,819)	(23.8%)
Individual clients	5,835,909	4,835,774	1,000,135	20.7%
Time deposits,including:	10,067,260	9,330,619	736,641	7.9%
financial sector entities	3,695,594	2,346,533	1,349,061	57.5%
non-financial sector entities, including:	6,371,666	6,984,086	(612,420)	(8.8%)
Corporate clients*, including:	5,398,842	5,933,352	(534,510)	(9.0%)

PLN '000	30.09.2013	31.12.2012	Change	
			PLN '000	%
Budgetary units	704,162	823,099	(118,937)	(14.5%)
Individual customers	972,824	1,050,734	(77,910)	(7.4%)
Accrued interest	18,784	19,602	(818)	(4.2%)
Total customers deposits	24,405,970	23,629,720	776,250	3.3%
Other amounts due to customers	949,466	3,222,445	(2,272,979)	(70.5%)
Total amounts due to customers	25,355,436	26,852,165	(1,496,729)	(5.6%)

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

2. Consolidated income statement

In the third quarter of 2013 the Group delivered a consolidated net profit of PLN 165.2 million, down by PLN 86.1 million (or 34.3%) compared to the third quarter of 2012. At the same time, the revenues of the Group declined by PLN 155.7 million (or 23.1%) to PLN 518.7 million.

The main determinants of the Group's combined operating result in the third quarter of 2013 compared to the third quarter of 2012 were the following:

- net interest income of PLN 306.2 million versus PLN 370.2 million in the third quarter of 2012 – down by PLN 64.0 million, or 17.3%, primarily due to lower interest income from customer receivables (down by PLN 71.7 million, or 22.6%, out of which PLN 25.1 million was related to credit cards), partially offset by lower interest expenses (down by PLN 53.0 million YoY). Interest income from debt securities available-for-sale and debt securities held-for-trading was also down by PLN 43.6 million (or 26.6%) and PLN 2.2 million (9.0%), respectively;

Net interest income

PLN '000	01.07 - 30.09.2013	01.07 – 30.09.2012	Change	
			PLN	%
Interest and similar income from:				
Balances with Central Bank	6,001	9,731	(3,730)	(38.3%)
Amounts due from banks	8,354	16,289	(7,935)	(48.7%)
Amounts due from customers, including:	245,180	316,911	(71,731)	(22.6%)
financial sector entities	9,699	6,584	3,115	47.3%
non-financial sector, including:	235,481	310,327	(74,846)	(24.1%)
credit cards	65,819	90,890	(25,071)	(27.6%)
Debt securities available-for-sale	120,207	163,781	(43,574)	(26.6%)
Debt securities held-for-trading	22,654	24,884	(2,230)	(9.0%)
	402,396	531,596	(129,200)	(24.3%)
Interest expense and similar charges on:				
Balances with Central Bank	-	(1)	1	(100.0%)
Amounts due to banks	(11,634)	(23,298)	11,664	(50.1%)
Amounts due to financial sector entities	(30,921)	(42,519)	11,598	(27.3%)
Amounts due to non-financial sector entities	(52,781)	(94,203)	41,422	(44.0%)
Loans and advances received	(860)	(1,122)	262	(23.4%)
Debt securities issuance	-	(244)	244	(100.0%)
	(96,196)	(161,387)	65,191	(40.4%)
Net interest income	306,200	370,209	(64,009)	(17.3%)

- net fee and commission income of PLN 153.0 million versus PLN 151.8 million in the third quarter of 2012 – up by 1.2 million, or 0.8%, was influenced by the following factors: increase in net fee income from custody services (up by PLN 5.0 million, or 23.3%) and brokerage activities (up by PLN 3.3 million, or 63.9%) stemming from an increase in the value of session and block transactions concluded through DMBH on the WSE equity market by 20% YoY; decline in net fee income from payment and credit cards (down by PLN 10 million, or 17.9%), driven by a reduction in interchange fees by card organizations, effective January 2013 as well as an one-off event which decreased the level of fee expenses from credit cards in the third quarter of 2012; increase in fees from the sale of insurance and investment products (up by PLN 4.5 million, or 15.0%), mainly thanks to customers' increased interest in investment products;

Net fee and commission income

PLN '000	01.07 – 30.09.2013	01.07- 31.09.2012	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products	34,350	29,857	4,493	15.0%
Payment and credit cards	59,433	64,591	(5,158)	(8.0%)
Payment orders	26,270	26,267	3	0.0%
Custody services	26,655	21,626	5,029	23.3%
Cash loans	1,275	1,717	(442)	(25.7%)
Brokerage operations	13,611	9,975	3,636	36.5%
Account cash management services	6,279	6,965	(686)	(9.8%)
Granted guarantee liabilities	3,769	3,685	84	2.3%
Granted financial liabilities	1,295	1,463	(168)	(11.5%)
Other	8,700	7,346	1,354	18.4%
	181,637	173,492	8,145	4.7%
Fee and commission expense				
Payment and credit cards	(13,647)	(8,822)	(4,825)	54.7%
Brokerage operations	(5,130)	(4,799)	(331)	6.9%
Fees paid to the National Depository for Securities (KDPW)	(5,386)	(4,255)	(1,131)	26.6%
Brokerage fees	(1,584)	(924)	(660)	71.4%
Other	(2,899)	(2,897)	(2)	0.1%
	(28,646)	(21,697)	(6,949)	32.0%
Net fee and commission income				
Insurance and investment products	34,350	29,857	4,493	15.0%
Payment and credit cards	45,786	55,769	(9,983)	(17.9%)
Payment orders	26,270	26,267	3	0.0%
Custody services	26,655	21,626	5,029	23.3%
Cash loans	1,275	1,717	(442)	(25.7%)
Brokerage operations	8,481	5,176	3,305	63.9%
Account cash management services	6,279	6,965	(686)	(9.8%)
Granted guarantee liabilities	3,769	3,685	84	2.3%
Granted financial liabilities	1,295	1,463	(168)	(11.5%)
Fees paid to the National Depository for Securities (KDPW)	(5,386)	(4,255)	(1,131)	26.6%
Brokerage fees	(1,584)	(924)	(660)	71.4%
Other	5,801	4,449	1,352	30.4%
Net fee and commission income	152,991	151,795	1,196	0.8%

- net income from trade financial instruments and revaluation of PLN 28.2 million versus PLN 61.4 million in the third quarter of 2012, down by PLN 33.2 million primarily due to unfavorable changes in the market environment (growing yields with long position in government securities);

- net gain on debt investment securities in the amount of PLN 32.0 million versus PLN 97.8 million in the third quarter of 2012 – a decline by PLN 65.8 million due to less favorable market conditions;

- operating expenses and overheads including depreciation expenses of PLN 312.9 million compared to PLN 336.8 million in the corresponding period of the previous year – down by PLN 24.0 million (or 7.1%) due to lower staff expenses as a result of, among others, the branch network optimization and employment restructuring carried out in 2012 and lower general administrative expenses, mainly due to reduced advertising and marketing expenses as well as an one-off event recognized in the banking supervision costs (partial refund of the fee paid to KNF);

General administrative expenses and depreciation expense

PLN '000	01.07 - 30.09.2013	01.07- 30.09.2012	Change	
			PLN '000	%
Staff expenses	(145,852)	(155,988)	10,136	(6.5%)
Remuneration costs	(103,654)	(118,171)	14,517	(12.3%)
Bonuses and rewards	(27,177)	(21,723)	(5,454)	25.1%
Social insurance costs	(15,021)	(16,094)	1,073	(6.7%)
Administrative expenses	(149,912)	(165,258)	15,346	(9.3%)
Telecommunication fees and hardware purchase costs	(49,151)	(51,180)	2,029	(4.0%)
Advisory, audit, consulting and other external services' costs	(18,228)	(18,950)	722	(3.8%)
Building maintenance and rent costs	(23,594)	(25,026)	1,432	(5.7%)
Marketing costs	(4,129)	(10,402)	6,273	(60.3%)
Cash management services, KIR service and other transactional costs	(12,348)	(11,269)	(1,079)	9.6%
Costs of external services concerning distribution of banking products	(12,654)	(12,930)	276	(2.1%)
Postal services, office supplies and printmaking costs	(4,875)	(7,503)	2,628	(35.0%)
Training and education costs	(1,101)	(677)	(424)	62.6%
Banking supervision costs	3,279	(2,149)	5,428	(252.6%)
Other costs	(27,111)	(25,172)	(1,939)	7.7%
Depreciation/amortization of tangible and intangible assets	(17,109)	(15,579)	(1,530)	9.8%
General administrative expenses and depreciation expense, total	(312,873)	(336,825)	23,952	(7.1%)

- net impairment losses on financial assets and provisions for granted financial and guarantee liabilities of PLN -1.6 million versus net impairment losses in the third quarter of 2012 of PLN -22.3 million (improvement by PLN 20.7 million, or 93.0%). The Corporate Banking Segment reported a decline in net impairment losses by PLN 18.8 million YoY thanks to the repayment of overdue liabilities and a stable financial situation of the customers in this portfolio. In the Consumer Banking Segment the net impairment losses on financial assets were also lower than a year ago (by PLN 1.9 million, or 29.3%), which was the outcome of the continued improvement in the quality of consumer liabilities (NPL ratio fell to 11.5% versus 13.4% as of the end of the third quarter of 2012).

