



INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE FIRST QUARTER 2015

MAY 2015

Interim condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A.
for the first quarter 2015

TRANSLATION

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	First quarter accruals	First quarter accruals	First quarter accruals	First quarter accruals
	period from 01.01.15 to 31.03.15	period from 01.01.14 to 31.03.14	period from 01.01.15 to 31.03.15	period from 01.01.14 to 31.03.14
Data related to the interim condensed consolidated financial statements				
Interest income	310,074	379,458	74,736	90,576
Fee and commission income	173,351	186,008	41,782	44,400
Profit before tax	274,628	308,596	66,193	73,661
Net profit	217,037	247,650	52,312	59,113
Comprehensive income	193,059	219,747	46,533	52,453
Increase of net cash	(820,197)	923,876	(197,690)	220,527
Total assets*	47,225,791	49,843,665	11,549,472	11,694,077
Amounts due to banks*	4,722,242	5,122,576	1,154,865	1,201,834
Amounts due to customers*	26,136,184	29,632,598	6,391,828	6,952,255
Equity	7,603,819	7,527,011	1,859,579	1,804,476
Ordinary shares	522,638	522,638	127,816	125,294
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	58.20	57.61	14.23	13.81
Capital adequacy ratio (%)*	17.7	17.5	17.7	17.5
Earnings per share (PLN / EUR)	1.66	1.90	0.40	0.45
Diluted earnings per share (PLN / EUR)	1.66	1.90	0.40	0.45
Data related to the interim condensed standalone financial statements				
Interest income	308,478	376,258	74,352	89,812
Fee and commission income	159,803	166,900	38,517	39,839
Profit before tax	269,904	300,828	65,054	71,807
Net profit	213,179	240,791	51,382	57,476
Comprehensive income	190,061	212,720	45,810	50,776
Increase of net cash	(820,377)	923,776	(197,734)	220,503
Total assets*	46,922,161	49,603,377	11,475,217	11,637,702
Amounts due to banks*	4,624,888	5,004,190	1,131,056	1,174,059
Amounts due to customers*	26,310,117	29,803,545	6,434,365	6,992,362
Equity	7,538,646	7,433,942	1,843,640	1,782,164
Ordinary shares	522,638	522,638	127,816	125,294
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	57.70	56.90	14.11	13.64
Capital adequacy ratio (%)*	17.4	17.2	17.4	17.2
Earnings per share (PLN/EUR)	1.63	1.84	0.39	0.44
Diluted earnings per share (PLN / EUR)	1.63	1.84	0.39	0.44
Declared or paid dividends per share (PLN/EUR)**	7.43	7.15	1.82	1.71

*Comparative balance data according as at 31 December 2014.

**The presented ratios are related to declared dividend from the distribution of 2014 profit and dividend paid in 2014 from the distribution of 2013 profit.

***The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 31 March 2015 – 4.0890 (as at 31 December 2014: PLN 4.2623; as at 31 March 2014 – PLN 4.1713); 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 quarter of 2015 - PLN 4.1489 (in the first quarter of 2014: PLN 4.1844).

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Condensed consolidated income statement

<i>PLN '000</i>	First quarter accruals period from 01.01.15 to 31.03.15	First quarter accruals period from 01.01.14 to 31.03.14
Interest and similar income	310,074	379,458
Interest expense and similar charges	(53,298)	(86,375)
Net interest income	256,776	293,083
Fee and commission income	173,351	186,008
Fee and commission expense	(21,944)	(29,011)
Net fee and commission income	151,407	156,997
Net income on trading financial instruments and revaluation	85,673	125,381
Net gain on debt investment securities	98,458	39,632
Net gain on equity investment instruments	-	2,855
Net gain/(loss) on hedge accounting	-	(709)
Other operating income	13,325	15,719
Other operating expenses	(14,590)	(12,442)
Net other operating income	(1,265)	3,277
General administrative expenses	(295,338)	(296,110)
Depreciation and amortization	(17,592)	(18,334)
Profit on sale of other assets	4	153
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	(3,507)	2,380
Operating income	274,616	308,605
Share in net profits/(losses) of entities valued at equity method	12	(9)
Profit before tax	274,628	308,596
Income tax expense	(57,591)	(60,946)
Net profit	217,037	247,650
Including:		
Net profit attributable to Bank's shareholders	217,037	247,650
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Earnings per share (in PLN)	1,66	1,90
Diluted net earnings per share (in PLN)	1,66	1,90

Condensed consolidated statement of comprehensive income

	First quarter accruals	First quarter accruals
	period from 01.01.15 to 31.03.15	period from 01.01.14 to 31.03.14
<i>PLN '000</i>		
Net profit	217,037	247,650
Other comprehensive income, that might be subsequently reclassified to profit or loss:		
Changes in value of available-for-sale financial assets	(23,102)	(28,084)
Currency translation differences	(876)	181
Other comprehensive income net of tax	(23,978)	(27,903)
Total comprehensive income	193,059	219,747
Including:		
Comprehensive income attributable to Bank's shareholders	193,059	219,747

Condensed consolidated statement of financial position

<i>PLN '000</i>	State as at	31.03.2015	31.12.2014
ASSETS			
Cash and balances with the Central Bank		743,616	1,522,949
Amounts due from banks		1,961,602	2,065,685
Financial assets held-for-trading		13,680,618	12,721,573
Debt securities available-for-sale		11,198,696	14,435,099
Equity investments valued at equity method		7,777	7,765
Equity investments available for sale		8,292	8,211
Amounts due from customers		17,147,217	16,770,482
Tangible fixed assets		370,458	366,857
Intangible assets		1,388,167	1,387,745
Current income tax receivables		4,669	13,255
Deferred income tax asset		194,488	157,319
Other assets		518,078	384,612
Non-current assets held-for-sale		2,113	2,113
Total assets		47,225,791	49,843,665
LIABILITIES			
Amounts due to banks		4,722,242	5,122,576
Financial liabilities held-for-trading		7,257,559	6,770,922
Amounts due to customers		26,136,184	29,632,598
Provisions		28,567	26,409
Current income tax liabilities		36,301	186
Other liabilities		1,441,119	880,214
Total liabilities		39,621,972	42,432,905
EQUITY			
Ordinary shares		522,638	522,638
Share premium		3,000,298	3,000,298
Revaluation reserve		29,771	52,873
Other reserves		2,892,647	2,893,523
Retained earnings		1,158,465	941,428
Total equity		7,603,819	7,410,760
Total liabilities and equity		47,225,791	49,843,665

Condensed consolidated statement of changes in equity

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2015	522,638	3,000,298	52,873	2,893,523	941,428	-	7,410,760
Total comprehensive income, including:	-	-	(23,102)	(876)	217,037	-	193,059
Net profit	-	-	-	-	217,037	-	217,037
Currency translation differences from the foreign operations' conversion	-	-	-	(876)	-	-	(876)
Net valuation of available-for-sale financial assets	-	-	(23,102)	-	-	-	(23,102)
Balance as at 31 March 2015	522,638	3,000,298	29,771	2,892,647	1,158,465	-	7,603,819

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2014	522,638	2,997,759	(42,963)	2,859,388	970,442	-	7,307,264
Total comprehensive income, including:	-	-	(28,084)	181	247,650	-	219,747
Net profit	-	-	-	-	247,650	-	247,650
Currency translation differences from the foreign operations' conversion	-	-	-	181	-	-	181
Net valuation of available-for-sale financial assets	-	-	(28,084)	-	-	-	(28,084)
Balance as at 31 March 2014	522,638	2,997,759	(71,047)	2,859,569	1,218,092	-	7,527,011

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2014	522,638	2,997,759	(42,963)	2,859,388	970,442	-	7,307,264
Total comprehensive income, including:	-	-	95,836	(5,054)	947,312	-	1,038,094
Net profit	-	-	-	-	947,312	-	947,312
Currency translation differences from the foreign operations' conversion	-	-	-	844	-	-	844
Net valuation of available-for-sale financial assets	-	-	95,836	-	-	-	95,836
Net actuarial losses on specific services program valuation	-	-	-	(5,898)	-	-	(5,898)
Dividends paid	-	-	-	-	(934,598)	-	(934,598)
Transfer to capital	-	2,539	-	39,189	(41,728)	-	-
Balance as at 31 December 2014	522,638	3,000,298	52,873	2,893,523	941,428	-	7,410,760

Condensed consolidated statement of cash flows

<i>PLN '000</i>	First quarter accruals	First quarter accruals
	period from 01.01.15 to 31.03.15	period from 01.01.14 to 31.03.14
Cash at the beginning of the reporting period	1,732,915	1,120,162
Cash flows from operating activities	(749,906)	857,257
Cash flows from investing activities	(22,060)	(7,658)
Cash flows from financing activities	(48,231)	74,277
Cash at the end of the reporting period	912,718	2,044,038
Increase/(decrease) in net cash	(820,197)	923,876

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

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

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

The Group is a member of Citigroup Inc. The Bank is a subsidiary of Citibank Overseas Investments Corporation with headquarters in New Castle, USA. CitiBank Overseas Investment Corporation is a subsidiary of Citibank N.A, with headquarters in New York, USA. which is the ultimate parent company 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 subsidiaries:

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

This interim consolidated financial statements present financial data of the Capital Group of Bank Handlowy w Warszawie S.A. ('the Group'), that is composed of Bank Handlowy w Warszawie S.A. ('the Bank') as the parent company and its subsidiaries entities.

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2015	31.12.2014
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

In the first quarter of 2015 there were no changes in the structure of Group's entities.

2 Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* adopted by European Union and with other applicable regulations. These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 March 2015.

In accordance with the Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2014, No. 133) the Bank is obliged to publish its financial results for the 3 month period ended 31 March 2015 which is deemed to be the current interim financial reporting period.

3 Principles accepted at the composition of the consolidated financial statements

The condensed interim consolidated financial statements of the Group for the first quarter 2015 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the financial year ended 31 December 2014.

The preparation of condensed interim consolidated financial statements of the Group with accordance to International Financial Reporting Standards requires from the Management to prepare certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. This financial statement is based on the same estimation rules, which were used in the annual financial statements of the Group for the financial year ended 31 December 2014, including the reasons and sources of uncertainty as at the balance sheet date.

The most significant estimates made for the 3 month period ended 31 March 2015, 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 2015 to 31 March 2015, and for consolidated statement of financial position as at 31 March 2015. Comparative financial data are presented for the period from 1 January 2014 to 31 March 2014 and for the consolidated statement of financial position as at 31 December 2014.

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

4 Macroeconomic conditions and the situation in money, foreign exchange and capital markets

1. Macroeconomic conditions and the situation in money and foreign exchange markets

Monthly macroeconomic figures indicate a stable, relatively high rate of economic growth in Q1 2015 compared to a 3.3% y/y increase in Q3 and Q4 2014. Economic growth continues to be driven primarily by domestic demand but, compared to 2014, the importance of foreign trade has increased distinctly.

Strong private consumption in Q1 is reflected in acceleration of retail sales growth in real terms up to 4.2% y/y compared to 3% y/y in Q3 and Q4 2014. Sound consumption is attributable both to gradual improvement of the situation in the labor market and a drop in the inflation rate which supports disposable household incomes in real terms. Salaries growth in the enterprise sector in Q1 amounted to approx. 3.9% y/y, i.e. slightly above the figure reported in the second half of 2014. Meanwhile, the continued demand for labor led to acceleration of employment growth up to approx. 1.2% y/y from 0.9% y/y in Q4 2014. Also, considering a further slowdown in inflation in the initial months of this year, pay fund growth accelerated in real terms up to approx. 6.5% y/y compared to 5.2% y/y in Q4 and 4.5% in Q3 2014. At the same time, the registered unemployment rate rose slightly to 11.7% at the end of March 2015 from 11.5% at the end of 2014. However, that was due to seasonal factors. Net of seasonal fluctuations, the unemployment rate dropped down to a record low since the year 2009.

