



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

NOVEMBER 2015

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

TRANSLATION

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	Third quarter accruals period from 01.01.15 to 30.09.15	Third quarter accruals period from 01.01.14 to 30.09.14	Third quarter accruals period from 01.01.15 to 30.09.15	Third quarter accruals period from 01.01.14 to 30.09.14
Data related to the interim condensed consolidated financial statements				
Interest income	892,917	1,153,433	214,721	275,921
Fee and commission income	534,377	552,817	128,502	132,243
Profit before tax	641,596	909,356	154,285	217,534
Net profit	508,114	742,310	122,187	177,573
Comprehensive income	267,173	842,989	64,247	201,658
Increase of net cash	(377,480)	(109,656)	(90,773)	(26,232)
Total assets*	49,773,085	49,843,665	11,742,812	11,694,077
Amounts due to banks*	8,555,893	5,122,576	2,018,566	1,201,834
Amounts due to customers*	27,124,635	29,632,598	6,399,433	6,952,255
Equity	6,707,016	7,215,655	1,582,366	1,728,094
Ordinary shares	522,638	522,638	123,304	125,168
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	51.33	55.22	12.11	13.23
Capital adequacy ratio (%)*	16.2	17.5	16.2	17.5
Earnings per share (PLN / EUR)	3.89	5.68	0.94	1.36
Diluted earnings per share (PLN / EUR)	3.89	5.68	0.94	1.36
Data related to the interim condensed standalone financial statements				
Interest income	889,240	1,144,841	213,837	273,866
Fee and commission income	492,659	502,553	118,470	120,219
Profit before tax	635,863	933,152	152,907	223,226
Net profit	506,133	769,508	121,710	184,080
Comprehensive income	265,405	869,998	63,822	208,119
Increase of net cash	(377,656)	(95,528)	(90,815)	(22,852)
Total assets*	49,362,005	49,603,377	11,645,828	11,637,702
Amounts due to banks*	8,497,934	5,004,190	2,004,892	1,174,059
Amounts due to customers*	27,284,287	29,803,545	6,437,099	6,992,362
Equity	6,643,189	7,157,004	1,567,307	1,714,047
Ordinary shares	522,638	522,638	123,304	125,168
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	50.84	54.78	12.0	13.12
Capital adequacy ratio (%)*	16.1	17.2	16.1	17.2
Earnings per share (PLN/EUR)	3.87	5.89	0.93	1.41
Diluted earnings per share (PLN / EUR)	3.87	5.89	0.93	1.41
Declared or paid dividends per share (PLN/EUR)**	7.43	7.15	1.75	1.71

*Comparative balance data according as at 31 December 2014.

**The presented ratios are related to dividend paid in 2015 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 30 September 2015 – 4.2386 (as at 31 December 2014: PLN 4.2623; as at 30 September 2014 – PLN 4.1755); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the first, second and third quarters of 2015 - PLN 4.1585 (in the first, second and third quarter of 2014: PLN 4.1803).

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Condensed consolidated income statement

	Third quarter	Third quarter accruals	Third quarter	Third quarter accruals
	period from 01.07.15 to 30.09.15	period from 01.01.15 to 30.09.15	Period from 01.07.14 To 30.09.14	period from 01.01.14 to 30.09.14
<i>PLN '000</i>				
Interest and similar income	293,249	892,917	386,151	1,153,433
Interest expense and similar charges	(56,561)	(159,443)	(82,030)	(254,108)
Net interest income	236,688	733,474	304,121	899,325
Fee and commission income	185,601	534,377	173,971	552,817
Fee and commission expense	(16,861)	(55,605)	(29,578)	(84,297)
Net fee and commission income	168,740	478,772	144,393	468,520
Net income on dividends	164	7,341	100	5,782
Net income on trading financial instruments and revaluation	56,085	213,711	65,936	297,261
Net gain on debt investment securities	-	118,800	57,709	162,997
Net gain on equity investment instruments	2,232	2,232	671	3,526
Net gain/(loss) on hedge accounting	4,288	5,198	330	(379)
Other operating income	8,371	29,587	14,537	45,116
Other operating expenses	(17,146)	(40,929)	(10,529)	(33,241)
Net other operating income	(8,775)	(11,342)	4,008	11,875
General administrative expenses	(281,509)	(870,771)	(286,157)	(892,739)
Depreciation and amortization	(17,729)	(52,842)	(17,626)	(53,810)
Profit on sale of other assets	6	78	595	892
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	22,332	16,848	7,768	5,771
Operating income	182,522	641,499	281,848	909,021
Share in net profits of entities valued at equity method	49	97	22	335
Profit before tax	182,571	641,596	281,870	909,356
Income tax expense	(41,674)	(133,482)	(53,459)	(167,046)
Net profit	140,897	508,114	228,411	742,310
Including:				
Net profit attributable to Bank's shareholders		508,114		742,310
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Earnings per share (in PLN)		3.89		5.68
Diluted net earnings per share (in PLN)		3.89		5.68