Result on impairment write-off of financial assets and provisions for granted financial and guarantee liabilities

PLN '000	01.07 – 30.09.2013	01.07 – 30.09.2012	Change	
			PLN '000	%
Impairment write-downs of financial assets				
Amounts due from banks	(293)	(269)	(24)	8.9%
Amounts due from customers	(62,955)	(76,144)	13,189	(17.3%)
Dues related to matured transactions on derivative instruments	(42)	(157)	115	(73.2%)

PLN '000	01.07 – 30.09.2013	01.07 – 30.09.2012	Change	
			PLN '000	%
Other	(2,473)	(3,263)	790	(24.2%)
	(65,763)	(79,833)	14,070	(17.6%)
Reversals of impairment write-downs of financial assets				
Amounts due from banks	303	270	33	12.2%
Amounts due from customers	63,934	58,491	5,443	9.3%
Dues related to matured transactions on derivative instruments	558	354	204	57.6%
Recovers from sold debts	249	-	249	-
	65,044	59,115	5,929	10.0%
Net impairment write-downs of financial assets	(719)	(20,718)	19,999	(96.5%)
Created provisions for granted financial and guarantee commitments	(8,055)	(6,897)	(1,158)	16.8%
Releases of provisions for granted financial and guarantee commitments	7,210	5,329	1,881	35.3%
Net (charges to)/releases of provisions for granted financial and guarantee commitments	(845)	(1,568)	723	(46.1%)
Result on impairment write-off of financial assets and provisions for granted financial and guarantee liabilities	(1,564)	(22,286)	20,722	(93.0%)

3. Ratios

In the third quarter of 2013 basic financial ratios were as follows:

Financial ratios	Q3 2013	Q3 2012
ROE *	16.5%	15.6%
ROA**	2.4%	2.3%
Cost/Income	60%	50%
Loans to non-financial sector/Deposits from non-financial sector	72%	81%
Loans to non-financial sector/Total assets	31%	40%
Net interest income/Revenue	59%	55%
Net fee and commission income/Revenue	29%	23%

**Sum of net profit for the last four quarters to the average equity for the last four quarters (excluding net profit for the current year).*
*** Sum of net profit for the last four quarters to the average assets for the last four quarters.*

Group employment*

In full time job equivalents (FTE)	01.01 – 30.09.2013	01.01 – 30.09.2012	Change	
			FTEs	%
Average employment in the third quarter	4,783	5,140	(357)	(6.9)
Average employment in the period	4,881	5,354	(473)	(8.8)
Employment at the end of quarter	4,704	4,995	(291)	(5.8)

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

In the third quarter 2013 the Group noted a significant drop in the employment in comparison to the corresponding period of the previous year. In 2012 the Bank performed the process of group layoffs due to employment restructuring, in connection with optimization of branch network aiming at increasing of the effectiveness in retail business and other areas of the Bank. The restructuring process completed in 2012.

As at 30 September 2013, capital adequacy ratio of the Group amounted to 16.7% and was lower by 1.4 percentage point comparing to the end of 2012, mainly because of a decrease of the own funds of the Group by 2.5% and increase of the total capital requirement by 5.7%.

Capital adequacy ratio*

	PLN '000	30.09.2013	31.12.2012
I	Own funds in total, including:	4,884,390	5,010,491
	Reduction of basic and supplementary funds		
	investments in financial entities	7,797	15,110
	intangible assets, including:	1,416,895	1,379,931
	goodwill	1,245,976	1,245,976
II	Risk-weighted assets and off-balance-sheet commitments (bank portfolio)	20,173,388	20,150,725
III	Total capital requirements, including:	2,346,609	2,220,164
	credit risk capital requirements (II*8%)	1,613,871	1,612,058
	counterparty risk capital requirements	89,308	95,648
	capital requirements for excess of exposures' concentration limit and large exposures' limit	74,730	48,024
	total market risk capital requirements	188,609	78,194
	operational risk capital requirements	363,336	366,893
	other capital requirements	16,755	19,347
	Capital adequacy ratio (I/III*12,5)	16.7%	18.1%

**Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 76/2010 of the Commission for Banking Supervision dated 10 March 2010 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (KNF Official Journal No. 2. item 11 as amended).*

7 Segmental reporting

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

The Group is managed at the level of two operating segments – Corporate Banking and Consumer Banking. The valuation of segment's assets and liabilities as well as calculation of its results is based on Group's accounting policies, including intragroup transactions between segments.

The allocation of Group's assets, liabilities, income and expenses to operating segments was made on the basis of internal information prepared for management purposes. Transfer of funds between Group's segments is based on prices derived from market rates. The transfer prices are calculated using the same rules for both segments and any difference results 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, self-government units and public sector. Apart from traditional banking services consisting in credit and deposit activities, the segment provides services in the area of cash management, trade financing, leases, brokerage and custody services in respect of securities and offers treasury products on financial and commodity markets. In addition, the segment offers 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 issue of financial instruments. The activities also comprise proprietary transactions on 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 through the Citibusiness offer. Apart from keeping bank accounts and providing an extensive credit and deposit offer, it also offers cash loans, mortgage loans and credit cards, provides asset management services and acts as agent in investment and insurance products sale.

Consolidated income statement of the Group by business segment

For the period	01.01. – 30.09.2013			01.01. – 30.09.2012		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
Net interest income	444,944	498,885	943,829	551,498	585,442	1,136,940
Internal interest income, including:	(30,087)	30,087	-	(5,822)	5,822	-
Internal income	-	30,087	30,087	-	5,822	5,822
Internal expenses	(30,087)	-	(30,087)	(5,822)	-	(5,822)
Net fee and commission income	223,974	257,777	481,751	189,947	265,194	455,141
Dividend income	1,415	2,931	4,346	2,779	3,714	6,493
Net income on trade financial instruments and revaluation	240,807	25,199	266,006	251,552	27,854	279,406
Net gain on debt investment securities	285,335	-	285,335	216,912	-	216,912
Net gain on investments in capital instruments	1,844	-	1,844	-	-	-
Net other operating income	24,667	(15,714)	8,953	7,780	(20,721)	(12,941)
General administrative expenses	(420,155)	(524,502)	(944,657)	(466,032)	(599,084)	(1,065,116)
Depreciation of fixed assets and intangible assets	(19,420)	(24,484)	(43,904)	(23,260)	(26,632)	(49,892)
Profit/(loss) on sale of other assets	682	70	752	49	25	74
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	(17,815)	34,979	17,164	(24,340)	(32,746)	(57,086)
Operating income	766,278	255,141	1,021,419	706,885	203,046	909,931
Share in net profits (losses) of entities valued at equity method	(1,342)	-	(1,342)	491	-	491
Profit before tax	764,936	255,141	1,020,077	707,376	203,046	910,422
Income tax expense			(199,116)			(184,858)
Net profit			820,961			725,564

State as at	30.09.2013			31.12.2012		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
Assets, including:	41,508,888	5,739,510	47,248,398	37,764,514	5,744,249	43,508,763
Assets valued at equity method	7,797	-	7,797	15,110	-	15,110
Fixed assets held-for-sale	-	12,738	12,738	-	12,554	12,554
Liabilities and equity, including:	37,997,887	9,250,511	47,248,398	34,667,691	8,841,072	43,508,763
Obligations	32,528,122	7,589,834	40,117,956	29,193,148	6,924,200	36,117,348

8 Activities of the Group

1. Corporate Banking

1.1. Summary of segment results

PLN '000	Q3 2013	Q3 2012	Change	
			PLN '000	%
Net interest income	146,736	175,147	(28,411)	(16.2%)
Net fee and commission income	65,934	58,846	7,088	12.0%
Dividend income	121	1,004	(883)	(87.9%)
Net income on trade financial instruments and revaluation	19,442	52,097	(32,655)	(62.7%)
Net gain on debt investment securities	32,037	97,844	(65,807)	(67.3%)
Net other operating income	4,918	557	4,361	782.9%
Total income	269,188	385,495	(116,307)	(30.2%)
General administrative expenses and depreciation	(135,363)	(148,895)	13,532	(9.1%)
Profit/(loss) on sale of other assets	590	2	588	-
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	3,040	(15,770)	18,810	(119.3%)
Share in net profits (losses) of entities valued at equity method	24	226	(202)	(89.4%)
Profit before tax	137,479	221,058	(83,579)	(37.8%)
Cost / Income	50%	39%		

The key highlights that impacted the gross profit of the Corporate Banking for the third quarter of 2013 compared to the corresponding period of the previous year were as follows:

- decrease in net interest income reflecting lower interest income from debt securities (down by PLN 45.8 million, or 24.3%). On the other hand, net interest income from customer business increased, primarily due to lower interest expenses (as a result of the decrease in base interest rates);
- increase in net fee and commission income, mainly in the area of brokerage activity in connection with an increase in equity turnover volumes in the secondary market by 20% YoY as well as in the area of custody services as a result of the increase in the value of assets under custody and the number of transactions settled;
- decrease in net income from trade financial instruments and revaluation mainly due to unfavorable changes in the market environment (growing yields with long position in government securities);
- decrease in net gain on debt investment securities as a result of less favorable market conditions;
- decline in operating expenses resulting primarily from lower staff expenses and, to a smaller extent, due to lower technology and marketing costs;
- improvement of the net impairment losses on financial assets (PLN +3.0 million net recovery in the third quarter of 2013 versus PLN -15.8 million impairment charge in the corresponding period of the previous year) was a result of the repayment of overdue liabilities and a stable financial position of customers in this segment.