The relatively high level of economic activity is reflected in acceleration of industrial production growth adjusted for seasonal factors and number of business days in Q1 up to 4.9% y/y from 2.2% in Q4 and 1.2% y/y in Q3 2014. Improved industrial activity is driven by an increase in both domestic and international orders which, in turn, is fuelled by increased economic activity of key trade partners. This is confirmed by the components of PMI index for industry which amounted, on average, to 55 pts in Q1 as well as distinct acceleration of export growth in the first two months of the year up to nearly 8% y/y from 4.2% y/y in Q4 and 5.8% y/y for the year 2014 as a whole. At the same time, the import growth rate slowed down during the period of January-February down to 1.2% from 6.8% y/y in Q4 against 6.8% y/y throughout the year 2014, owing to a significant decline in oil prices towards the end of the year 2014.

In Q1 2015, average inflation decreased down to -1.5% y/y compared to -0.7% y/y in Q4 and -0.3% in Q3 2014. Consumer price growth proved lower than expected primarily due to falling fuel prices and slow growth of food prices and a lower increase in excise duty in that year.

In the context of increasing deflation, the Monetary Policy Council (RPP) lowered the NBP reference rate in March by 50 bps down to the record low of 1.50%. At the same time, RPP signaled that its decision marked the end of the monetary policy easing cycle.

In Q1 2015, the Polish zloty appreciated distinctly against euro and weakened against the US dollar. The EUR/PLN exchange rate dropped to 4.07 at the end of March from 4.28 at the end of 2014. On the other hand, the USD/PLN exchange rate climbed to 3.80 from 3.54, respectively. Euro's depreciation against the US dollar and Polish zloty was attributable to the launch of the assets purchase program by the European Central Bank in March, whereas the US currency was supported by the expected start of interest rate increases in the US. Furthermore, sound economic activity figures and continued shrinking of the current account deficit both supported the Polish zloty in the initial months of 2015.

As regards the debt market, the yields on the short and long end of the yield curve declined in Q1 2015. The falling inflation rate, expectations relating to the interest rate decrease and realization of those expectations by RPP in March all contributed to lower yields. The yields of 2Y bonds stood at 1.60% at the end of Q1 2015 compared to 1.77% at the end of 2014. On the other hand, the yield on 10-year bonds dropped at the end of Q1 2015 down to 2.33% from 2.54% at the end of 2014. The yield rates recorded their historic lows at the end of January at, respectively, approx. 1.52% for two-year bonds and 2% for ten-year bonds. The 3M WIBOR amounted to 1.65% at the end of March 2015 compared to 2.06% at year-end 2014.

2. Capital market situation

In Q1, the sentiments in capital markets improved owing to the announcement of the program of purchase of government bonds by the European Central Bank. The decrease of interest rates down to the record lows by the Monetary Policy Council as well as the reported, also still on a small scale, cash flows into SME funds additionally supported the domestic stock market.

Over the past three months, all major indices improved their quotations. The sWIG80 low-capitalization company index, which appreciated 11% compared to the figure reported at year end 2014, stood out against the background. The index grouping the largest companies reported a 3.5% increase whereas mWIG40 index made of medium-capitalization companies generated a 7.1% yield rate.

In Q1 2015, WIG-Banki banking index which due, i.e. to the risk inherent in foreign currency loans denominated in CHF had lost 3.8%, stood out negatively among the industry sub-indices. On the other hand, the indices covering companies from the construction, chemical and fuel sectors have substantially appreciated by over 20% compared to the levels reported at year end 2014.

During the period from January to March 2015, the primary market was characterized by low activity. During that time, the shares of two companies only were floated on WSE primary market (with one case involving transfer of trading from New Connect alternative stock market) while the value of IPOs amounted to PLN 29.3 million (over the corresponding period of 2014, the shares of 5 companies were floated with the value of IPOs exceeding slightly PLN 74 million). Meanwhile, the shares of two companies were delisted. As a consequence, the number of the companies listed on WSE remained unchanged compared to year end 2014 (471).

At the end of March 2015, the aggregate market value of the companies listed on WSE exceeded PLN 1,319 billion (+48% y/y or +3.1% y/y, net of Banco Santander), a 5.3% growth on a quarterly basis.

Equity market indices as of 30 September 2014

Index	31 March 2015	31 December 2014	Change (%) QoQ	31 March 2014	Change (%) YoY
WIG	54,091.32	51,416.08	5.2%	52,373.47	3.3%
WIG-PL	55,562.21	52,805.46	5.2%	53,656.97	3.6%
WIG-div	1,208.40	1,151.73	4.9%	1,149.46	5.1%
WIG30	2,395.94	2,315.94	3.5%	2,462.47	(2.7%)
WIG50*	3,808.05	3,680.89	3.5%	3,755.83	1.4%
WIG250*	2,605.35	2,487.52	4.7%	2,612.52	(0.3%)
WIG20	3,732.01	3,483.45	7.1%	3,481.44	7.2%
mWIG40	13,443.43	12,108.06	11.0%	13,669.33	(1.7%)
Sector sub-indices					
WIG-Banks	7,660.16	7,960.97	(3.8%)	8,749.83	(12.5%)
WIG-Construction	2,591.26	2,143.29	20.9%	2,297.23	12.8%
WIG-Chemicals	13,718.55	11,383.76	20.5%	11,009.55	24.6%
WIG-Developers	1,372.64	1,340.47	2.4%	1,456.02	(5.7%)
WIG-Energy	4,479.03	4,268.12	4.9%	3,985.66	12.4%
WIG-IT	1,570.55	1,386.48	13.3%	1,312.10	19.7%
WIG-Media	4,090.16	3,840.32	6.5%	3,769.59	8.5%
WIG-Oil & Gas	4,068.96	3,381.16	20.3%	3,155.27	29.0%
WIG-Food	2,812.51	2,468.65	13.9%	2,781.50	1.1%
WIG-Basic materials	3,686.98	3,481.62	5.9%	3,821.04	(3.5%)
WIG-Telecom	1,039.92	924.52	12.5%	1,038.63	0.1%

Source: WSE, DMBH;

* index calculated since 24 March 2014.

Equity and bond trading value and derivatives trading volumes on WSE in the third quarter of 2014

	Q1 2015	Q4 2014	Change (%) QoQ	Q1 2014	Change (%) YoY
Shares (PLN million)*	112,376	103,149	8.9%	125,823	(10.7%)
Bonds (PLN million)	372	455	(18.3%)	555	(33.1%)
Futures (in thousand contracts)	4,193	4,213	(0.5%)	6,097	(31.2%)
Options (in thousand contracts)	208	256	(19.0%)	264	(21.4%)

* excluding calls

Source: WSE, DMBH

In the first three months of 2015, the turnover in the stock market exceeded PLN 112.3 billion and, although it grew 8.9% compared to the preceding quarter, they proved lower by 10.7% in relation to the corresponding period of 2014.

The value of bond trading declined in Q1 2015 by 18.3% q/q, reaching PLN 372 million. The declining appeal of debt securities was also observed (-33.1% y/y).

The volume of trading in futures contracts remained at a level similar to that reported for Q4 2014 (nearly 4.2 million contracts, -0.5% q/q). Nonetheless, compared to Q1 2014, the activity of investors in that market segment was considerably lower (-31.2% y/y).

During the period from January to March 2015, the cumulated options turnover volume amounted to 208,000, representing a 19% drop compared to Q4 2014 and a 21.4% decline compared to the corresponding period of the previous year.

In the reported period, the total WSE trading value went up by 16.1% QoQ, to slightly over PLN 127.2 billion. Trade in equities also reported a small improvement by 3.3% YoY.

5 Banking sector

Figures published by the National Bank of Poland indicate an increase in the volume of corporate loans by 5.9% y/y in Q1 2015. Their balance at the end of March 2015 exceeded PLN 276 billion. The portfolio's growth dynamic has been gathering momentum gradually since the end of 2013, when the period of one-year stagnation ended, with the growth rate fluctuating at approx. 1% y/y. As regards the term structure, the corporate loan portfolio reported growth across all categories, with the strongest increase recorded in long-term loans granted for more than five years (7.0% y/y). Medium-term loans repayable over one to five years saw a 5.1% y/y growth, whereas loans with maturities of up to one year recorded a 3.7% y/y growth. By type structure, the greatest demand was reported for investment loans (10.6% y/y). Current loans also saw major growth (4.2% y/y), whereas the volume of real property loans declined slightly (-1.2% y/y). According to the figures available at the end of February 2015, the quality of the corporate loan portfolio, measured by the ratio of non-performing loans, has improved year-on-year by 0.4 p.p. up to 11.2%. That was attributable mainly to improvement in quality of the loans granted to large enterprises (a decline by 0.5 p.p. down to 9.0%) accompanied by a slight improvement in loans granted to small and medium-sized enterprises (a decline by 0.2 p.p. down to 12.8%). It should be noted, however, that those indicators were subject to significant fluctuations over the last 12 months, which impairs formulation of unequivocal conclusions as to the shifts in trends in the enterprises' financial condition.

At the end of March 2015, the balance of household loans increased to almost PLN 595 billion (7.5% y/y), primarily owing to real property loans (8.9% y/y, or PLN 31 billion). Their high dynamic was driven mainly by PLN-denominated loans the balance of which grew by 12.9% y/y, or PLN 23 billion. Growth was also fuelled by considerable and dramatic appreciation of the Swiss franc in January 2015. Following stabilization of the exchange rate, that ultimately led to an increase in the volume of loans denominated in foreign currencies in March 2015 by 4.5% y/y (PLN 8 billion). Although those one-time events increased the share of foreign-currency loans in the total real property loan portfolio from 45% in December 2014 up to 48% in March 2015, a steady falling trend for that indicator should be expected owing to the significant curbing of the new lending campaign involving those products. Growth of the consumer loan portfolio stabilized over the last 12 months at approx. 5% y/y, reaching PLN 139 billion, which is PLN 0.5 billion more than the previous maximum value set in August 2010. Growth was also recorded in the area of loans granted to sole proprietorships (6.8% y/y, or PLN 2.4 billion) and investment loans (3.3% y/y, or PLN 1.0 billion). The quality of the portfolio of household loans improved. NPL in that segment dropped by 0.6 p.p. y/y in February 2015 down to the level of 6.5%, owing exclusively to consumer loans for which that value dropped by 2.0 p.p. y/y, to the level of 12.8%. Quality of mortgage loans did not change and remained at 3.1%.

Corporate deposits increased by 11% on an annual basis, with a balance of nearly PLN 217 billion at the end of Q1 2015. The increase was due to current deposits which rose by 15.7% y/y (PLN 17 billion) and, to a slightly lesser extent, to term deposits that saw an increase by 5.5% y/y (PLN 5 billion).

In spite of the unfavorable impact of the record low interest rates on the banks' offering, household deposits saw a two-digit growth rate (10% y/y) not recorded since the last quarter of 2012, reaching PLN 607 billion. Current and term deposits accounted for growth to the same extent (respectively, 10.3% y/y and 9.8% y/y), and the annual dynamic of the former has been demonstrating a distinct growth trend since September 2014 at the expense of the products with longer maturities.

The net profit of the banking sector after the first quarter of 2015 decreased by -7% y/y and amounted to nearly PLN 2.4 billion. The erosion of the net profit was due to the operating and depreciation/amortization costs rising by 8.1% y/y associated, *inter alia*, with higher contributions to the Bank Guarantee Fund, as well as the increase in assets' impairment write-offs by 5.5% y/y. The negative impact of those product lines has only partially been offset by revenue growth by 2.4% y/y. The results on interest and commissions declined, respectively, by -4.4% y/y and -4.9% y/y, whereas the remaining revenues recorded growth by 56.4% y/y.