Condensed consolidated statement of comprehensive income

	Third quarter	Third quarter accruals	Third quarter	Third quarter accruals
	Period From 01.07.15 To 30.09.15	Period From 01.01.15 To 30.09.15	Period From 01.07.14 To 30.09.14	Period From 01.01.14 To 30.09.14
<i>PLN '000</i>				
Net profit	140,897	508,114	228,411	742,310
Other comprehensive income, that might be subsequently reclassified to profit or loss:				
Net value of available-for-sale financial assets	(18,316)	(240,771)	54,542	100,469
Currency translation differences	(82)	(170)	108	210
Other comprehensive income net of tax	(18,398)	(240,941)	54,650	100,679
Total comprehensive income	122,499	267,173	283,061	842,989
Including:				
Comprehensive income attributable to Bank's shareholders		267,173		842,989

Condensed consolidated statement of financial position

<i>PLN '000</i>	State as at	30.09.2015	31.12.2014
ASSETS			
Cash and balances with the Central Bank		1,303,743	1,522,949
Amounts due from banks		1,366,987	2,065,685
Financial assets held-for-trading		8,503,562	12,721,573
Debt securities available-for-sale		17,436,239	14,435,099
Equity investments valued at equity method		7,804	7,765
Equity investments available for sale		4,483	8,211
Amounts due from customers		18,610,243	16,770,482
Tangible fixed assets		356,925	366,857
Intangible assets		1,373,462	1,387,745
Current income tax receivables		9,097	13,255
Deferred income tax asset		172,249	157,319
Other assets		626,363	384,612
Non-current assets held-for-sale		1,928	2,113
Total assets		49,773,085	49,843,665
LIABILITIES			
Amounts due to banks		8,555,893	5,122,576
Financial liabilities held-for-trading		6,088,960	6,770,922
Hedging derivatives		94,577	-
Amounts due to customers		27,124,635	29,632,598
Provisions		28,788	26,409
Current income tax liabilities		-	186
Other liabilities		1,173,216	880,214
Total liabilities		43,066,069	42,432,905
EQUITY			
Ordinary shares		522,638	522,638
Share premium		3,001,525	3,000,298
Revaluation reserve		(187,898)	52,873
Other reserves		2,868,459	2,893,523
Retained earnings		502,292	941,428
Total equity		6,707,016	7,410,760
Total liabilities and equity		49,773,085	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:	-	-	(240,771)	(170)	508,114	-	267,173
Net profit	-	-	-	-	508,114	-	508,114
Currency translation differences from the foreign operations' conversion	-	-	-	(170)	-	-	(170)
Net valuation of available-for-sale financial assets	-	-	(240,771)	-	-	-	(240,771)
Dividends paid	-	-	-	-	(970,917)	-	(970,917)
Transfer on equity	-	1,227	-	(24,894)	23,667	-	-
Balance as at 30 September 2015	522,638	3,001,525	(187,898)	2,868,459	502,292	-	6,707,016

<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:	-	-	100,469	210	742,310	-	842,989
Net profit	-	-	-	-	742,310	-	742,310
Currency translation differences from the foreign operations' conversion	-	-	-	210	-	-	210
Net valuation of available-for-sale financial assets	-	-	100,469	-	-	-	100,469
Dividends paid	-	-	-	-	(934,598)	-	(934,598)
Transfer on equity	-	2,539	-	39,189	(41,728)	-	-
Balance as at 30 September 2014	522,638	3,000,298	57,506	2,898,787	736,426	-	7,215,655

<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

	Third quarter accruals	Third quarter accruals
	period from 01.01.15 to 30.09.15	period from 01.01.14 to 30.09.14
<i>PLN '000</i>		
Cash at the beginning of the reporting period	1,732,915	1,120,162
Cash flows from operating activities	754,912	844,674
Cash flows from investing activities	(33,406)	(12,656)
Cash flows from financing activities	(1,098,986)	(941,674)
Cash at the end of the reporting period	1,355,435	1,010,506
Increase/(decrease) in net cash	(377,480)	(109,656)

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	
		30.09.2015	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 third 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 – additionally, the Regulator's standpoint from 12 of February 2015 and Ministry of Finance opinion presented in the letter from 11 of February 2015 regarding costs of fees paid to Bank Guarantee Fund have been taken into account.

These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 December 2014.

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 9 month period ended 30 September 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 third 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.