1.2. Corporate and Investment Bank and the Capital Markets

Corporate and Commercial Bank

Corporate banking activities of the Bank include comprehensive financial services provided to the largest Polish companies and strategic enterprises with a strong growth potential, as well as to the largest financial institutions and public sector companies.

At the end of the third quarter of 2013, the number of corporate clients (including Strategic, Global and Local Commercial Banking clients) amounted to 7.6 thousand, down by 3% compared to the third quarter of 2012, when the number of clients amounted to 7.8 thousand. Under the Local Commercial Banking (small and medium companies, large enterprises and public sector) the Bank served almost 5.5 thousand clients at the end of the third quarter of 2013 (down by 5% compared to 5.8 thousand clients served at the end of the third quarter of 2012).

What Corporate Bank clients have in common is their demand for advanced financial products and consultancy on financial services. In that area, the Bank provides coordination of investment banking, treasury and cash management products and prepares loan offers involving diverse forms of financing. The innovativeness and competitiveness of the novel financing structures on offer come from a combination of expertise and experience of the Bank and its cooperation within the global Citigroup structure.

The table below presents balances of assets and liabilities in the particular segments in the management view.

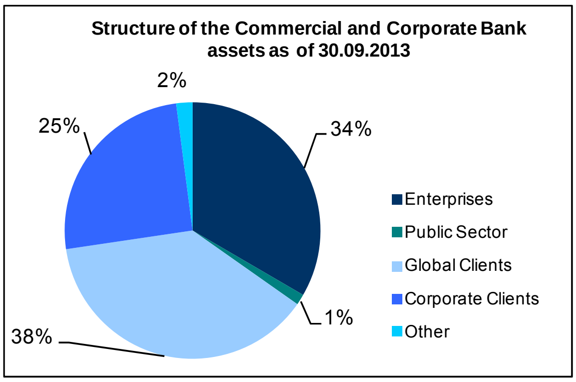
Assets

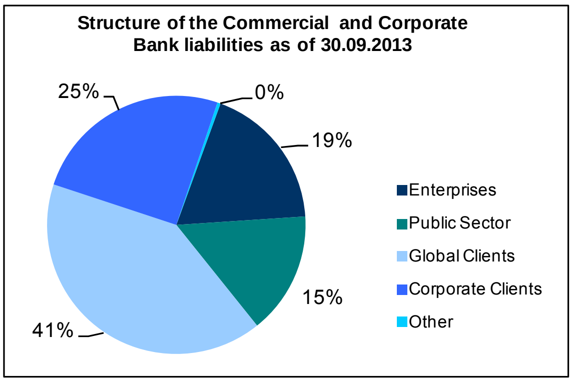
PLN million	30.09.2013	30.06.2012	30.09.2012	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	'000	%	'000	%
Enterprises*, including:	3,461	3,390	3,030	71	2%	431	14%
SMEs	1,587	1,567	1,511	20	1%	76	5%
MMEs	1,874	1,823	1,519	51	3%	355	23%
Public Sector	140	136	89	4	3%	51	57%
Global Clients	3,935	4,135	3,763	(200)	(5%)	172	5%
Corporate Clients	2,622	2,311	2,404	311	13%	218	9%
Other**	212	264	536	(52)	(20%)	(324)	(60%)
Total Corporate and Commercial Bank	10,370	10,236	9,822	134	1%	548	6%

Liabilities

PLN million	30.09.2013	30.06.2013	30.09.2012	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	'000	%	'000	%
Enterprises*, including:	3,126	2,928	2,796	198	7%	330	12%
SMEs	2,203	2,097	2,130	106	5%	73	3%
MMEs	923	831	666	92	11%	257	39%
Public Sector	2,598	2,537	1,879	61	2%	719	38%
Global Clients	6,935	6,841	6,621	94	1%	314	5%
Corporate Clients	4,263	3,924	2,653	339	9%	1,610	61%
Other**	67	90	67	(23)	(26%)	-	-
Total Corporate and Commercial Bank	16,989	16,320	14,016	669	4%	2,973	21%

** Enterprises include clients with annual turnover from PLN 8 million to PLN 150 million (SME) and over PLN 150 million (large enterprises).*
*** 'Other' include, among others, clients subject to restructuring and clients of Handlowy Leasing Sp. z o.o., who are not clients of the Bank.*





Key transactions and achievements of the Corporate and Commercial Bank in Q3 2013:

- In Q3 2013, the Bank concluded, among others, the following transactions with clients in the Global Clients segment: the Bank entered into an agreement ensuring provision of funding to one of the major FMCG market players; the value of the supplier financing program for a major construction company was increased up to PLN 35.5 million; the Bank signed a trade credit agreement for USD 20 million with a customer operating in the raw materials industry;

- New relationships were acquired by the Bank in the Global Clients segment: the Bank won a tender concerning provision of continuous banking services to a customer operating in the industrial equipment production sector and also became the provider of such services to a leading customer in the technology sector;

- Pursuant to an agreement entered into in December 2012, in September 2013 the Bank signed an agreement with KfW (Kreditanstalt für Wiederaufbau), under which it obtained further EUR 25 million to be used for financing investments aimed at enhancing energy efficiency in the SME sector. This denotes that the total value of the SME program was increased to EUR 35 million. As part of the program, customers utilized a considerable part of their limits, and further transactions are underway;

- In Q3 2013, Citi Handlowy closed a number of financing deals with Commercial Banking clients, including the following:

  - The following agreements were signed by the Bank with its customers: 5 long-term loan agreements with the total value of PLN 101 million as well as an overdraft facility agreement of PLN 20 million with a ceramic tile manufacturer; an overdraft facility agreement of PLN 90 million with an IT equipment distributor; a reversed factoring agreement of PLN 29 million with a metal structure manufacturer; an overdraft facility agreement of PLN 24 million with a food producer; a trade credit agreement of PLN 22 million with a provider of services related to repair and maintenance of machines;

  - The Bank provided supplier financing facilities in the amount of PLN 50 million and signed a reverse factoring agreement of PLN 25 million with a canned fish producer; also a revolving line related to letters of credit was provided to a metal sheeting manufacturer in the amount of PLN 25 million;

  - the Bank provided an overdraft facility of PLN 35 million and a long-term loan of PLN 15 million to a manufacturer of household appliances;

  - the Bank originated subsidized investment loans with the total value of PLN 42 million to public sector entities and PLN 14 million to SMEs.

Activity and Business Achievements of the Treasury Division

- Q3 2013 saw the highest volume of FX transactions this year. The Bank recorded a rise of 13% quarter-on-quarter and of 21% year-on-year. CitiFX Pulse, a transaction platform, remained very popular among customers and it was used for completing 75% of FX transactions in Q3 2013;
- The planned reform of open-end pension funds exerted a negative effect on the trading volume of transactions in treasury bonds, entered into with financial institutions, which in Q3 2013 decreased by 38% quarter-on-quarter and by 6% compared to Q3 2012;
- The Bank was among the leaders in arranging issues of bonds and certificates of deposit for banks. According to the Fitch Ratings *Rating&Rynek* report, the Bank had a 25% market share at the end of September 2013;
- In Q3 2013, the Bank ranked first in the general category of the competition for the 2014 Treasury Securities Dealer, organized by the Polish Ministry of Finance.

Transactional Banking

The Bank is a leading transactional banking service provider in Poland. The scope of transactional banking products and services includes:

- Financial management products: deposits and current accounts, liquidity management solutions, micropayments, e-banking;
- Card products;
- Payments and receivables: Direct Debit, Speedcollect;
- Cash products;
- EU advisory services;
- Trade finance products.

In Q3 2013, the Bank continued to implement initiatives aimed at increasing the attractiveness of its transactional service offering. Since August 2013, corporate customers have been able to execute express payment transactions after the Bank had joined the Express ELIXIR system. A wide range of functionalities offered by the MicroPayments product allowed the Bank to acquire new public sector clients, whereas the value of micropayments rose by 49% compared to Q3 2012.