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

1. Consolidated statement of financial position

At the end of the first quarter of 2015, total assets amounted to PLN 47.2 billion compared to PLN 49.8 billion reported at the end of 2014, down by PLN 2.6 billion (or 5.2%). The change in total assets was due to the following factors:

- decrease in the balance of debt securities available-for-sale by PLN 3.2 billion, i.e. 22.4%, mainly due to the reduced position in NBP monetary bills;
- increase in financial assets held-for-trading by PLN 1.0 billion, or 7.5%, primarily due to the growth of the Treasury bonds portfolio.

Net amounts due from customers

PLN '000	31.03.2015	31.12.2014	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	1,371,233	1,021,364	349,869	34.3%
Receivables related to reverse repo transactions	933,462	599,899	333,563	55.6%
Amounts due from non-financial sector entities, including:	15,775,984	15,749,118	26,866	0.2%
Institutional clients*	9,943,573	9,864,270	79,303	0.8%
Individual clients, including:	5,832,411	5,884,848	(52,437)	(0.9%)
unsecured receivables	4,567,570	4,648,480	(80,910)	(1.7%)
mortgage loans	1,264,841	1,236,368	28,473	2.3%
Total net receivables from customers	17,147,217	16,770,482	376,735	2.2%

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

Amounts due from customers divided into without recognized impairment/with recognized impairment

PLN '000	31.03.2015	31.12.2014	Change	
			PLN '000	%
Without recognized impairment, including:	17,011,445	16,630,827	380,618	2.3%
non-financial sector entities	15,640,126	15,609,377	30,749	0.2%
Institutional clients*	9,892,458	9,811,191	81,267	0.8%
individual clients	5,747,668	5,798,186	(50,518)	(0.9%)
With recognized impairment, including:	842,492	847,540	(5,048)	(0.6%)
non-financial sector entities	825,356	828,544	(3,188)	(0.4%)
institutional clients*	344,154	346,564	(2,410)	(0.7%)
individual clients	481,202	481,980	(778)	(0.2%)
Dues related to matured derivative transactions	88,922	91,011	(2,089)	(2.3%)
Total gross receivables from customers, including:	17,942,859	17,569,378	373,481	2.1%
non-financial sector entities	16,465,482	16,437,921	27,561	0.2%
institutional clients*	10,236,612	10,157,755	78,857	0.8%
individual clients	6,228,870	6,280,166	(51,296)	(0.8%)
Impairment, including:	(795,642)	(798,896)	3,254	(0.4%)
Dues related to matured derivative transactions	(80,065)	(81,134)	1,069	(1.3%)
Total net receivables from customers	17,147,217	16,770,482	376,735	2.2%
Impairment coverage ratio with recognized impairment**	84.9%	84.7%		
institutional clients*	87.7%	87.5%		
individual clients	82.4%	82.0%		
Non-performing loans ratio (NPL)	4.7%	4.9%		

*Institutional 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, liabilities towards customers decreased (down by PLN 3.5 billion, or 11.8%). Customers deposits dropped by PLN 4.4 billion or 14.9%, which was mainly due to the high level of current account balances of institutional clients, including public sector entities, as of the end of 2014. At the same time deposits of individual customers continued to increase (up by PLN 0.2 billion or 2.5%), primarily driven by an increase in current account balances.

Other liabilities towards customers also grew (by PLN 0.9 billion, or 687.6%), which was mainly due to a higher level of liabilities under repo contracts

Amounts due to customers

PLN '000	31.03.2015	31.12.2014	Change	
			PLN '000	%
Current accounts, including:	15,254,968	19,537,444	(4,282,476)	(21.9%)
financial sector entities	495,424	238,351	257,073	107.9%
non-financial sector entities, including:	14,759,544	19,299,093	(4,539,549)	(23.5%)
institutional clients*, including:	8,158,253	12,926,331	(4,768,078)	(36.9%)
budgetary units	820,723	4,332,218	(3,511,495)	(81.1%)
individual clients	6,601,291	6,372,762	228,529	3.6%
Time deposits, including:	9,836,518	9,962,504	(125,986)	(1.3%)
financial sector entities	2,735,665	2,877,084	(141,419)	(4.9%)
non-financial sector entities, including:	7,100,853	7,085,420	15,433	0.2%
institutional clients*, including:	5,846,970	5,796,189	50,781	0.9%
budgetary units	1,059,873	127,354	932,519	732.2%
Individual customers	1,253,883	1,289,231	(35,348)	(2.7%)
Total customers deposits	25,091,486	29,499,948	(4,408,462)	(14.9%)
Other amounts due to customers	1,044,698	132,650	912,048	687.6%
Total amounts due to customers	26,136,184	29,632,598	(3,496,414)	(11.8%)

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

2. Consolidated income statement

In the first quarter of 2015, the Group delivered a consolidated net profit of PLN 217.0 million, down by PLN 30.6 million (or 12.4%) compared to Q1, 2014. At the same time the revenues of the Group dropped by PLN 29.5 million (or 4.7%) to PLN 591.0 million.

The main determinants of the Group's combined operating result in the first quarter of 2015 when compared to the first quarter of 2014 were the following:

- net interest income of PLN 256.8 million versus PLN 293.1 million in Q1, 2014 – down by PLN 36.3 million, or 12.4%, stemming primarily from lower interest income from debt securities available-for-sale (down by PLN 46.1 million or 43.1%) and amounts due from customers (down by PLN 36.1 million or 15.1%, as a result of interest rate cuts). The decrease in net interest income was partially offset by lower interest expenses (down by PLN 33.1 million yoy or 38.3%). Interest income from debt securities held-for-trading increased by PLN 18.0 million (126.8%);

Net interest income

PLN '000	01.01 - 31.03.2015	01.01 - 31.03.2014	Change	
			PLN '000	%
Interest and similar income from:				
Balances with the Central Bank	4,623	6,445	(1,822)	(28.3%)
Amounts due from banks	9,478	12,926	(3,448)	(26.7%)
Amounts due from customers, in respect of:	202,916	238,981	(36,065)	(15.1%)
financial sector	8,431	6,387	2,044	32.0%
non-financial sector, including:	194,485	232,594	(38,109)	(16.4%)
credit cards	63,291	69,703	(6,412)	(9.2%)
Debt securities available-for-sale	60,781	106,877	(46,096)	(43.1%)
Debt securities held-for-trading	32,276	14,229	18,047	126.8%
	310,074	379,458	(69,384)	(18.3%)
Interest expense and similar charges on:				
Amounts due to banks	(7,316)	(8,900)	1,584	(17.8%)
Amounts due to financial sector entities	(13,575)	(23,284)	9,709	(41.7%)
Amounts due to non-financial sector entities	(31,828)	(50,763)	18,935	(37.3%)
Loans and advances received	(579)	(786)	207	(26.3%)
Derivative instruments in hedge accounting	-	(2,642)	2,642	(100.0%)
	(53,298)	(86,375)	33,077	(38.3%)
Net interest income	256,776	293,083	(36,307)	(12.4%)

- net fee and commission income of PLN 151.4 million versus PLN 157.0 million in Q1, 2014 – down by PLN 5.6 million or 3.6% was mainly due to lower fee and commission income from payment and credit cards stemming from reductions in interchange fees, including a further statutory reduction in the maximum interchange rate effective January 29, 2015 (down to 0.2% - 0.3%), partially offset by increased sales of installment products linked to credit cards and lower expenses due the credit card offering optimization. Additionally, brokerage income decreased by PLN 5.6 million or 29.1% due to the decline in turnover on the WSE. On the other hand, fee and commission income from custody services increased significantly (up by PLN 5.9 million or 22.9%);

Net fee and commission income

PLN '000	01.01 - 31.03.2015	01.01 - 31.03.2014	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products distribution	32,230	33,517	(1,287)	(3.8%)
Payment and credit cards	45,103	59,670	(14,567)	(24.4%)
Payment orders	27,732	26,815	917	3.4%
Custody services	31,818	25,895	5,923	22.9%
Cash loans fees	678	1,081	(403)	(37.3%)
Brokerage activity	13,555	19,120	(5,565)	(29.1%)
Clients' cash on account management services	7,296	6,747	549	8.1%
Guarantees granted	3,614	4,083	(469)	(11.5%)
Financial liabilities granted	1,547	1,493	54	3.6%
Other	9,778	7,587	2,191	28.9%
	173,351	186,008	(12,657)	(6.8%)
Fee and commission expense				
Payment and credit cards	(9,121)	(14,114)	4,993	(35.4%)
Brokerage activity	(4,096)	(6,044)	1,948	(32.2%)
Fees paid to the National Depository for Securities	(4,873)	(5,163)	290	(5.6%)

PLN '000	01.01 – 31.03.2015	01.01- 31.03.2014	Change	
			PLN '000	%
(KDPW)				
Brokerage fees	(1,291)	(1,163)	(128)	11.0%
Other	(2,563)	(2,527)	(36)	1.4%
	(21,944)	(29,011)	7,067	(24.4%)
Net fee and commission income				
Insurance and investment products distribution	32,230	33,517	(1,287)	(3.8%)
Payment and credit cards	35,982	45,556	(9,574)	(21.0%)
Payment orders	27,732	26,815	917	3.4%
Custody services	31,818	25,895	5,923	22.9%
Cash loans fees	678	1,081	(403)	(37.3%)
Brokerage activity	9,459	13,076	(3,617)	(27.7%)
Clients' cash on account management services	7,296	6,747	549	8.1%
Guarantees granted	3,614	4,083	(469)	(11.5%)
Financial liabilities granted	1,547	1,493	54	3.6%
Fees paid to the National Depository for Securities (KDPW)	(4,873)	(5,163)	290	(5.6%)
Brokerage fees	(1,291)	(1,163)	(128)	11.0%
Other	7,215	5,060	2,155	42.6%
Net fee and commission income	151,407	156,997	(5,590)	(3.6%)

- net income from trade financial instruments and revaluation of PLN 85.7 million versus PLN 125.4 million in Q1, 2014, down by PLN 39.7 million;
- net income on debt investment securities in the amount of PLN 98.5 million versus PLN 39.6 million in Q1, 2014, up by PLN 58.8 million due to realized gains in favorable conditions on the domestic debt market;
- operating expenses and overheads including depreciation expenses of PLN 312.9 million compared to PLN 314.4 million in the corresponding period of the previous year - down by PLN 1.5 million (or 0.5%) mainly due to lower costs of cooperation with external partners and lower expenses as a result of the branch network optimization. On the other hand, telecommunication and computer hardware expenses went up. The Bank Guarantee Fund (BFG) fee also increased. The costs incurred for the benefit of the BFG are depreciated over the entire 2015.