Expansion of trade finance products is the key area of growth for the Bank's transactional services. A growing value of funding related to commercial transactions in the oil and gas industry should be emphasized here. The value of transactions involving importing such raw materials, which are handled by the Bank, exceeded PLN 1 billion.

Other Transactional Banking business achievements in Q3 2013:

- **Electronic banking:**
  - The total number of transactions processed electronically through the CitiDirect and CitiDirect EB (CitiDirect Banking Evolution) systems was over 6.5 million in Q3 2013;
  - The number of corporate customers actively using the system was maintained at a constant high level of nearly 4,500;
  - At the end of Q3 2013, the number of corporate customers activated in CitiDirect was 11,700, and in CitiDirect EB - 2,500;
  - The Bank has been promoting the use of mobile electronic banking solutions. The number of customers using mobile access to both online banking systems is more than 2,000. The average of over a thousand transactions are ordered per month through mobile channels.

- **Domestic transfers**

In Q3 2013, Express ELIXIR transfers were made available to corporate customers. Express ELIXIR is the first professional system in Poland and the second in Europe (after the United Kingdom) to enable direct execution of express transfers. Intermediary's accounts are not used for clearing purposes in the system. The funds accumulated for transaction clearing purposes are deposited with the National Bank of Poland. The solution, operated by Krajowa Izba Rozliczeniowa S.A. (i.e. the National Clearing House) is currently used by customers of eight banks.

- **Electronic postal money orders**

The electronic postal money order is a product addressed to corporate clients that transfer cash to individuals.

In Q3 2013, the Bank took considerable effort to improve its cooperation with an alternative postal operator. A relationship with the aforementioned entity was established at the beginning of 2013. The new business partner handled 23% of EPMO transactions in Q3 2013. The unique nature of the new service enabled the Bank to acquire new customers: two major insurance companies are among the clients using the services offered by the new business partner.

- **MicroPayments**

MicroPayments are used by entities which accept cash deposits from various payers and are obliged to return them together with accrued interest. This product is currently used primarily by courts and prosecution administrations.

The number of institutions using the Bank's solution at the end of Q3 2013 rose by 11 during the year (i.e. by 13%). It should also be emphasized that the institutions using the Bank's services are among the major market players in terms of the payment totals. It is estimated that micropayments deposited with the Bank represent 25% of the market as a whole.

MicroPayment services are also offered to clients from beyond the public sector: this solution of the Bank is an excellent tool for tender procedures. At the end of Q3 2013, the total value of deposits served by MicroPayments was 49% higher compared to the same period of 2012.

- **EU advisory**

In Q3 2013, the scope of activities carried out by the EU Office included a promotional campaign focused on investment financing programs related to projects which improve the energy efficiency, namely the SME Efficiency Program and the Municipal Energy Efficiency Program. This project builds on cooperation between the Bank and Kreditanstalt fur Wiederaufbau (KfW). The SME Energy Efficiency Program and the Municipal Energy Efficiency Program are schemes under which the KfW bank, on behalf of the European Union and in cooperation with the Council of Europe Development Bank (CEB), provides funds and expertise facilitating energy efficiency investments of SMEs and public sector entities. KfW programs are designed to encourage participants to invest in energy efficiency and prompt banks in the program countries to add energy efficiency investment finance to their offers.

Considering the very high interest in the program of financing energy efficiency investments, the Bank entered into negotiations with Kreditanstalt fur Wiederaufbau, which resulted in raising the value of the SME Energy Efficiency Program from EUR 10 million to EUR 35 million.

- **Trade finance products**

In Q3 2013, the Bank continued its strategy focusing on dynamic development of trade finance. The key role in the process was played by transactions based on the trade receivables financing mechanism, which involves financing distribution channels, suppliers, standard factoring transactions as well as trade credit.

Enhancement of the trade finance product offering has led to further expansion of the asset value. Q3 2013 saw a further increase in the value of assets accumulated in the form of trade finance products (+13% year-on-year).

The Bank continued to strengthen its position as a provider of trade finance solutions in the oil and gas industry, based on receivables discounting. The value of such transactions handled by the Bank exceeded PLN 1 billion.

Additionally, the Bank continued to develop its supplier financing programs for the major retail chains in Poland and provided more than a dozen trade credit facilities totaling over PLN 100 million.

Popularization of the functionalities offered by the Citi Trade Portal, one of the best electronic platforms in the banking market, handling not only documentary letters of credit but also bank guarantees and receivables financing programs, was one of the key activities of the Bank in Q3.

Custody Services

The Bank is a leader among custodian banks in Poland. It provides fiduciary services to foreign institutional investors as well as custody services to Polish financial entities, in particular, pension and investment funds as well as unit-linked insurance funds.

As at 30 September 2013, the Bank maintained 12,700 securities accounts.

At the same time, it served the role of a custodian bank for five open-end pension funds: Amplico OFE, Aviva OFE Aviva BZ WBK, ING OFE, Pekao OFE and Nordea OFE; five optional pension funds: MetLife Amplico DFE, Nordea DFE, ING DFE, DFE Pekao and Generali DFE as well as two occupational pension funds – Pracowniczy Fundusz Emerytalny PZU "Słoneczna Jesień" and Pracowniczy Fundusz Emerytalny Telekomunikacji Polskiej S.A.

The Bank was also a custodian bank for investment funds managed by the following Investment Fund Companies (TFI): BZ WBK TFI S.A., PKO TFI S.A., Pioneer Pekao TFI S.A., Legg Mason TFI S.A. and Aviva Investors Poland TFI S.A.

Brokerage Activities

The Group offers brokerage services in the capital market through Dom Maklerski Banku Handlowego S.A. ("DMBH"), a wholly-owned subsidiary of the Bank.

In Q3 2013, DMBH acted as a broker in 12.4% of shares trading on the secondary market (in session transactions), which made it the market leader. The session and block transactions concluded through DMBH on the WSE equity market were worth PLN 14 billion, an increase of 20% compared to the corresponding period of the previous year, while the turnover on the WSE rose by 17.3% in the period.

The number of investment accounts maintained by DMBH at the end of Q3 2013 was almost 8,800, which denotes a 7.1% drop year-on-year. This drop in the number of accounts was mainly due to closing the accounts of inactive customers and accounts opened for customers in Order Taking Centres of the Bank, who closed their personal account held by Citi Handlowy. The rise in the number of accounts was insignificant year-on-year.

In Q3 2013, DMBH expanded its offering for consumers by launching a new platform (CitiFX Pro). It enables customers to buy and sell shares as well as ETF listed on the major foreign stock exchanges as well as foreign exchange market instruments on the OTC market with the use of financial leverage. Not only does the platform enable customers to invest online, 24/7, using their notebook, tablet or smartphone, but it also provides information concerning foreign entities and international markets. Advanced modules (Company Info and Stock Screener) facilitate selection of investments considering the individual preferences and strategies of customers.

In Q3 2013, DMBH's activity as the WSE market maker did not undergo any major changes. As at the end of September 2013, DMBH acted as the market maker for 32 company shares and for WIG20 forward contracts, assuming a leading position among brokerage houses which serve this role on the Warsaw Stock Exchange. In addition, DMBH performed the same function in respect of forwards related to the shares in the most liquid WIG20 companies: PZU, PKO BP, PKN Orlen and PEKAO.

In Q3 2013, DMBH acted as the Offering Agent in the public offering of Series D Investment Certificates of Legg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty. The value of the offering was PLN 42.7 million.

Summary Income Statement and Balance Sheet*

Company's Name	Headquarter	Participation interest of the Bank in equity %	Balance sheet as at 30.09.2013 PLN '000	Equity as at 30.09.2013 PLN '000	Net financial result for 01.01-30.09.2013 PLN '000
Dom Maklerski Banku Handlowego S.A.	Warszawa	100.00	1,206,547	113,090	24,499

DMBH focuses mainly on provision of services to Polish and foreign institutional investors whose activity is conditional on the inflow of capital (which, in turn, depends on the conditions in the equity market). The risks involved in the activities of the brokerage house include the potential decrease in the transfer of new funds to open-end pension funds (OFE) considering the planned introduction of optional nature of the second pillar as well as a gradual transfer of accumulated funds to the Social Insurance Institution for those OFE members who will reach their pensionable age in 10 years or earlier (the safety buffer). On the other hand, an increase may be observed in the demand for shares, presented by Polish stock funds, whose investment attractiveness in the context of low rates of interest is higher than the one of deposits or lower risk profile funds (debt, money).

Leasing Activities

In accordance with the decision of the Bank's Management Board to reduce the scope of leasing activities of the Bank's Group, taken in March 2013, and a resolution of the Extraordinary Shareholders' Meeting of Handlowy Leasing Sp. z o.o. ("Handlowy Leasing", "HL"), the scope of activities of Handlowy-Leasing has been limited only to handling lease agreements entered into by 30 April 2013. No new lease agreements were concluded after that date by HL. The goal of HL is to continue performance of existing agreements, maintaining the service quality and ensuring process continuity and the economic efficiency in its business.

In Q3 2013, as announced and communicated to the customers of HL, the process of performing lease agreements was carried out without any interruptions. The financial position of Handlowy-Leasing is stable and the entity has been achieving its objectives defined for the restructuring process.

The leasing product continues to be offered by the Bank; however, it is made available as part of the "open architecture", i.e. the Bank's cooperation with organizations from outside its Group, treated as partners. Currently, lease services are provided under a cooperation agreement by two partners: Europejski Fundusz Leasingowy S.A. and CorpoFlota Sp z o.o.

Summary Income Statement and Balance Sheet*

Company's Name	Headquarters	Participation interest of the Bank in equity %	Balance sheet as at 30.09.2013 PLN '000	Equity as at 30.09.2013 PLN '000	Net financial result for 01.01-30.09.2013 PLN '000
Handlowy-Leasing Sp. z o.o.	Warszawa	100.00	440,146	148,028	12,829

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q3 2013	Q3 2012	Change	
			PLN '000	%
Net interest income	159,464	195,062	(35,598)	(18.2%)
Net fee and commission income	87,057	92,949	(5,892)	(6.3%)
Net income on trade financial instruments and revaluation	8,711	9,292	(581)	(6.3%)
Net other operating income	(5,740)	(8,415)	2,675	(31.8%)
Total income	249,492	288,888	(39,396)	(13.6%)
General administrative expenses and depreciation	(177,510)	(187,930)	10,420	(5.5%)
Profit/(loss) on sale of other assets	-	4	(4)	(100.0%)
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	(4,604)	(6,516)	1,912	(29.3%)
Profit before tax	67,378	94,446	(27,068)	(28.7%)
Cost/Income	71%	65%		

The key highlights that impacted the gross profit of the Consumer Bank in the third quarter of 2013 when compared to the corresponding period of 2012 were as follows:

- decline in interest income mainly due to the reduction of credit card interest rates (in total by 8 percentage points in the third quarter of 2013 as compared to the corresponding period of the previous year) as a result of the changes in the market interest rates, which was partially offset by a decrease in interest expenses. Despite the increase in deposit balances, interest expenses declined as a result of reduced interest rates, mainly on current deposits;
- a slight decline in net fee and commission income, mainly in the area of payment cards as a result of the change in interchange fees by card organizations, effective January 2013. The latter was partially offset by the increase in the volume of transactions. The growth dynamics of the net fee and commission income was negatively affected by a one-off event in the third quarter of 2012 (settlement with card organizations). On the other hand, there was a continuation of sales growth in investment products resulting from increased interest of customers in offshore funds;
- operating expenses decreased as a result of the restructuring activities carried out in 2012 related to the optimization of the branch network and associated support units in the headquarters. At the same time advertising and marketing expenses went down;
- decline in net impairment losses as a result of the continued improvement in the quality of the portfolio of consumer liabilities (NPL ratio went down to 11.5% compared to 13.4% as of the end the third quarter of 2012).

2.2. Selected business data

'000	Q3 2013	Q2 2013	Q3 2012	Change QoQ	Change YoY
Number of individual customers	839.8	845.3	869.1	(5.5)	(29.3)
Number of current accounts, including:	578.2	585.5	588.1	(7.3)	(9.9)
number of operating accounts*	164.9	177.6	181.2	(12.7)	(16.3)
Number of operating accounts newly acquired during the reported period	15.3	17.0	19.1	(1.7)	(3.8)
Number of saving accounts	195.1	197.1	195.0	(2.0)	0.1
Number of credit cards, including:	785.1	791.2	806.9	(6.1)	(21.9)
co-branded cards	472.2	471.6	467.7	0.6	4.5
Number of active credit cards	703.3	712.4	729.2	(9.1)	(25.9)

'000	Q3 2013	Q2 2013	Q3 2012	Change QoQ	Change YoY
Number of debit cards, including:	427.2	454.0	425.4	(26.7)	1.9
PayPass cards	388.6	413.4	362.5	(24.8)	26.1

**A decrease in the number of operating accounts is a result of change in the methodology (the additional requirement for operating accounts of Citigold customers).*

2.3. Business achievements

Credit Cards

As at the end of Q3 2013 the number of credit cards was 785.1 thousand, representing a decrease by 21.8 thousand versus the year-ago period. With the credit market continuing to shrink, the credit card portfolio of the bank dropped at a slower pace than the market's. According to the data from the end of Q2 2013, the bank's share in the total number of credit cards issued in the market increased to 12.5% (i.e. by 0.1 p.p.) compared to the year-ago period. At the end of Q2 2013, the bank retained its position as the third bank issuing the biggest number of credit cards.

In the reported quarter, the Bank acquired by 16% more credit cards than in the same period of 2012. The sale was dominated by credit cards with loyalty programs, including Mastercard World and Wizz Air.

According to the data available as at end of September 2013, the Bank continued high in the credit card market in terms of credit facility value granted in the form of credit cards, with a market share of 18.8%, representing an increase by 0,3 p.p. from the year-ago period. According to the data available at the end of Q2 2013, the Bank continued its momentum as a leader in terms of the credit card transaction value with a market share of 21% (compared to 22% reported in Q3 2012 and 23% in Q2 2012).

Bank Accounts

- **Current Accounts**

At the end of Q3 2013, the number of current accounts was 578 thousand versus 588 thousand in the year-ago period. Over 385 thousand out of this number were accounts denominated in PLN and 192 thousand in foreign currencies. The total current account balance exceeded PLN 2.5 billion compared to PLN 2.4 billion in the corresponding period of the previous year.

- **Savings Accounts**

The number of savings accounts at the end of Q3 2013 was 195 thousand. The total balance of funds held in savings accounts was over PLN 3.2 billion versus PLN 2.4 billion on 195 thousand savings accounts in the year-ago period.

- **Changes in the offer**

In August 2013, the bank changed its Fee Schedule for individual customers – the charges for Citi Handlowy savings account holders remained unchanged (Citigold Select, Citigold and CitiOne). For other customers, slight increases were made in case of monthly fee, branch transaction fee and fee for transactions made through CitiPhone – self-service channels (Internet, Automated Banker) remained free of charge. Following further interest rate cuts, in August 2013 the savings account interest rates further decreased, too. For customers with savings in the amount of minimum PLN 200 thousand and with the current Investment Profile, the interest rate dropped from 3.4% to 2.4%. The base interest rate was reduced from 1.4% to 1.0% with a possibility to increase the base rate to 1.2% for non-cash transactions amounting to minimum PLN 500.

The Bank took several efforts to support acquisition of Forward and Citigold customers, including Internet campaigns, acquisition and image-building campaigns, promotional offerings for deposits and funds deposited in savings account, as well as Citigold Recommendation Program. As a result of these actions, the Bank saw a growth in the number of customers from these segments over the last 12 months.

The Bank enhanced its global banking offer by introducing instant transfers - Citibank Global Transfers that provide a possibility to obtain advice on account opening and recognition of Citigold status in other Citi branches across the globe.

Loan products

- **Cash Loan**

The total cash loan portfolio balance decreased 7% to PLN 2 billion at the end of Q3 2013 versus the year-ago period. The number of active cash loan customers was 64 thousand in the reported period. In Q3 2013, the Bank continued to embark on its cash loan new sales model, gradually moving the sales from branches to the centralized telephone unit. At the end of Q3 2013, one third of the cash loan sales was generated by this unit. In addition, the Bank took steps to further simplify and enhance the sales processes and credit checks.

- **Mortgage Products**

At the end of Q3 2013, the total balance of mortgage loan portfolio was PLN 1 billion, representing an increase by 20% versus the prior-year period.

According to its product strategy, the Bank continued to build on its competitive advantage by developing an offering tailored to individual customer segments taking into account their relationship with the Bank. The Citi Handlowy mortgage loan for the purchase of flat with 20% deposit contribution ranked first in September's ranking of Bankier.pl. The mortgage product offerings are addressed primarily to customers with an above-average salary who actively invest their money with the Bank.

Insurance and Investment Products

- At the end of Q3 2013, the total value of assets under management invested in investment-linked products (including certificates of deposit, dual-currency deposits, investment deposits and insurance products) purchased by retail customers through the Bank was by 13.6% higher than the same value in the year-ago period.

  The value of the above assets grew by 4.1% throughout Q3 2013 versus the previous quarter of 2013.

  The growth was primarily driven by investment funds and assets deposited on brokerage accounts maintained with DMBH.

- In order to enhance the product offerings, the Bank expanded its offer by adding three investment funds offered by local investment fund companies and twelve funds offered by an international investment companies. The changes referred the expansion of the bond and stock product range.
- In terms of structured products, in Q3 2013, the Bank completed eight structured bond subscriptions.
- In July 2013, the Bank expanded its dual-currency investment offering by introducing a new channel accessed through e-banking platform - Citibank Online.