General administrative expenses and depreciation expense

PLN '000	01.01 - 31.03.2015	01.01- 31.03.2014	Change	
			PLN '000	%
Staff expenses	(150,327)	(150,811)	484	(0.3%)
Remuneration costs	(103,563)	(109,309)	5,746	(5.3%)
Bonuses and rewards	(24,794)	(19,816)	(4,978)	25.1%
Social security costs	(21,970)	(21,686)	(284)	1.3%
Administrative expenses	(145,011)	(145,299)	288	(0.2%)
Telecommunication fees and hardware purchase costs	(45,617)	(42,619)	(2,998)	7.0%
Costs of external services, including advisory, audit, consulting services	(18,270)	(17,175)	(1,095)	6.4%
Building maintenance and rent costs	(19,064)	(22,363)	3,299	(14.8%)
Marketing costs	(4,039)	(4,888)	849	(17.4%)
Costs of cash management services, costs of cleaning services and other transaction costs	(10,658)	(11,811)	1,153	(9.8%)
Costs of external services related to distribution of banking products	(4,962)	(11,854)	6,892	(58.1%)
Postal services, office supplies and printmaking costs	(3,092)	(3,587)	495	(13.8%)
Training and education costs	(763)	(1,029)	266	(25.9%)

PLN '000	01.01 - 31.03.2015	01.01- 31.03.2014	Change	
			PLN '000	%
Banking supervision costs	(2,605)	(2,362)	(243)	10.3%
Other expenses	(35,941)	(27,611)	(8,330)	30.2%
Depreciation and amortization	(17,592)	(18,334)	742	(4.0%)
General administrative expenses and depreciation expense, total	(312,930)	(314,444)	1,514	(0.5%)

- result on impairment write-offs of financial assets and provisions for granted financial and guarantee liabilities of PLN -3.5 million versus net release in Q1 of PLN 2.4 million. The ICG segment reported an increase in net impairment losses by PLN 0.8 million yoy, mainly due to a credit exposure increased. In the Consumer Banking segment the portfolio quality remained stable and the value of net impairment losses was close to zero

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

PLN '000	01.01 - 31.03.2015	01.01 - 31.03.2014	Change	
			PLN '000	%
Impairment allowances for financial assets				
Amounts due from banks	(526)	(588)	62	(10.5%)
Amounts due from customers	(52,815)	(55,969)	3,154	(5.6%)
Receivables from matured derivative transactions	(370)	(5)	(365)	-
Other	(274)	(2,418)	2,144	(88.7%)
	(53,985)	(58,980)	4,995	(8.5%)
Reversals of impairment allowances for financial assets				
Amounts due from banks	2,947	1,349	1,598	118.5%
Amounts due from customers	46,800	59,485	(12,685)	(21.3%)
Receivables from matured derivative transactions	13	514	(501)	(97.5%)
Recoveries from sold debts	100	269	(169)	(62.8%)
	49,860	61,617	(11,757)	(19.1%)
Net impairment allowances financial assets	(4 125)	2 637	(6 762)	-
Created provisions for granted financial and guarantee commitments	(7,668)	(7,253)	(415)	5.7%
Releases of provisions for granted financial and guarantee commitments	8,286	6,996	1,290	18.4%
Net impairment allowances provisions for granted financial and guarantee commitments	618	(257)	875	-
Net impairment allowances financial assets and provisions for granted financial liabilities and guarantees	(3,507)	2,380	(5,887)	-

3. Financial Ratios

In the first quarter of 2015, the key efficiency ratios were as follows:

Financial ratios	Q1 2015	Q1 2014
ROE *	14,1%	13,7%
ROA**	1,9%	1,9%
Cost/Income	53%	51%
Loans to non-financial sector/Deposits from non-financial sector	72%	73%
Loans to non-financial sector/Total assets	33%	32%
Net interest income/Revenue	43%	47%
Net fee and commission income/Revenue	26%	25%

*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 – 31.03.2015	01.01 – 31.03.2014	Change	
			FTEs	%
Average employment in the third quarter	4,184	4,487	(303)	(6.7%)
Employment at the end of quarter	4,185	4,404	(219)	(5.0%)

*does not include employees on parental and unpaid leave

In the first quarter of 2015 the Group reported a significant decline in employment compared to the corresponding period of the previous year. The decrease was due to the restructuring process carried out in connection with the transformation of the retail distribution model and further improvement of the operational efficiency of the Bank.

As of March 31, 2015 the Bank's capital adequacy ratio was 17.7%, up by 0.2 point versus the end of 2014. The Group's own funds and total capital requirement remained almost unchanged compared to the end of 2014.

Capital adequacy ratio*

PLN '000	31.03.2015	31.12.2014
I Tier I capital	4,982,876	4,944,496
II Total capital requirements, including:	2,253,184	2,256,721
credit risk capital requirements	1,585,541	1,581,701
counterparty risk capital requirements	89,031	87,247
Credit valuation adjustment capital requirements	49,470	54,648
capital requirements for excess of exposures' concentration limit and large exposures' limit	47,635	64,549
total market risk capital requirements	134,717	108,215
operational risk capital requirements	337,933	350,484
other capital requirements	8,857	9,877
Tier I capital ratio	17.7%	17.5%

*Capital Adequacy Ratio was calculated according to the rules stated in the Regulation no 575/2013 of the European Parliament and of the Council (EU) of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) no 648/2012.

7 Segment 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 the 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 – Institutional 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 solely from maturity and currency structure of assets and liabilities. The basis for assessment of the segment performance is gross profit or loss. The basis for segments activity evaluation is gross profit or loss.

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

Institutional Banking

Within the Institutional Banking segment, the Group offers products and provides services to commercial entities, municipalities 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

finance, leasing, brokerage and custody services in respect of securities. It also offers treasury products on financial and commodity markets. In addition, the segment offers the investment banking services on the local and international capital markets, including advisory services as well as obtaining and underwriting financing through public and non-public offerings. The activities also comprise proprietary transactions on the equity, debt and derivative instruments' markets.

Consumer Banking

Within the Consumer Banking segment the Group provides products and financial services to individual clients, micro enterprises and individual entrepreneurs that are within the framework of Citibusiness offer. Besides managing bank accounts and providing extensive credit and deposit products, the Group offers cash loans, mortgage loans and credit cards. It also provides asset management services and acts as an agent in investment and insurance products sale.

Consolidated income statement of the Group by business segment

For the period	01.01. – 31.03.2015			01.01. – 31.03.2014		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
<i>PLN '000</i>						
Net interest income	111,166	145,610	256,776	131,719	161,364	293,083
Internal interest income, including:	(14,392)	14,392	-	(13,129)	13,129	-
Internal income	-	14,392	14,392	-	13,129	13,129
Internal expenses	(14,392)	-	(14,392)	(13,129)	-	(13,129)
Net fee and commission income	67,295	84,112	151,407	68,879	88,118	156,997
Net income on financial instruments and revaluation	78,448	7,225	85,673	117,803	7,578	125,381
Net gain on debt investment securities	98,458	-	98,458	39,632	-	39,632
Net gain on equity investment instruments	-	-	-	2,855	-	2,855
Net loss on hedge accounting	-	-	-	(709)	-	(709)
Net other operating income	5,318	(6,583)	(1,265)	10,829	(7,552)	3,277
General administrative expenses	(131,467)	(163,871)	(295,338)	(128,898)	(167,212)	(296,110)
Depreciation and amortization	(5,797)	(11,795)	(17,592)	(6,283)	(12,051)	(18,334)
Profit on sale of other assets	4	-	4	153	-	153
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	(3,080)	(427)	(3,507)	(2,304)	4,684	2,380
Operating income	220,345	54,271	274,616	233,676	74,929	308,605
Share in net profits/(losses) of entities valued at equity method	12	-	12	(9)	-	(9)
Profit before tax	220,357	54,271	274,628	233,667	74,929	308,596
Income tax expense			(57,591)			(60,946)
Net profit			217,037			247,650

State as at	31.03.2015			31.12.2014		
<i>PLN '000</i>	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets, including:	41,120,360	6,105,431	47,225,791	43,663,564	6,180,101	49,843,665
Equity investments valued at equity method	7,777	-	7,777	7,765	-	7,765
Non-current assets held-for-sale	-	2,113	2,113	-	2,113	2,113
Total liabilities and shareholders' equity, including:	36,747,655	10,478,136	47,225,791	40,417,857	9,425,808	49,843,665
Liabilities	30,857,836	8,764,136	39,621,972	34,672,382	7,760,523	42,432,905

8 Activities of the Group

1. Institutional Banking

1.1. Summary of segment results

PLN '000	Q1 2015	Q1 2014	Change	
			PLN '000	%
Net interest income	111,166	131,719	(20,553)	(15.6%)
Net fee and commission income	67,295	68,879	(1,584)	(2.3%)
Net income on trading financial instruments and revaluation	78,448	117,803	(39,355)	(33.4%)
Net gain on debt investment securities	98,458	39,632	58,826	148.4%
Net gain on equity investment instruments	-	2,855	(2,855)	(100.0%)
Net loss on hedge accounting	-	(709)	709	(100.0%)
Net other operating income	5,318	10,829	(5,511)	(50.9%)
Total income	360,685	371,008	(10,323)	(2.8%)
General administrative expenses and depreciation	(137,264)	(135,181)	(2,083)	1.5%
Profit on sale of other assets	4	153	(149)	(97.4%)
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	(3,080)	(2,304)	(776)	33.7%
Share in net profits(losses) of entities valued at equity method	12	(9)	21	-
Profit before tax	220,357	233,667	(13,310)	(5.7%)
Cost / Income	38%	36%		

The key highlights that impacted the gross profit of the Institutional Banking Segment for Q1, 2015 compared to the corresponding period of the previous year were as follows:

- decrease in net interest income reflecting lower net interest income from debt securities (PLN - 28.0 million or 23.2%) partially offset by lower interest expenses;
- slight decline in net fee and commission income mainly due to lower brokerage income;
- decline in net income from trade financial instruments and revaluation;
- increase in net income on debt investment securities due to realized gains in favorable conditions on the domestic debt market in the first quarter of 2015
- increase in operating expenses resulting mainly from higher employee stock programs
- increase in net impairment losses (PLN -3.1 million in Q1, 2015 compared to PLN -2.3 million in the corresponding period of the previous year) due to, credit exposure increased.

1.2. Institutional Bank and the Capital Markets

Institutional Bank

As regards institutional banking, the Bank provides comprehensive financial services to the largest Polish companies and strategic enterprises with a strong growth potential as well as to the largest financial institutions and public sector entities.

The number of institutional clients (including strategic clients, global clients and corporate clients) amounted to 7.0 thousand at the end of Q1 2015, a decrease of 7% compared to the end of Q1 2014 when the number was 7.5 thousand. In the Commercial Bank (small and medium-sized enterprises, large companies and the public sector), the Bank served 4.8 thousand clients at the end of Q1 2015, a decrease of 9% compared to 5.3 thousand clients served at the end of Q1 2014.

What institutional banking clients have in common is their demand for advanced financial products and advisory in financial services. In that area, the Bank provides coordination of the offered investment banking, treasury and cash management products, and prepares loan offers involving diverse forms of financing. The innovative, competitive and modern financing structures on offer rely on a combination of the 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.

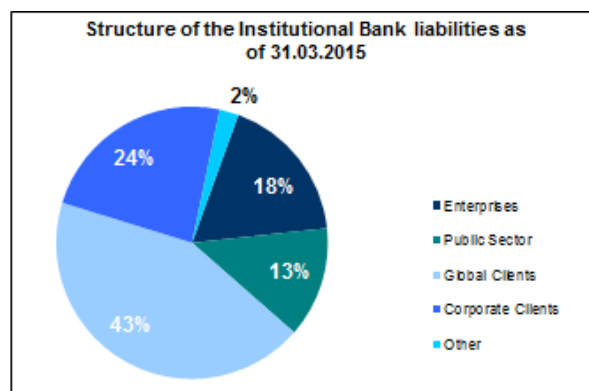
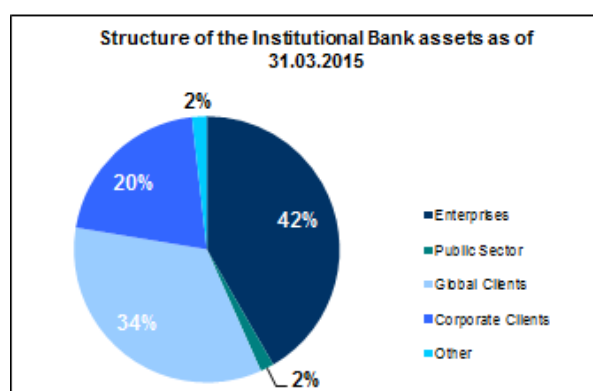
Assets

PLN million	31.03.2015 (1)	31.12.2014 (2)	31.03.2014 (3)	Change		Change	
				(1)/(2)	%	(1)/(3)	%
Enterprises*, including:	4,383	4,251	3,950	132	3%	433	11%
SMEs	1,743	1,683	1,700	60	4%	44	3%
MMEs	2,640	2,568	2,250	72	3%	390	17%
Public Sector	176	126	292	50	40%	(116)	(40%)
Global Clients	3,612	3,589	3,852	23	1%	(240)	(6%)
Corporate Clients	2,166	2,435	2,881	(270)	(11%)	(715)	(25%)
Other**	189	174	104	15	9%	19	82%
Total Corporate and Commercial Bank	10,525	10,575	11,079	(50)	(0%)	(554)	(5%)

Liabilities

PLN million	31.03.2015 (1)	31.12.2014 (2)	31.03.2014 (3)	Change		Change	
				(1)/(2)	%	(1)/(3)	%
Enterprises*, including:	2,995	3,283	3,009	(288)	(9%)	(14)	(0%)
SMEs	2,131	2,187	2,166	(56)	(3%)	(35)	(2%)
MMEs	864	1,096	843	(232)	(21%)	21	2%
Public Sector	2,223	4,859	3,121	(2,636)	(54%)	(898)	(29%)
Global Clients	7,317	10,041	7,364	(2,724)	(27%)	(47)	(1%)
Corporate Clients	3,973	2,983	3,998	990	33%	(25)	(1%)
Other**	385	434	335	(48)	(11%)	50	15%
Total Corporate and Commercial Bank	16,893	21,600	17,827	(4,707)	(22%)	(934)	(5%)

* '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 successes of the Institutional Bank in Q1 2015:

- In the Strategic Clients segment:
 - The Bank has obtained the mandate and signed the Term Sheet for a large-amount acquisition loan for one of the leading Polish companies from FMCG sector;
 - The Bank rolled over bond financing for a company held by the State Treasury and took up a major amount of the bonds (PLN 450 million);
 - The Bank issued four-year bonds for a financial institution at PLN 1.39 billion.

- In the Global Clients segment:
 - Signing of agreements with two companies from the construction sector concerning the handling of their development projects;
 - Issuance of 800 Visa Business cards for the leading company from the pharmaceutical sector;
 - Successful tendering for issuance of a complete set of guarantees for construction of an expressway for a leading construction company in Poland;
 - Syndicated financing of PLN 700 million for a leading international power company over 7 years;
 - Opening of the account for a large company with growth potential from the transportation sector;
 - Granting of a new PLN 25 million loan to a leading client from the agricultural sector;
 - Issuance of a guarantee for a large company from the FMCG sector in the amount of PLN 30 million;
 - Arrangement of a bond issue for one of the banks specializing in car loans and cash loans;
 - Establishment of a new business relationship in the area of bank account maintenance and cash management products for one of the leading international insurers operating in the Polish market;
 - Establishment of a new business relationship in the area of bank account maintenance, cash management, foreign exchange and financing for one of the international lease providers;
 - Granting of a PLN 150 million short-term loan to a client from the retail trade sector;
 - Granting of US\$ 70 million trade credit to a client from the agricultural trade sector.
- The Bank realized a number of financing transactions with its Commercial Banking clients, including, but not limited to, a multi-purpose credit facility of PLN 11.5 million for a producer and seller of wholesale dairy products; an increase in current financing by USD 7 million for a furniture manufacturer; trade credit for a buyer in the amount of PLN 45 million for a producer of rail locomotives and rail vehicles; a short-term loan of PLN 22 million for a wholesale seller of fuels and related products.
- Client acquisition: in the institutional banking segment, the Bank acquired 78 new clients in Q1 2015, including 9 Large Enterprises, 67 Small and Medium-Sized Enterprises, and 2 Public Sector clients. The Bank acquired 8 client relations in the Strategic Clients and Global Clients segment.

Activity and business achievements of the Treasury Division

- In Q1 2015, the Bank kept, for the third consecutive year, its leading position in the overall ranking of the competition for the 2016 Treasury Securities Dealer organized by the Polish Ministry of Finance.
- In February 2015, Citi Handlowy once again received the Treasury BondSpot Poland award as the leading Market Maker in recognition of the highest turnover in the spot market;
- CitiFX Pulse electronic platform for on-line currency exchange continues to attract clients who are free to execute transactions 24 hours a day on their own. Nearly 75% of all foreign exchange transactions are realized via the platform, with the volume of the transactions executed in that manner remaining at the level similar to that recorded in Q1 2014. That innovative and functional tool delivers market information prior to execution of the transaction, facilitates analysis of the foreign currency exposure after its settlement and offers an extensive package of useful transactional functionalities. In Q1 2015, CitiDirect electronic banking system was integrated with CitiFX Puls platform, enabling the clients to manage foreign exchange transactions more easily;
- According to the "Rating & Market" report by Fitch Ratings, at the end of Q1 the Bank held a 16% market share as an arranger of issues of bonds and certificates of deposit for banks and was ranked second among other market participants;
- In Q1 2015, the Bank remained very active in the debt securities market, for instance, issuing three-year bonds worth PLN 100 million for a financial sector client. Toward the end of Q1 2015, the Bank co-arranged and participated in a club of banks granting a secured seven-year loan to a company from the energy sector to finance a M&A transaction. The aggregate facility amounted to PLN 700 million, with the Bank's share standing at PLN 175 million.

Transactional banking

The Bank is a leading provider of transactional banking services in Poland. The transactional banking offer includes the following products and services:

- Cash management products: deposits and current accounts, liquidity management products and e-banking;
- Cards;
- Payment and receivable processing: Direct Debit and Speedcollect;
- Cash products;
- EU-oriented advisory services; and
- Trade finance products.

Other Transactional Banking business events and achievements in Q1 2015:

- **Electronic banking**

In Q1 2015, new changes and improvements were made to the e-banking offering for the Bank's institutional clients:

- The Bank implemented new improvements in the access to CitiDirect e-banking system by extending the time of presentation of the history of balances and transactions in the accounts from 3 to 24 months;
- The service of automatic confirmation of execution of outgoing funds transfers was developed. It currently involves generating confirmations for all types of outgoing transactions, i.e.:
 - Domestic transfers, including social security and tax (ZUS/US), SORBNET;
 - Internal transfers; and
 - International transfers (including SEPA).

The remaining data relating to electronic banking:

- The number of institutional clients who are active users of the system remained high and amounted to over 4,800 at the end of Q1 2015;
- The number of clients with mobile access to the electronic banking system amounted to 3,200 at the end of March 2015, whereas the aggregate number of executed mobile transactions reached 25,600 in Q1 2015.

- **Deposits and current accounts**

In Q1 2015, a dramatic rise in the balances of institutional clients' accounts was observed as a result of activation of the existing and newly-attracted clients. In Q1 2015, average monthly balances maintained in current accounts at the Bank grew by 10% in relation to the corresponding period of 2014, whereas growth in balances maintained in PLN accounts reached 20% compared to Q1 2014.

- **Business cards**

As regards Charge and Guaranteed Business Cards, the Bank recorded a significant growth in the number and value of executed non-cash transactions compared to the corresponding period of 2014, by 7% and 16%, respectively. That was attributable to the consistent policy of attracting high transaction volumes and activation of the portfolio of the existing clients.

- **Prepaid cards**

In Q1 2015, the Bank reported a 19% increase in the value of non-cash transactions executed with Prepaid Cards compared to the corresponding period of 2014. The number of non-cash transactions executed with Prepaid Cards and the number of issued Cards have also increased by 15% and 6%, respectively, compared to Q1 2014.

- **International fund transfers**

The Bank boasts a comprehensive and very extensive settlement offering in over 130 currencies throughout the world. The integrated settlement services include compilation of remote access channels and of the product offering in the area of international settlements. Responding to the clients' needs, the Bank introduced a multi-currency account which enables the clients to execute fund transfers in exotic currencies in a simple, convenient and effective manner with no need for opening foreign currency accounts and maintaining local accounts abroad. The Bank's offering provides a unique approach in the Polish market given the range of available currencies.

- **Direct debit**

The Bank provides its customers with comprehensive debit processing. The direct debit market is a segment of such services. In Q1 2015, the Bank processed a comparable number of transactions as in Q1 2014, settling the largest number of transactions as the creditor's bank in Poland. Thus, Citi Handlowy kept a record 40% market share.

- **Speedcollect**

SpeedCollect is a service that allows automated booking of receivables for creditors who are recipients of mass payments. In Q1 2015, the Bank remained one of the leaders of the Polish market in terms of volumes of processed transactions. The volume of transactions remains high at the level comparable to the corresponding period of 2014.

- **EU-oriented advisory services**

In Q1 2015, the EU Office prepared the Bank's strategy for the EU New Financial Perspective 2014-2020 where banks will be important partners in the process of distribution of EU funds and in financing of investments co-financed with EU subsidies.

Furthermore, in Q1 2015, the EU Office performed functions related to an agreement signed by the Bank with Kreditanstalt für Wiederaufbau concerning distribution of funds under energy efficiency programs among local government units and small and medium-sized enterprises.

- **Trade finance products**

In Q1 2015, the Bank concentrated on developing vendor financing programs in trade finance segment. By leveraging one of the state-of-the-art electronic platforms, the Bank has a possibility to finance supply channels under various scenarios in response to the clients' individual needs. The Bank's other activity in the area of trade finance in Q1 2015 consisted in enabling international vendors to finance receivables purchase transactions under the laws of third-party jurisdictions. Also, the Bank concentrated on further development of local and regional programs for financing vendors, both domestic and international.

The key trade finance transactions in Q1 2015 include:

- Successful tendering for handling of bank guarantees for one of the largest companies in the construction sector for a total amount of PLN 200 million; and
- Development of financial programs within the Loan for Buyer and Discounting of Receivables scheme for a total amount of PLN 330 million.

Custody services

The Bank is the leader of the domestic market of custodian banks. It offers custody services both to foreign institutional investors and domestic financial entities, in particular pension funds, investment funds and unit-linked insurance plans.

As at 31 March 2015, the Bank kept 10,432 securities accounts.

At the same time, the Bank acted as the custodian for five open pension funds (OFE): MetLife OFE, Aviva OFE Aviva BZ WBK, ING OFE, Pekao OFE, Nordea OFE; five voluntary pension funds (DFE): MetLife DFE, Nordea DFE, ING DFE, DFE Pekao and Generali DFE as well as two occupational pension funds, namely Pracowniczy Fundusz Emerytalny PZU "Stoneczna Jesień" and Pracowniczy Fundusz Emerytalny Orange Polska.

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 pursues brokerage activities on the capital market via Dom Maklerski Banku Handlowego S.A. ("DMBH") which is wholly owned by the Bank.

In Q1 2015, DMBH brokered session transactions representing 11% of equities traded in the secondary market and once again ranked first in the market. The value of session transactions executed via DMBH in the equities market on the Warsaw Stock Exchange (WSE) amounted to PLN 11.4 billion and declined by 28.4% in relation to the corresponding period of the preceding year while trading on the WSE decreased by 13.7% y/y. The primary reason for such significant shifts in the recorded turnover dynamic is the overhaul of the open pension fund system and the overall unfavorable business climate in the Polish equity market. As the market leader with the largest market share, the Bank's brokerage house (DMBH) was particularly hit by the changes given its large share of foreign clients whose attention was drawn to the other markets under the circumstances.

Q1 2015 saw continued increased activity of retail customers using the CitiFX Pro transactional platform enabling purchase or sale of shares and ETF units traded on the largest foreign exchanges as well as OTC FX instruments using the financial leverage. The functionalities which are very popular with the clients include the option to transfer and actively manage held portfolios of foreign stocks. Furthermore, the clients gladly use foreign currency accounts which enable them to make investments using held currency assets with no need for making any conversions.

At the end of Q1 2015, DMBH was the Market Maker for the shares of 19 companies listed on the Warsaw Stock Exchange (including 11 covered by WIG20 stock market index). That represented 4% of all stocks traded on WSE primary market.

At the end of Q1 2015, DMBH kept 9,900 investment accounts, up 7.4% compared to the end of Q1 2014 and up 1.9% compared to the end of Q4 2014. The number of accounts increased due primarily to a steady growth in the number of brokerage service agreements for forex and foreign market services on CitiFX Pro platform.