2.4. Development of distribution channels

Mobile Banking

Citi Mobile has reported over 160 thousand users, representing a 12% increase QoQ and 65% increase YoY. The number of Citi Mobile active users. i.e. users who logged into Mobile Banking at least once in 30 days, was over 38 thousand in Q3 2013, up 10% versus the previous quarter and up 72% versus the year-ago period.

In Q3 2013, the customers made 3.8 thousand transactions through Fotokasa application with the total value of PLN 488 thousand versus 1.8 thousand transactions totaling to PLN 128 thousand in the year-ago period.

In Q3 2013, the Bank released its mobile Apple iPad application – “Citi Handlowy for iPad” expanding its mobile offerings that already include Citi Mobile applications for iPhone, Android and Blackberry. Citi Handlowy for iPad app has quickly became the most popular downloaded app in the financial category in Poland’s App Store.

Internet Banking

In Q3 2013, the Bank took a number of efforts to promote the online banking channels and underscore their advantage over the traditional banking channels, including in particular their convenience, quick time of service and unlimited access. The promotional activities included mainly the migration of banking statements into the Citibank Online platform and profiled communication address to branch and CitiPhone customers. As a result, the number of all online active users (active users are those who logged into Citibank Online at least once in 30 days) exceeded 300 thousand, representing an increase by 6% versus the year-ago period (up 3% QoQ).

Direct and Indirect Customer Acquisition

- **Citibank at Work**

Citibank at Work is an innovative “Bank in Your Company” program offering individually tailored liability and asset products, as well as promoting financial education to the personnel of corporations, including in particular the corporations that have a relationship established with the Bank.

Throughout Q3 2013, Citibank at Work continued its strategy aiming to increase the portfolio of CitiForward clients, as a result of which an increase by 117% was reported in sales of CitiOne accounts dedicated to this segment of clients versus the year-ago period. In addition, in Q3 2013, Citibank at Work saw an increase by 19% in the credit card sales YoY versus the year-ago period.

- **Direct Sales**

Direct Sales channel is an important acquisition pillar of the Bank in terms of credit card sales. In Q3 2013, Direct Sales reported an increase by 67% in credit card sales versus the same period of 2012. The Bank successfully continued its sales strategy for Direct Sales channel targeted at customers from Poland’s largest cities by providing diversified direct sales units comprising 31 stands in shopping malls, 4 stands located at Poland’s airports and 25 stands located across points of sales of one of the Mastercard World Card partners (Multikino movie theatres). In addition, the Bank continued to grow the remote sales channel by four external tele-sales agents.

3. Branch network

On September 18, 2013, Citi Handlowy opened a pilot SMART branch - the first of its kind in Poland and in the EMEA Region. The outlet is located in brand-new “Galeria Katowicka” and combines the modern banking channels with the latest technologies. The idea of the SMART branch comes as part of the new banking ecosystem that the Bank is going to build over the next couple of years. It redefines the role of a branch from a traditional outlet to an innovative and engaging place where customers will be able to bank with the use of mobile and digital solutions.

Additionally, throughout Q3 2013, the Bank continued its efforts to improve on the service quality for CitiGold customers in dedicated branches. They seek to boost effectiveness of sales of the Bank’s products, primarily by changes to the management model and modifications of sales coordination model. Hiring new staff is planned along with expansion of the CitiGold customer service zones. As part of these efforts CitiGold branch in Łódź at 5 Karskiego Street was redesigned to meet the objectives of the new CitiGold segment strategy.

At the end of Q3 2013 the branch network of the Bank comprised 85 branches. As part of the branch network optimization, the Bank closed down its operations in the branch in Toruń at 38 Rynek Staromiejski Street.

Due to the maintenance works of the banking system conducted in July, the branch classification into L and M outlets was no longer relevant and has ceased. At the same time, to reflect the new strategy focused on growing Citigold segment, the additional classification of branches has been introduced with account given to the type of services provided. According to the new classification the branches have been classified as HUB Gold (outlets with separate Citigold customer service zones), Blue (outlets with no Citigold customer service zone), Investment Center and Smart branches.

Number of branches and other points of sale / client contact points

	Q3 2013	Q2 2013	Q3 2012	Change QoQ	Change YoY
Number of branches:	85	85	88	-	(3)
HUB Gold	12	12	12	-	-
Blue	70	71	74	(1)	(4)
Investment centre	2	2	2	-	-
Smart branches	1	-	-	1	1
Other points of sales/contact with Client:					
Financial intermediary outlets (Open Finance & Expander and others)	274	274	340	-	(66)
Airports	4	6	6	(2)	(2)
Shopping Centers	31	36	16	(5)	15
Cinemas	25	13	3	12	22
Cash points (Billbird & Impel)	11	13	20	(2)	(9)
Owned ATMs	114	113	114	1	-

9 Rating

The Bank is fully rated by international rating agencies: Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"). Furthermore, Standard & Poor's provides a free-of-charge rating service, i.e. unsolicited rating, on the basis of publicly available information.

In the third quarter of 2013, the ratings of the Bank did not change. The latest rating action was taken by Moody's on 22 June 2012, whereas Fitch confirmed ratings at the same levels on 29 April 2013.

At the end of the third quarter of 2013, Moody's rated the Bank as follows:

Long-term local currency deposit rating	Baa3
Long-term foreign currency deposit rating	Baa3
Short-term local currency deposit rating	Prime-3
Short-term foreign currency deposit rating	Prime-3
Bank's financial strength rating (BFSR)	D+
Outlook on BFSR	*Stable*
Outlook on long-term and short-term local currency and foreign currency deposit rating	*Stable*

At the end of the third quarter of 2013, Fitch rated the Bank as follows:

Long-term Issuer Debt Rating *Outlook*	A- *Stable*
Short-term Issuer Debt Rating	F2
Viability rating (VR)*	bbb+
Support rating	1

** Viability rating is the view of the intrinsic creditworthiness of an institution, independent of external factors.*

The Standard & Poor's rating (developed on the basis of publicly available information) remained unchanged in the third quarter of 2013 at "BBBpi" (rating confirmed on 13 December 2012).

10 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	30.09.2013		31.12.2012	
	Balance value	Fair value	Balance value	Fair value
Financial assets				
Amounts due from banks	2,505,706	2,505,717	1,461,901	1,461,901
Amounts due from customers	16,849,948	16,854,670	16,221,412	16,239,445
Financial liabilities				
Amounts due to banks	7,616,947	7,619,562	2,356,429	2,356,295
Amounts due to customers	25,355,436	25,354,117	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 because of 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 reliable 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 third quarter 2013 the Group disposed off its minority shareholding in Elektromontaż Poznań S.A., representing 19.88% of the share in the capital and 19.88% of votes at the General Meeting of Shareholders. The balance value of sold Elektromontaż Poznań S.A shares amounted PLN 4,715 thousand.

The fair value of deposit portfolio as at 30 September 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 form December was under valuated 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 valuated 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 - currents 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 September 2013

PLN '000	Level I	Level II	Total
Financial assets			
Financial assets held-for-trading	2 455 286	3 964 065	6 419 351
derivatives	-	3 718 788	3 718 788
debt securities	2 450 465	245 277	2 695 742
capital instruments	4 821	-	4 821
Debt securities available-for-sale	6 615 947	9 162 030	15 777 977
Financial liabilities			
Financial liabilities held-for-trading	1 675 857	3 766 598	5 442 455
short sale of securities	1 671 827	-	1 671 827
derivatives	4 030	3 766 598	3 770 628

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 September 2013 was PLN 12,738 thousands (31 December 2012: PLN 12,554 thousands).

In the 9 month period 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 9 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).

As at 30 September 2013 there was no significant change in fair value of financial instruments classified as held-for-trading in comparison to the end of 2012. No change was connected with expected by the Bank changes in economic environment.

The increase of financial instruments portfolio size classified as available-for-sale (AFS) in comparison to the end of 2012 was influenced by the purchase of Polish securities denominated both in PLN (with shortening the average maturity) and foreign currencies.

In the 9 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.

11 Impairment and provisions

PLN '000	As at 1 January 2013	Increases		Decreases				As at 30 September 2013
		Write down creation	Other*	Write down release	Movement of receivables to write downs	Sale fo receivables/other assets	Other*	
Impairment of financial assets								
Amounts due from banks	126	1,607	-	(1,388)	-	-	(7)	338
Amounts due from customers	1,130,927	192,175	3,138	(195,091)	(91,502)	(2,748)	(93)	1,036,806
	1,131,053	193,782	3,138	(196,479)	(91,502)	(2,748)	(100)	1,037,144
Provisions for granted financial and guarantee liabilities	11,476	24,416	-	(23,081)	-	-	-	12,811
	1,142,529	218,198	3,138	(219,560)	(91,502)	(2,748)	(100)	1,049,955
Other assets impairment								
Capital investment	26,667	-	-	-	-	(6,037)	-	20,630
Tangible assets available for sale	1,082	-	-	-	-	(24)	-	1,058
Other assets	5,598	2,310	93	(727)	(5)	-	-	7,269
	33,347	2,310	93	(727)	(5)	(6,061)	-	28,957
Total impairment of assets and provisions for granted financial and guarantee liabilities	1,175,876	220,508	3,231	(220,287)	(91,507)	(8,809)	(100)	1,078,912
Other provisions								
Contentious issues	11,145	8,168	50	(5,127)	-	-	-	14,236
Restructuring	3,741	2,040	-	(512)	-	-	(5,269)	-
Other	2,294	1,142	-	-	-	-	(2,338)	1,098
Total other provisions	17,180	11,350	50	(5,639)	-	-	(7,607)	15,334

*Position "other" mainly covers FX differences and provisions used

PLN '000	As at 1 January 2012	Increases		Decreases				As at 31 December 2012
		Write down creation	Other*	Write down release	Movement of receivables to write downs	Sale fo receivables/other assets	Other*	
Impairment of financial assets								
Amounts due from banks	63	865	-	(797)	-	-	(5)	126
Amounts due from customers	1,235,789	296,419	2,614	(242,073)	(157,104)	-	(4,718)	1,130,927
	1,235,852	297,284	2,614	(242,870)	(157,104)	-	(4,723)	1,131,053
Provisions for granted financial and guarantee liabilities	11,474	22,768	-	(22,766)	-	-	-	11,476
	1,247,326	320,052	2,614	(265,636)	(157,104)	-	(4,723)	1,142,529
Other assets impairment								
Capital investment	21,575	5,092	-	-	-	-	-	26,667
Tangible assets available for sale	2,615	1,014	-	-	-	(2,547)	-	1,082
Other assets	419	6,042	-	(846)	(17)	-	-	5,598
	24,609	12,148	-	(846)	(17)	(2,547)	-	33,347
Total impairment of assets and provisions for granted financial and guarantee liabilities	1,271,935	332,200	2,614	(266,482)	(157,121)	(2,547)	(4,723)	1,175,876
Other provisions								
Contentious issues	23,440	7,002	-	(6,482)	-	-	(12,815)	11,145
Restructuring	-	42,208	-	-	-	-	(38,467)	3,741
Other	-	2,294	-	-	-	-	-	2,294
Total other provisions	23,440	51,504	-	(6,482)	-	-	(51,282)	17,180

*Position "other" mainly covers FX differences and provisions used

In the period 1 January – 30 September 2013 and in 2012 the Group has not made any value actualization write downs due to value loss of tangible assets, intangible assets and write downs reversals involving this subject.

12 Provisions and assets due to differed income tax

PLN '000	30.09.2013	31.12.2012
Assets due to differed income tax	830,785	1,010,549
Provisions due to differed income tax	(639,297)	(791,763)
Net assets due to differed income tax	191,488	218,786

Provisions and assets due to differed income tax are show in the consolidated statement of financial position cumulatively.

13 Purchase and sale transactions of tangible assets and significant changes in intangible assets

In the period 1 January – 30 September 2013 the value of purchased by the Group components of "fixed assets" equaled PLN 17,765 thousand (in 2012: PLN 32,143 thousand); the value of sold components equals PLN 4,098 thousand (in 2012: PLN 3,535 thousand).

As at 30 September 2013 the Group has significant contract liabilities amounted PLN 0,9 million on modernization of one of the branches.

In the 9 month period of 2013 there was the significant increase of the intangible assets' balance which, as at 30 September 2013, was PLN 1,416,894 thousands and was PLN 36,963 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 27,546 thousand regarding functionality modification of retail banking IT systems.

14 Default or breach due to received credit agreement in respect of which there were no corrective action until the end of the reporting period

Between 1 January and 30 September 2013 in the Group has been no occurrence of default or breach due to received credit agreement.

15 Seasonality or periodicity of business activity

The business activity of the Group is not significantly influenced by seasonal or cyclical factors.

16 Issue, redemption and repayment of debt and equity securities

In the 9 month period of 2013 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid or declared dividends

Dividends paid

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. The dividend has the monetary nature. 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).

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

According to the information from the current report No. 22/2013 dated 22 October 2013, the Management Board of the Bank decided to transform the retail banking distribution model and further improving the Bank's operational efficiency and related employment and branch network reduction. The total amount of restructuring provision will be up to PLN 62,3 million and will charge the income in Q4 2013.

19 Changes in granted financial and guarantee commitments

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

PLN '000	State as at		Change	
	30.09.2013	31.12.2012	PLN '000	%
Contingent liabilities granted				
financial	13,235,469	12,449,875	785,594	6.3
Import letters of credit issued	80,044	144,855	(64,811)	(44.7)
Credit lines granted	11,626,764	11,092,470	534,294	4.8
Subscription of securities granted to other issuers	1,430,550	1,212,550	218,000	18.0
Reverse repo transactions with future currency date	98,111	-	98,111	-
guarantees	1,790,045	1,804,083	(14,038)	(0.8)
Guarantees granted	1,761,218	1,764,624	(3,406)	(0.2)
Export letters of credit confirmed	4,164	4,273	(109)	(2.6)
Other	24,663	35,186	(10,523)	(29.9)
	15,025,514	14,253,958	771,556	5.4

PLN '000	State as at		Change	
	30.09.2013	31.12.2012	PLN '000	%
Contingent liabilities received				
financial (deposits to receive)	357,303	122,646	234,657	191.3
guarantees (guarantees received)	4,834,034	4,798,611	35,423	0.7
	5,191,337	4,921,257	270,080	5.5
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	1,141,240	2,359,957	(1,218,717)	(51.6)
Forward **	283,398,691	239,351,697	44,046,994	18.4
	284,539,931	241,711,654	42,828,277	17.7

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

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

20 Changes in Group's structure

In the third quarter 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, except of having sold the subsidiary Handlowy Investmens II S.a.r.l. The sold shares were representing 100% of the share in the capital and 100% of votes at the General Meeting of Shareholders. The balance value of sold shares was PLN 5,532 thousand.

21 Achievement of 2013 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2013.

22 Information about shareholders

As at the day of publishing the Interim Statement for the third quarter 2013 the list of shareholders who held directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

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

In the period between publishing the interim consolidated financial statements for the first quarter 2013, interim consolidated financial report for the first half of 2013 and publishing this report for the third quarter 2013 the structure of major shareholdings has not undergone any changes.

23 Ownership of issuer's shares by members of the Management Board and Supervisory Board

According to the best knowledge of the Bank – the dominant entity, the number of Bank's shares held by members of Management and Supervisory Board is presented below:

Name and surname	Function	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2013	Number of shares on day of publishing the Interim Consolidated Financial Report for the first half of 2013	Number of shares on day of publishing the Interim Financial Statement for the first quarter 2013
Iwona Dudzińska	Member of the Managing Board	600	600	600
Andrzej Olechowski	Chairman of Supervisory Board	1,200	1,200	1,200
Total		1,800	1,800	1,800

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

24 Information on pending proceedings

In the third quarter of 2013 there was no single proceeding regarding receivables and liabilities of the Bank or its subsidiary pending in court, public administration authority or an arbitration authority, the value of which would equal at least 10% of Bank's equity.

The total value of all legal proceedings regarding receivables or liabilities, with the participation of the Bank and its subsidiaries, in the third quarter 2013 did not exceed 10% of the 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 September 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 of which the Bank is a party six final settlements proceedings were made in the court, out of them four were positive and two negative.

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. On 29 October 2013 SOKiK closed the case and adjourned sentencing till 8 November 2013. As at the day of preparing the financial statements, the conditions from IFRS 37.14 were not fulfilled, according to the Bank.

In the third quarter 2013 the Group made the significant settlement due to court. As the result of final settlement proceedings there was made a payment adjudged for two plaintiffs in amount PLN 7,2 million, for which mostly there were previously made provisions.

25 Information about significant transactions with related entities dealt on other than market terms

In the third quarter of 2013, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

26 Information about guarantee agreements

At the end of the third quarter of 2013, the total value of sureties and guarantees given by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's shareholders' equity.

27 Other significant information

Personal changes in the Bank's bodies

On 15 October 2013, after Financial Supervision Authority's approval, Barbara Sobala was appointed Vice-President of the Management Board.

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

A potential lack of the expected revival in the global economy may prove to be a major risk to the Polish economy. Such a scenario would be possible in the event of lengthy negotiations concerning the fiscal issues in the USA or the Fed's too early withdrawal from its monetary policy easement activities, which could exert a negative effect on the economic growth in the USA. Additionally, a more than expected slowdown in the GDP growth in China could also pose a risk. Another factor endangering recovery in the developing economies would be lower dependency of developed economies on imports from the emerging countries in favor of domestic production.