In Q1 2015, DMBH acted as the Joint Bookrunner for Alior Bank S.A. in the accelerated sale of a PLN 163.8 million stake held by EBRD (January 2015).

DMBH's financial performance is driven mainly by (both Polish and foreign) institutional investor activity, which, in turn, relies heavily on the influx of new capital and the overall business climate in the stock market. Record low interest rates enhance attractiveness of stock funds. Therefore, we may expect a shift of a portion of savings from low risk profile instruments toward products with exposure to the equity market. On the other hand, the completed overhaul of the operation of the open pension funds restricting the influx of new capital under the 2nd pillar of the pension system should be viewed as a potential risk to DMBH's activity over the consecutive quarters.

Summary Income Statement and Balance Sheet*

Company's Name	Headquarter	% of authorized	Total assets	Total equity	Net financial
		capital held by the Bank	31.03.2015	31.03.2015	result for the period of
		%	PLN '000	PLN '000	01.01-31.03.2015 PLN '000
Dom Maklerski Banku Handlowego S.A.	Warszawa	100.00	536,336	110,107	3,580

Leasing activities

In connection with the decision of the Bank's Management Board to limit the scope of leasing activities of the Bank's Group, taken in March 2013, the scope of activities of Handlowy-Leasing Sp. z o.o. ("Handlowy-Leasing" or "HL") has been restricted only to handling lease agreements entered into by 30 April 2013. No new leasing agreements were concluded after that date by HL. 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, leasing 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	% of authorized capital held by the Bank	Total assets 31.03.2015	Total equity 31.03.2015	Net financial result for the period of 01.01–31.03.2015
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warszawa	100.00	242,398	140,660	894

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q1 2015	Q1 2014	Change	
			PLN '000	%
Net interest income	145,610	161,364	(15,754)	(9.8%)
Net fee and commission income	84,112	88,118	(4,006)	(4.5%)
Net income on trading financial instruments and revaluation	7,225	7,578	(353)	(4.7%)
Net other operating income	(6,583)	(7,552)	969	(12.8%)
Total income	230,364	249,508	(19,144)	7.7%
General administrative expenses and depreciation	(176,666)	(179,263)	3,597	(2.0%)
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	(427)	4,684	(5,111)	-
Profit before tax	54,271	74,929	(20,658)	(27.6%)
Cost/Income	76%	72%		

The key highlights that impacted the gross profit of the Consumer Banking Segment in Q1, 2015 when compared to the corresponding period of 2014 were as follows:

- decrease in net interest income as a result of a decrease in interest rates on asset products (in Q1, 2015 interest rates were lower by 6 percentage points compared to the corresponding period of the previous year) stemming from the changes in market interest rates which was partially offset by a 9% increase in credit balances compared to Q1, 2014 and a decline in interest expenses, which was achieved despite a 9% increase in the deposit balances compared to Q1, 2014 as a result of lower interest rates and aligning them with the market interest rates (interest rates were reduced mainly for savings accounts and term deposits);
- decrease in net fee and commission due to a further interchange fee reduction to 0.2% for a debit card and 0.3% for a credit card, partially offset by a doubling of sales of investment products and further adjustment of the table of fees and commissions to the segmentation of customers specified in the Bank's strategy, i.e. preferential conditions only for customers having a deep relationship with the Bank (free of charge account maintenance, preferential FX rates and free of charge investment advisory);
- decline in operating expenses as a result of restructuring measures in operational support units, as well as further transformation of direct sales distribution model. Savings were partially reinvested in technology and the development of the modern Smart branch network (3 new outlets in Q1, 2015);
- net impairment losses close to zero and the portfolio quality remained stable.

2.2. Selected business data

'000	Q1 2015	Q4 2014	Q1 2014	Change QoQ	Change YoY
Number of individual customers	709.2	724.6	776.5	(15.4)	(67.3)
Number of current accounts, including:	473.5	477.7	510.5	(4.2)	(37.0)
number of operating accounts	308.8	315.5	354.1	(6.7)	(45.3)
Number of operating accounts newly acquired during the reported period	16.9	16.4	15.8	0.6	1.1
Number of saving accounts	166.6	168.6	179.0	(2.0)	(12.3)
Number of credit cards, including:	718.9	732.5	767.6	(13.6)	(48.7)
co-branded cards	414.2	428.4	459.5	(14.2)	(45.3)
Number of active credit cards	650.2	661.5	685.3	(11.4)	(35.2)
Number of debit cards, including:	296.3	305.6	345.7	(9.3)	(49.3)
PayPass cards	279.1	286.8	320.4	(7.7)	(41.3)

Net receivables from individual clients – management view

'000	31.03.2015	31.12.2014	31.03.2014	Change QoQ		Change YoY	
				'000	%	'000	%
Unsecured receivables, including:	4,567,570	4,648,482	4,254,853	(80,912)	(1.7%)	312,717	7.3%
Credit cards	1,997,935	2,105,550	1,953,564	(107,615)	(5.1%)	44,371	2.3%
Cash loans	2,505,418	2,482,226	2,234,266	23,192	0.9%	271,152	12.1%
Other unsecured receivables	64,217	60,706	67,023	3,511	5.8%	(2,806)	(4.2%)
Mortgage loans	1,264,841	1,236,368	1,096,470	28,473	2.3%	168,371	15.4%
Net client receivables	5,832,411	5,884,850	5,351,323	(52,439)	(0.9%)	481,088	9.0%

2.3. Key Business Highlights

Bank accounts

• Current accounts

At the end of Q1 2015, the number of personal current accounts stood at 473 thousand (against 510 thousand at the end of Q1 2014), including 292 thousand in Polish zlotys and 181 thousand in foreign currencies. The decline in the number of accounts was attributable to the measures taken in Q4 2014 designed to close the deposit relationships not being used by the clients. Adoption of those measures led to closure of approx. 33,000 accounts maintained for approx. 22,000 clients in December 2014.

The total balance of current accounts amounted to over PLN 3.48 billion, a growth of 21% on the corresponding period of the previous year.

• Savings accounts

The Bank held 167,000 savings accounts in Q1 2015. The total balance of funds accumulated in the savings accounts was nearly PLN 3.1 billion, compared to 179,000 savings accounts with a total balance of PLN 3.3 billion in the corresponding period of 2014.

• Changes in the offering

In January 2015, the revised Table of Fees and Commissions took effect. The key changes included:

- Introduction of uniform criteria of release from the account maintenance fee for all clients of Citi Priority segment. A client may avoid paying the fee if he or she holds an average minimum monthly balance of PLN 30,000 in the accounts maintained at the Bank. The second option are the minimum receipts of PLN 5,000 in the Personal Account and possession of an activated primary Citibank Credit Card or executed agreement for a consumer loan offered by the Bank.
- Introduction of PLN 300,000 average monthly balance in all accounts at the Bank for the clients opening a Citigold Personal Account as the criterion qualifying for release from the fee

charged for maintenance of the Personal Account. That balance used to be set at PLN 200,000.00 until 31 December 2014.

- The fees charged for transactions executed at the Bank's branches or with participation of a CitiPhone relationship manager have been raised. Self-service channels (the Internet and the Interactive Voice Responder) continue to be offered free of charge to the clients.

The introduced changes are consistent with the Bank's strategy. The new model of fees and commissions encourages the clients to use the remote channels and to deepen their relationship with the Bank so that they satisfy the criteria applicable to Citi Priority or Citigold clients.

Along with the revised Table of Fees and Commissions, the Bank revised the principles of paying interest on the clients' savings accumulated in the Savings Accounts. Starting from January 2015, the clients of Citi Priority, Citigold and Citigold Select segments have been rewarded with higher interest paid on their funds accumulated in the Savings Account not only in the case of the minimum balance accumulated at the Bank and the valid Investment Profile but also when they tighten their relationship with the Bank by increasing their exposure to investment products.

The interest paid on PLN term deposits was lowered in March 2015 in the aftermath of further interest rate cuts. The Bank kept higher interest on term deposits opened via Citibank Online Internet banking service consistently with its strategy of encouraging clients to take advantage of remote channels.

The Bank continued to actively support acquisition of clients in Citigold and Citi Priority segments by means of promotional offers for term deposits and new Citigold clients and CitiGold Recommendation Program. As a result, the number of Citigold and Citigold Select clients in Q1 2015 was higher by 6%, the same as in the case of Citi Priority, compared to the corresponding period of 2014.

Credit cards

At the end of Q1 2015, there were 718.9 thousand credit cards.

The debt balance on credit cards at the end of Q1 2015 amounted to PLN 2.0 billion, i.e. was 2.3% higher than that reported for the same period in the preceding year. As a result, the Bank consolidated its leading position in the credit card market in terms of the value of credit facilities extended in the form of credit cards, holding a market share of 18.5% according to the figures provided at the end of March 2015.

In Q1 2015, the quantity of issued credit cards was lower than in the corresponding period of 2014. Instead, quality of the issued cards and the share of the cards issued on the basis of the clients' documented income data improved considerably, which translated into a higher level of card activations and a greater number of card transactions among the newly acquired clients. The structure of credit cards issued in Q1 2015 continued to be dominated by classic cards, mainly Citibank Gold Credit Card with a share of 32% followed by Citibank Silver Credit Card with a share of 29% in the number of cards issued. As regards co-branded cards, the highest share in the issued cards was that of Citibank World Credit Card with a share of 26% followed by Citibank PremierMiles Credit Card with a share of 9%.

Cash loan and cash loan to credit card account (ALOP)

At the end of Q1 2015, the balance of the portfolio of cash advances amounted to PLN 2.5 billion, which represented an increase by 0.9% in relation to the balance reported at the end of Q4 2014 and an increase by 12.1% in relation to the corresponding period of the previous year.

In Q1 2015, cash loan sales amounted to PLN 199.3 million. The January pricing promotion dedicated to the so-called professionals (persons pursuing economic activity), clients consolidating their financial debt from other banks and new clients was one of the measures designed to support cash advance sales.

Mortgage products

In Q1 2015, the Bank strengthened its strategy based on attractive pricing of the offering of mortgage products for Gold segment clients. In terms of value, the share of sales to that client segment approached 80%. The balance of the mortgage loan portfolio at the end of Q1 amounted to PLN 1.3 billion, i.e. grew by 2.3% compared to the end of 2014.

Insurance and investment products

At the end of Q1 2015, the total value of investment products (including insurance products, net of bi-currency investments) purchased by retail customers via the Bank was 19% higher than at the end of the corresponding period of 2014.

That growth involved mainly investment funds and structured bonds as well as placements in the instruments accumulated in the accounts maintained by DMBH.

Within the scope of cooperation with DMBH, the Bank granted its clients access to 6 issues of investment certificates of closed-end investment funds.

In February 2015, the Bank launched a new version of unit-linked life insurance with a regular premium and no surrender fees.

Structured products

As regards structured products, the Bank offered 30 structured bond subscriptions in Q1 2015 .

2.4. Development of distribution channels

Online banking

The number of active Citibank Online users, i.e. those who logged in to Citibank Online service at least once every 30 days from their computers, amounted to approx. 329,000 at the end of Q1 2015, representing a slight decline compared to the corresponding period of 2014. The share of active Citibank Online users in the total portfolio of the Bank's clients amounted to 47% at the end of Q1 2015, representing an increase by 4 p.p. compared to Q1 2014.

At the end of Q1 2015, the number of digital users (i.e. those who have used Citibank Online Internet banking or Citi Mobile and Citi Handlowy for iPad mobile banking on different devices at least once a month) reached 336,700, which accounted for 48.3% of all of the Bank's clients, an increase by over 4% in relation to the corresponding period of 2014.

The share of transactions executed via Internet or mobile banking channels in total banking transactions at the end of Q1 2015 amounted to 95% and grew by 2 p.p. in relation to the corresponding period of 2014.

In Q1 2015, sales via Internet channels recorded significant growth compared to Q1 2014. The number of credit cards sold via the Internet grew by 18.5% y/y. Meanwhile, on-line sales of deposit products accounted for over 10% of the total sales of deposit products.

Key improvements of basic functionalities are being steadily introduced based on the feedback from the clients and online banking users. For instance, navigation on product websites has been optimized and the option of independent card activation has been created for the account debit cards and credit cards, following log-in to the electronic banking system.

Mobile banking

The number of active Citi Mobile users, i.e. users who accessed mobile banking at least once every 30 days, exceeded 54,000 at the end of Q1 2015, an increase of 23% compared to the same period of 2014. The share of active users of mobile banking in the total portfolio of Citi Handlowy clients stood at 9%, which represents an increase by 2 p.p. over the corresponding period of 2014.

Since the launch of Citi Mobile mobile banking in May 2010, the application has been downloaded 190,000 times, with Citi Handlowy for iPad alone recording over 12,200 downloads from its introduction in Q3 2013.

In Q1 2015, the clients executed 3,300 transactions using Fotokasa service that enables fast settlement of VAT invoices through scanning of 2D codes totaling over PLN 610 thousand.

Indirect and Direct Customer Acquisitiona

- **Direct sales**

The Bank's newly created retail distribution channel called Universal Bankers was launched in Q4 2014 and is supervised by Non-Branch Sales, Mortgage Products and Micro-Enterprises Department. Universal Bankers offer the clients professional advice on the Bank's multi-product offering and are mobile owing to their dedicated tools. Relationship managers operate in 6 largest Polish cities at the

most attractive locations such as shopping malls, cinemas and Okęcie airport. The new model assumes growth in quality of the portfolio of clients attracted by Universal Bankers and sale of not only credit cards but also bank accounts and cash advances.

- **CitiBank at Work**

Citibank at Work constitutes a unique package of payroll services and non-pay benefits addressed to the employees of corporate clients. It offers convenience, time saving opportunity and special terms of purchase of the Bank's products and services. Citibank at Work channel is consistent with the Bank's strategy aimed at increasing the number of new clients from Citigold and Citigold Select segments. The sales of products to the affluent clients rose by 58% compared to the corresponding period of 2014.

2.5. Branch network

Smart Banking Ecosystem

In Q1 2015, the Bank expanded Ekosystem Smart to include 3 new outlets. In mid-January, a branch was opened at Katowice's Centrum Handlowe Silesia, whereas in the second half of March the outlets in Poznan's Centrum Handlu, Szuki i Biznesu Stary Browar and at Krakow's Centrum Handlowe Bonarka City Center became operational.

In January 2015, a part of Citigold HUB, a Smart type branch opened toward the end of 2014 at Neptun Office Center in Gdansk, became operational. This is the first outlet of this kind in Poland. Citigold HUB constitutes a large prestigious space with new top-standard finishing intended for servicing of the clients from Citigold and Citigold Select segments.

At the end of first quarter of 2015, Bankowy Ekosystem Smart had already 15 branches, varying in format, which offered a smart banking model, a coherent and dynamic system customized to the clients' current and future behaviors. State-of-the-art technologies enabling comfortable banking based on mobile and Internet solutions have also been deployed in the branches.

Changes in branch network

At the end of Q1 2015, the branch network of the Bank comprised 47 outlets. Compared to the previous quarter, new branches were opened in Katowice, Poznan and Krakow within the scope of expansion of Bankowy Ekosystem Smart.

Number of branches and other Points of Sale/touch points

	31.03.2015	31.12.2014	31.03.2014	Change (1)/(2)	Change (1)/(3)
Number of branches*:	47	44	60	3	(13)
HUB Gold	8	8	11	-	(3)
Smart HUB Gold	2	1	-	1	2
Blue	21	21	44	-	(23)
Investment Center	2	2	2	-	-
Smart branch	13	11	3	2	10
Corporate branch	1	1	-	-	1
Other PoS/touch points:					
Financial agents (Open Finance, Expander and other)	-	-	274	-	(274)
Airports	1	4	4	(3)	(3)
Shopping malls and cinemas	6	21	64	(15)	(58)
Other (BP petrol stations)	-	-	8	-	(8)
Cash points (Billbird and Brinks)	-	4	9	(4)	(9)
Own ATMs	78	71	86	7	(8)

* Branches classified according to a type of provided services into: HUB Gold (branches with separate Citigold customer service zones), Blue (branches without separate Citigold zones), Investment Center and Smart.

9 Rating

The Bank was fully rated by international rating agencies: Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch").

On 17 March 2015, Moody's started a review of the Bank's ratings in connection with the introduction of the updated rating methodology. The review will focus on short-term and long-term deposit ratings. At the same time, the existing Bank Financial Strength Rating (BFSR) was replaced by Baseline Credit assessments (BCA) and Adjusted Baseline Credit Assessments (Adjusted BCA), with the rating outlook for long-term and short-term deposits set at RuR up.

At the end of the first quarter of 2015, 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
Baseline Credit Assessments	Baa3
Adjusted Baseline Credit Assessments	Baa3
Outlook on long-term and short-term deposit rating	RuR up

At the end of the first quarter of 2015, Fitch rated the Bank as follows:

Long-term Issuer Debt Rating	A-
Outlook	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.

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	31.03.2015		31.12.2014	
	Balance value	Fair value	Balance value	Fair value
Financial assets				
Amounts due from banks	1,961,602	1,961,602	2,065,685	2,065,685
Amounts due from customers	17,147,217	17,174,031	16,770,482	16,775,467
Financial liabilities				
Amounts due to banks	4,722,242	4,720,201	5,122,576	5,120,810
Amounts due to customers	26,136,184	26,134,881	29,632,598	29,631,079

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 reliably estimated.

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

In three months period of 2015 the Group did not sell any capital investments, of which fair value could not have been credibly valued.

Valuation methods and assumptions used for the purposes of fair value

Fair value of assets and financial liabilities are calculated as follows:

- The fair value of financial instruments not quoted on active markets is determined using valuation techniques. If valuation techniques are used to determine the fair values, these methods are periodically assessed and verified. All the models are tested and approved before application. As far as possible, only observable data are used in the models, although in some areas, the Bank's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.

The Group applies the following methods of measurement of particular types of derivative instruments:

- FX forwards – discounted cash flows model;
 - options – option market-based valuation model;
 - interest rate transactions – discounted cash flow model;
 - futures – current quotations.
- For valuation of securities' transactions current quotations are used. In case of lack of quotations, adequate models based on discount and forward curves, including decrease of credit spread, if needed, are used for valuation.
 - The fair value of other assets and financial liabilities (excluding described above) are estimated in accordance to commonly accepted models of valuation based on discounted cash flow analysis, taking into account fluctuations in market interest rates and changes in margins during the financial period.

Fair value included in consolidated statement of financial position

Depending on the method of determining fair value, individual financial assets or liabilities are classified into the following categories:

- Level I: financial assets / liabilities valued directly on the basis of prices from an active market where the regular quotations and turnover are available.
The active market includes stock and brokerage quotes and quotes in pricing services type systems, such as Reuters and Bloomberg, which represent the actual market transactions concluded on the market conditions. Level I mainly include securities held-for-trading or available-for-sale;
- Level II: financial assets / liabilities valued on the basis of models based on input data from the active market presented in Reuters and Bloomberg systems. Depending on financial instruments, the following specific valuation techniques are used:
 - listed market prices for a given instrument or listed market prices for an alternative instrument,
 - fair value of interest rate swaps and forward foreign exchange contracts is calculated as the current value of future cash flows based on the market yield curves and current NBP fixing exchange rate in case of foreign currency instruments,
 - other techniques, such as yield curves based on alternative prices for a given financial instrument;
- Level III: financial assets / liabilities valued on the basis of valuation techniques using relevant non-market parameters.

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

As at 31 March 2015

<i>PLN '000</i>	Level I	Level II	Total
Financial assets			
Financial assets held-for-trading	7,723,676	5,956,942	13,680,618
derivatives	-	5,814,611	5,814,611
debt securities	7,721,919	142,331	7,864,250
capital instruments	1,757	-	1,757
Debt securities available-for-sale	9,974,010	1,224,686	11,198,696
Financial liabilities			
Financial liabilities held-for-trading	1,088,954	6,168,605	7,257,559
short sale of securities	1,088,245	-	1,088,245
derivatives	709	6,168,605	6,169,314

As at 31 December 2014

<i>PLN'000</i>	Level I	Level II	Total
Financial assets			
Financial assets held-for-trading	6,944,544	5,777,029	12,721,573
Derivatives	-	5,624,460	5,624,460
debt securities	6,944,306	152,569	7,096,875
equity instruments	238	-	238
Debt securities available-for-sale	8,753,310	5,681,789	14,435,099
Financial liabilities			
Financial liabilities held-for-trading	1,005,737	5,765,185	6,770,922
short sale of securities	1,005,545	-	1,005,545
Derivatives	192	5,765,185	5,765,377

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

In the 3 month period of 2015 the Group has made no transfers between levels of instruments' fair value due to established method of setting fair value.

In the 3 month period of 2015 , the Group has not made any changes in classification criteria of financial instruments' (presented in the consolidated statement of financial position at fair value)) to each category reflecting the fair value (level I, level II, level III).

In the 3 month period of 2015 the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

In the 3 month period 2015 there was no change in the business or economic situation, that could influence the fair value of Group's financial assets or liabilities, independently whether these assets and liabilities were presented in fair value or amortized cost.

11 Impairment and provisions

PLN '000	As at 1 January 2015	Increases			Decreases			As at 31 March 2015
		Write down creation	Other*	Write down release	Movement of receivables to write downs	Sale of receivables/oth er assets	Other*	
Impairment of financial assets								
Amounts due from banks	2,880	526	-	(2,947)	-	-	(44)	415
Amounts due from customers	798,896	52,815	2,980	(46,800)	(12,249)	-	-	795,642
	801,776	53,341	2,980	(49,747)	(12,249)	-	(44)	796,057
Provisions for granted financial liabilities and guarantees								
	13,238	7,984	-	(8,603)	-	-	-	12,619
	815,014	61,325	2,980	(58,350)	(12,249)	-	(44)	808,676
Other assets impairment								
Capital investment	11,440	-	-	-	-	-	-	11,440
Tangible assets available for sale	1,401	-	-	-	-	-	-	1,401
Other assets	266	78	-	(142)	-	-	-	202
	13,107	78	-	(142)	-	-	-	13,043
Total impairment of assets and provisions for granted financial liabilities and guarantees								
	828,121	61,403	2,980	(58,492)	(12,249)	-	(44)	821,719
Other provisions								
Contentious issues	9,634	4,748	-	(310)	-	-	-	14,072
Restructuring	3,537	-	-	(700)	-	-	(961)	1,876
Total other provisions	13,171	4,748	-	(1,010)	-	-	(961)	15,948

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

PLN '000	As at 1 January 2014	Increases			Decreases			As at 31 December 2014
		Write down creation	Other*	Write down release	Movement of receivables to write downs	Sale of receivables/oth er assets	Other*	
Impairment of financial assets								
Amounts due from banks	1,173	4,503	7	(2,803)	-	-	-	2,880
Amounts due from customers	984,033	214,092	2,201	(216,814)	(180,257)	-	(4,359)	798,896
	985,206	218,595	2,208	(219,617)	(180,257)	-	(4,359)	801,776
Provisions for granted financial liabilities and guarantee								
	13,150	31,101	-	(31,013)	-	-	-	13,238
	998,356	249,696	2,208	(250,630)	(180,257)	-	(4,359)	815,014
Other assets impairment								
Capital investment	20,630	-	-	-	-	(9,190)	-	11,440
Tangible assets available for sale	1,058	374	-	-	-	(31)	-	1,401
Other assets	643	861	-	(889)	(349)	-	-	266
	22,331	1,235	-	(889)	(349)	(9,221)	-	13,107
Total impairment of assets and provisions for granted financial liabilities and guarantee								
	1,020,687	250,931	2,208	(251,519)	(180,606)	(9,221)	(4,359)	828,121
Other provisions								
Contentious issues	15 313	4 693	1	(10 373)	-	-	-	9 634
Restructuring	60 821	6 931	-	(5 131)	-	-	(59 084)	3 537
Total other provisions	76,134	11,624	1	(15,504)	-	-	(59,084)	13,171

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

In the period 1 January – 31 March 2015 and in 2014 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 Provision and asset due to differed income tax

PLN '000	31.03.2015	31.12.2014
Asset due to differed income tax	1,146,203	1,155,827
Provision due to differed income tax	(951,715)	(998,508)
Net asset due to differed income tax	194,488	157,319

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

13 Purchase and sale transactions of tangible assets

In the period 1 January – 31 March 2015 the value of purchased by the Group components of “fixed assets” equaled PLN 8,572 thousand (in 2014: PLN 47,144 thousand); the value of sold components equals PLN 952 thousand (in 2014: PLN 21,939 thousand).