A lack of economic revival among the main trade partners of Poland would reduce the economic growth in Poland and hamper implementation of the fiscal policy. In this scenario, the magnitude of the economic slowdown in Poland and the aggravation of the labor market situation could be deeper than expected, affecting the financial performance of companies and the situation of households. Should the GDP growth remain slow, the public debt could again increase quickly up to the prudential thresholds, which could again reduce the room for maneuver in implementation of the fiscal policy.

In addition, reduction in asset repurchase as started by the Fed may contribute to the sale of currencies and other assets of developing countries, resulting in depreciation of the zloty, an increase in inflation and lower purchasing power of households.

The above factors may affect the Group's performance in the following reporting periods.

Condensed interim standalone financial statements of the Bank for the third quarter 2013

Condensed income statement

PLN '000	Third quarter period from 01.07.13 to 30.09.13	Third quarter accruals period from 01.07.13 to 30.09.13	Third quarter period from 01.07.12 to 30.09.12	Third quarter accruals period from 01.07.12 to 30.09.12
Interest and similar income	397,970	1,242,297	524,958	1,557,340
Interest expense and similar charges	(96,525)	(314,227)	(162,475)	(444,693)
Net interest income	301,445	928,070	362,483	1,112,647
Fee and commission income	168,081	503,860	163,570	494,807
Fee and commission expense	(23,516)	(70,205)	(16,898)	(61,714)
Net fee and commission income	144,565	433,655	146,672	433,093
Dividend income	-	8,814	-	38,565
Net income on trade financial instruments and revaluation	27,164	265,082	61,748	279,944
Net gain on debt investment securities	32,037	285,335	97,844	216,912
Net gain on investments in capital instruments	-	1,844	-	-
Other operating income	10,622	41,383	5,934	26,722
Other operating expenses	(10,996)	(34,524)	(14,154)	(40,240)
Net other operating income	(374)	6,859	(8,220)	(13,518)
General administrative expenses	(291,137)	(921,520)	(315,769)	(1,046,124)
Depreciation of fixed and intangible assets	(15,494)	(38,465)	(13,328)	(42,277)
Profit/(loss) on sale of other assets	(584)	(422)	6	68
Result on write-off due to impairment of financial assets and provisions for off-balance sheet liabilities	(1,064)	14,666	(21,277)	(53,992)
Profit before tax	196,558	983,918	310,159	925,318
Income tax expense	(39,293)	(193,551)	(62,828)	(180,162)
Net profit	157,265	790,367	247,331	745,156
Weighted average number of ordinary shares (in pcs)		130 659 600		130 659 600
Net earnings per share (in PLN)		6.05		5.70
Diluted net earnings per share (in PLN)		6.05		5.70

Condensed statement of comprehensive income

PLN '000	Third quarter period from 01.07.13 to 30.09.13	Third quarter accruals period from 01.07.13 to 30.09.13	Third quarter period from 01.07.12 to 30.09.12	Third quarter accruals period from 01.07.12 to 30.09.12
Net income	157,265	790,367	247,331	745,156
Other comprehensive income:				
Valuation of financial assets available-for-sale (net)	(40,274)	(326,340)	48,805	167,380
Total comprehensive income	116,991	464,027	296,136	912,536

Condensed statement of financial position

PLN '000 State as at	30.09.2013	31.12.2012
ASSETS		
Cash and balances with the Central Bank	2,433,852	1,357,308
Amounts due from banks	2,505,644	1,451,370
Financial assets held-for-trading	6,414,530	6,838,483
Debt securities available-for-sale	15,777,977	15,003,003
Capital investment	247,290	258,441
Amounts due from customers	16,354,453	15,768,922
Tangible fixed assets	355,990	370,483
Intangible assets	1,414,632	1,377,632
Receivables due to current income tax	75,128	-
Asset due to deferred income tax	192,525	220,804
Other assets	239,054	214,788
Fixed assets held-for-sale	12,738	12,554
Total assets	46,023,813	42,873,788
LIABILITIES		
Amounts due to banks	7,387,717	2,097,033
Financial liabilities held-for-trading	5,442,455	5,846,404
Amounts due to customers	25,368,961	26,882,179
Provisions	28,083	28,596
Current income tax liabilties	-	54,774
Other liabilities	745,361	621,074
Total liabilities	38,972,577	35,530,060
EQUITY		
Share capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(68,761)	257,579
Other reserves	2,862,407	2,610,228
Retained earnings	790,367	1,008,698
Total equity	7,051,236	7,343,728
Total liabilities and equity	46,023,813	42,873,788

Condensed statement of changes in equity

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2013	522,638	2,944,585	257,579	2,610,228	1,008,698	7,343,728
Total comprehensive income, including:	-	-	(326,340)	-	790,367	464,027
Net profit	-	-	-	-	790,367	790,367
Valuation of financial assets available-for-sale (net)	-	-	(326,340)	-	-	(326,340)
Dividends to be paid	-	-	-	-	(756,519)	(756,519)
Transfer to capital	-	-	-	252,179	(252,179)	-
Balance as at 30 September 2013	522,638	2,944,585	(68,761)	2,862,407	790,367	7,051,236

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2012	522,638	2,944,585	(82,485)	2,249,555	721,294	6,355,587
Total comprehensive income, including:	-	-	167,380	-	745,156	912,536
Net profit	-	-	-	-	745,156	745,156
Valuation of financial assets available-for-sale (net)	-	-	167,380	-	-	167,380
Dividends to be paid	-	-	-	-	(360,621)	(360,621)
Transfer to capital	-	-	-	360,673	(360,673)	-
Balance as at 30 September 2012	522,638	2,944,585	84,895	2,610,228	745,156	6,907,502

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2012	522,638	2,944,585	(82,485)	2,249,555	721,294	6,355,587
Total comprehensive income, including:	-	-	340,064	-	1,008,698	1,348,762
Net profit	-	-	-	-	1,008,698	1,008,698
Valuation of financial assets available-for-sale (net)	-	-	340,064	-	-	340,064
Dividends to be paid	-	-	-	-	(360,621)	(360,621)
Transfer to capital	-	-	-	360,673	(360,673)	-
Balance as at 31 December 2012	522,638	2,944,585	257,579	2,610,228	1,008,698	7,343,728

Condensed summary statement of cash flows

PLN '000	Third quarter accruals period from 01.01.13 to 30.09.13	Third quarter accruals period from 01.01.12 to 30.09.12
Cash at the beginning of the reporting period	1,533,791	1,044,107
Cash flows from operating activities	1,919,946	547,638
Cash flows from investing activities	(58,419)	25,700
Cash flows from financing activities	(692,656)	(390,518)
Cash at the end of the reporting period	2,702,662	1,226,927
Increase / Decrease in net cash	1,168,871	182,820

Condensed additional information

1. Declaration of conformity

These condensed interim standalone 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 standalone financial statements of the Bank as at and for the financial year ended 31 December 2012 and condensed interim consolidated financial statement of the Group for the third quarter 2013.

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 9 month period ended 30 September 2013 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Condensed interim standalone financial statements of the Bank for the third quarter of 2013 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide separate interim financial statements, on condition that it includes in the consolidated interim financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the condensed interim financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements.

Principles adopted in the preparation process of these condensed interim standalone financial statement are consistent with the principles, described in the annual standalone financial statements of the Bank as at and for the financial year ended 31 December 2012.

Other information and explanations concerning these condensed interim consolidated financial statements for the third quarter 2013 contain also all information and explanatory data essential for these condensed interim standalone financial statements.

The summary of Bank's financial results for the third quarter of 2013 is presented below.

Bank's financial results

In three quarters of 2013 the Bank has generated profit before tax of PLN 984 million, in comparison to PLN 925 in the corresponding period of 2012, and the profit before tax in the third quarter of 2013 was PLN 197 million, comparing to PLN 310 million in the corresponding period of 2012.

The accrued (period from January to September) net profit was PLN 790 million, in comparison to

PLN 745 in the corresponding period of 2012, and the net profit in the third quarter of 2013 was PLN 157 million, comparing to PLN 247 million in the corresponding period of 2012.

The significant impact on the Bank net profit in the third period of 2013 had the decrease of financial instruments result (trade financial instruments and revaluation, debt securities and capital securities) by total of PLN 100 million (62.9%), decrease in interest and commission income by PLN 63 million (12.4%), decrease in banking activity costs and general administrative costs and depreciation by PLN 22 million (6.8%), decrease in (net) impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities by PLN 20 million (95.0%), increase of financial result on other operating income and expenses as well as income on sale of other assets by PLN 7 million (88.3%) and lower income tax burden by PLN 24 million (37.5%).

The consolidated quarter report for the third quarter of 2013 will be available on the website of Bank Handlowy w Warszawie S.A. at **www.citihandlowy.pl**

Signature of the Vice-Director of Financial Reporting and Control Department	Signature of the Vice-President of Management Board
Date and signature	Date and signature
06.11.2013	06.11.2013 ....