As at 31 March 2015 the Group has no significant contract liabilities due to future purchase of tangible assets

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 31 March 2015 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 3 month period of 2015 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid or declared dividends

Dividends declared

At the meeting on 20 March 2015, Supervisory Board of the Bank Handlowy w Warszawie S.A. considered and approved the proposal of the Management of the Bank concerning to profit for 2014 distribution, including the proposal of destination to pay out PLN 970,800,828.00, i.e. 99.9% of standalone net profit from 2014, as a dividend, which will be paid in the form of cash, resulting from, accepted by the Management Board on 10 March 2015 and approved by the Supervisory Board on 20 March 2015, the annual standalone financial statements of the Bank for the financial year ending 31 December 2014. Above mentioned proposal determined the payout for single share at PLN 7.43.

Simultaneously, the Supervisory Board examined and approved the proposal of the Management Board on the date the dividend on 6 July 2015 and the date of pay out on 24 July 2015.

This proposal will be submitted to the General Meeting of Shareholders for approval.

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

As at 31 March 2015 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

19 Changes in granted financial and guarantee commitments

The detailed specification of granted financial and guarantee commitments as at 31 March 2015 and changes in comparison with the end of 2014 are as follows:

PLN '000	State as at		Change	
	31.03.2015	31.12.2014	PLN '000	%
Contingent liabilities granted				
financial	16,078,697	14,822,644	1 256 053	8.5%
Import letters of credit issued	174,799	207,208	(32 409)	(15.6%)
Credit lines granted	13,896,703	13,161,336	735 367	5.6%
Deposits to pass on	1,642	-	1 642	-
Subscription of securities granted to other issuers	1,123,050	1,264,450	(141 400)	(11.2%)
Reverse repo transactions with future currency date	882,503	189,650	692 853	365.3%
guarantees	1,849,408	1,813,926	35 482	2.0%
Guarantees granted	1,816,534	1,779,425	37 109	2.1%
Export letters of credit confirmed	880	918	(38)	(4.1%)
Other	31,994	33,583	(1 589)	(4.7%)
	17,928,105	16,636,570	1 291 535	7.8%
Contingent liabilities received				
financial (deposits to receive)	908,881	708,148	200 733	28.3%
guarantees (guarantees received)	14,031,155	6,199,449	7 831 706	126.3%
	14,940,036	6,907,597	8 032 439	116.3%
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	6,752,012	3,267,226	3 484 786	106.7%
Forward **	307,383,122	305,118,052	2 265 070	0.7%
	314,135,134	308,385,278	5 749 856	1.9%

*Foreign exchange and securities transactions with current value date

** Derivatives: FX, interest rate transactions and options

20 Changes in Group's structure

In the first quarter of 2015 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.

21 Achievement of 2015 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2015.

22 Information about shareholders

As at the day of publishing the Interim Statement for the first quarter 2015 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 third quarter 2014, interim consolidated financial report for the 2014 and publishing this report for the first quarter 2015 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 first quarter 2015	Number of shares on day of publishing the Consolidated Financial Report for the 2014	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2014
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 court proceedings

In the first quarter 2015 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, with the participation of the Bank and its subsidiaries, in the first quarter 2015 did not exceed 10% of the Bank's equity.

The total value of all legal proceedings regarding liabilities, with the participation of the Bank and its subsidiaries, in the first quarter 2015 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 31 March 2015, the Bank was among others a party to 21 court proceedings regarding derivative transactions: in 14 proceedings the Bank acted as a defendant and in 7 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank. In the first quarter 2015 4 valid and in favor of the Bank legally valid court decisions related to derivatives transactions, where the Bank acted as defendant were made. One case ended up in favor of the Bank, where the Bank was plaintiff.

The Bank is a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The proceedings concern alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/Eurocard/Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. On 22 April 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. In its decision of 8 May 2012, SOKiK suspended the proceedings until the legally valid

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

In the first quarter 2015 the Group did not make any significant settlement due to court ended with the final judgment.

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

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

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

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

The monetary policy quantitative easing program in the eurozone enhances the risk of further appreciation of the Polish currency. Materialization of that risk could result in reduced profitability of the Polish exports and deterioration of Poland's trade balance.

Greece's failure to reach agreement with its creditors could lead to the country leaving the eurozone. As a result, financial markets could face considerable volatility with the Polish currency depreciating strongly against the Swiss franc, which could pose a threat to the condition of the Polish banking sector and that of the Polish households. The negative impact of Grexit, Greece's withdrawal from the eurozone, could also have an adverse effect on economic activity in Europe, which would also affect the business climate in Poland.

In the long run, the US central bank might in turn decide to start a series of gradual interest rate hikes. Rising interest rates in the United States could lead to reversal of the earlier capital influx to the emerging markets, including Poland. Increased volatility in financial markets would be one of the likely consequences.

Rising geopolitical tensions in Eastern Europe remain one of the threats to the Polish economy potentially resulting in a collapse of the demand for some of Poland's export products. Geopolitical uncertainty may also lead to a periodic increase in volatility in financial markets and to postponement of implementation of investment projects by the Polish enterprises.

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

Condensed interim standalone financial statements of the Bank for the first quarter 2015

Condensed income statement

<i>PLN '000</i>	First quarter accruals	First quarter accruals
	period from 01.01.15 to 31.03.15	period from 01.01.14 to 31.03.14
Interest and similar income	308,478	376,258
Interest expense and similar charges	(53,717)	(86,877)
Net interest income	254,761	289,381
Fee and commission income	159,803	166,900
Fee and commission expense	(17,848)	(22,967)
Net fee and commission income	141,955	143,933
Net income on trading financial instruments and revaluation	84,677	125,067
Net gain on debt investment securities	98,458	39,632
Net gain on equity investment instruments	-	2,855
Net loss on hedge accounting	-	(709)
Other operating income	14,796	17,852
Other operating expenses	(14,206)	(12,347)
Net other operating income	590	5,505
General administrative expenses	(290,058)	(290,391)
Depreciation and amortization	(16,861)	(16,934)
Profit on sale of other assets	4	153
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	(3,622)	2,336
Profit before tax	269,904	300,828
Income tax expense	(56,725)	(60,037)
Net profit	213,179	240,791
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Earnings per share (in PLN)	1.63	1.84
Diluted net earnings per share (in PLN)	1.63	1.84

Condensed statement of comprehensive income

<i>PLN '000</i>	First quarter accruals	First quarter accruals
	period from 01.01.15 to 31.03.15	period from 01.01.14 to 31.03.14
Net profit	213,179	240,791
Other comprehensive income, that might be subsequently reclassified to profit or loss:		
Changes in value of available-for-sale financial assets	(23,118)	(28,071)
Other comprehensive income net of tax	190,061	212,720

Condensed statement of financial position

<i>PLN '000</i>	State as at	31.03.2015	31.12.2014
ASSETS			
Cash and balances with the Central Bank		743,616	1,522,949
Amounts due from banks		1,961,351	2,065,614
Financial assets held-for-trading		13,678,861	12,721,335
Debt securities available-for-sale		11,198,696	14,435,099
Equity investments		240,480	240,417
Amounts due from customers		16,944,054	16,545,902
Tangible fixed assets		353,034	347,855
Intangible assets		1,386,645	1,386,118
Current income tax receivables		-	10,358
Deferred income tax asset		195,396	157,815
Other assets		217,915	167,802
Non-current assets held-for-sale		2,113	2,113
Total assets		46,922,161	49,603,377
LIABILITIES			
Amounts due to banks		4,624,888	5,004,190
Financial liabilities held-for-trading		7,257,559	6,770,922
Amounts due to customers		26,310,117	29,803,545
Provisions		28,253	26,188
Current income tax liabilities		36,301	-
Other liabilities		1,126,397	649,947
Total liabilities		39,383,515	42,254,792
EQUITY			
Ordinary shares		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		29,504	52,622
Other reserves		2,857,317	2,857,317
Retained earnings		1,184,602	971,423
Total equity		7,538,646	7,348,585
Total liabilities and equity		46,922,161	49,603,377

Condensed statement of changes in equity

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2015	522,638	2,944,585	52,622	2,857,317	971,423	7,348,585
Total comprehensive income, including:	-	-	(23,118)	-	213,179	190,061
Net profit	-	-	-	-	213,179	213,179
Net valuation of available-for-sale financial assets	-	-	(23,118)	-	-	(23,118)
Balance as at 31 March 2015	522,638	2,944,585	29,504	2,857,317	1,184,602	7,538,646

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2014	522,638	2,944,585	(43,190)	2,862,407	934,782	7,221,222
Total comprehensive income, including:	-	-	(28,071)	-	240,791	212,720
Net profit	-	-	-	-	240,791	240,791
Net valuation of available-for-sale financial assets	-	-	(28,071)	-	-	(28,071)
Balance as at 31 March 2014	522,638	2,944,585	(71,261)	2,862,407	1,175,573	7,433,942

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

Condensed summary statement of cash flows

PLN '000	First quarter accruals	First quarter accruals
	period from 01.01.15 to 31.03.15	period from 01.01.14 to 31.03.14
Cash at the beginning of the reporting period	1,732,844	1,120,157
Cash flows from operating activities	(763,491)	839,040
Cash flows from investing activities	(23,012)	(8,274)
Cash flows from financing activities	(33,874)	93,010
Cash at the end of the reporting period	912,467	2,043,933
Increase/(decrease) in net cash	(820,377)	923,776

Condensed additional information

1. Declaration of conformity

These condensed interim standalone financial statements have been prepared in accordance with International Financial Reporting Standard 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 for the financial year ended 31 December 2014 and condensed interim consolidated financial statement of the Group for the first quarter 2015.

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 2014, item 133) the Bank is obliged to publish its financial results for the 3 month period ended 31 March 2015 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 2014 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 for the financial year ended 31 December 2014.

Other information and explanations concerning these condensed interim consolidated financial statements for the first quarter 2015 contain also all information and explanatory data essential for these condensed interim standalone financial statements.

The summary of Bank's financial results for the first quarter of 2015 is presented below.

Bank's financial results

Gross profit for the first quarter 2015 was PLN 270 million, meaning decrease by PLN 31 million (10.3%) in comparison to analogous period of previous year. Net profit for the first quarter 2015 was PLN 213 million, meaning decrease by PLN 28 million (11.5%) in comparison to first quarter 2014.

The significant on the Bank net profit in the first quarter 2015 had increase of financial instruments result (trade financial instruments and revaluation, debt securities and capital securities) by total of PLN 16 million (9.3%), decrease of financial result on other operating income and expenses as well⁴³

as income on sale of other assets by PLN 5 million, decrease of interest and fees result by PLN 37 million (8.5%) and higher (net) write downs on financial assets value loss by PLN 6 million and lower tax-on-income by PLN 3 million (5.5%).

The consolidated quarter report for the first quarter of 2015 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

07.05.2015

07.05.2015

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