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

According to the opinion of the Ministry of Finance and the statement of Financial Supervision Authority mentioned above, in order to ensure compliance with the recommended approach and comparability of the financial statements across the banking sector in respect to accounting for Bank Guarantee Fund costs, Group decided to amortize those costs over 2015, the same way as in previous years.

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 9 month period ended 30 September 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 30 September 2015 and from 1 July 2015 to 30 September 2015, and for consolidated statement of financial position as at 30 September 2015. Comparative financial data are presented for the period from 1 January 2014 to 30 September 2014 and from 1 July 2014 to 30 September 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

Economic growth in the third quarter of 2015 remained relatively high and was most likely similar to

the 3.3% yoy recorded in the second quarter compared to 3.6% yoy disclosed in the first quarter this year.

The driver of the economic growth is still domestic demand, particularly the stabilization of growth in private consumption at about 3% and in expenditures for fixed assets at nearly 7%. In the third quarter of 2015, the contribution of net exports probably remained close to zero, with the stabilization of the export and import growth at ca. 5% yoy. The leading economic index PMI fell surprisingly low in August and September, signaling a much lower increase in new export orders. However, this has not been reflected in economic data. The increase in industrial production stabilized in the third quarter at 4.4% yoy.

Retail sales in real terms weakened to 2.8% yoy from 4.3% in the second quarter and 4.2% in the first half of this year. However, considering the still good data from the labor market, we believe that despite the slowdown in sales the rate of growth in private consumption was similar to that recorded in the second quarter, as the rising income of households was most likely spent on services or goods not included in retail sales. The pace of employment growth has stabilized at the level of 1% yoy. The nominal wage growth, on the other hand, reached 3.6% yoy compared to 3.1% yoy in the second quarter and 3.9% in the first quarter of 2015, whereas the real wage growth reached 4.3% yoy compared to 4.1% yoy in the second quarter and 5.5% in the first quarter. In addition, the number of job vacancies remains close to historically high levels in 2008, and the unemployment rate declined to ca. 10%, i.e. about 1 percentage point above the historically low level.

Inflation rose in the third quarter to -0.7% yoy from -0.9% yoy in the second quarter this year. Although deflation in September again temporarily increased to -0.8%, we believe that the next months will bring a gradual increase in inflation due to the low statistical base and higher food prices resulting from this year's drought.

In view of the gradually rising inflation and still relatively high economic growth, the Monetary Policy Council kept interest rates unchanged. Therefore, the NBP reference rate remained at a historically low level of 1.5 percent.

In the third quarter of 2015, there was a slight weakening of the zloty against the euro and the US dollar. The EUR/PLN exchange rate rose to 4.25 at the end of September from 4.19 at the end of June. On the other hand, the USD/PLN exchange rate climbed to 3.79 from 3.76, respectively. After a considerable strengthening in July, the zloty kept gradually losing in the following weeks. A negative impact on the zloty, as well as on other currencies and assets of the emerging economies, came from increased concerns about the global economic growth and, in particular, about the scale of the slowdown in China. At the same time, the zloty was also affected by the growing political risk premium before the parliamentary elections.

On the debt market, the third quarter of 2015 brought about a decline in yield, particularly in the case of long-term bonds. The lower yield resulted from increased concerns about the global economic growth and the decline in yield on the underlying debt markets. At the same time, a positive impact on bond prices was brought by falling oil prices, which reduced the expected path of inflation for the next months. The yields of 2Y bonds stood at 1.79% at the end of the third quarter of 2015 compared to 1.98% at the end of June. On the other hand, the yield on 10-year bonds dropped down to 2.91% from 3.33% at the end of the second quarter. The 3M WIBOR amounted to 1.73% at the end of September 2015 compared to 1.72% at the end of the second quarter.

2. Capital market situation

The third quarter of 2015 did not prove to be successful for holders of equities of WSE listed companies. Global factors such as the slowdown in the Chinese economy, or the uncertainty associated with the rise in interest rates in the US, contributed to an increase in volatility in financial markets. In addition, the risk of adverse regulatory changes for the banking sector (the potential introduction of the bank tax, and the unanswered question of foreign currency loans), as well as the vision of possible involvement of energy sector companies in the coal industry, considerably contributed to the weakness of the domestic stock market.

With the exception of the small-capitalization companies index sWIG80 (rose qoq by 1.6%), all the major indexes lost their value in the third quarter. Broad market index WIG dropped by 6.6%. Meanwhile, WIG20, including companies with the largest capitalization, recorded a decrease of 10.8%.

In sector terms, the greatest pressure was on energy companies (-20.7% as compared to the end of the second quarter of 2015) and commodity companies (WIG-Surowce [Raw materials] lost 18.3%). On the other hand, WIG-Spożywczy (Food and Beverage) and WIG-Budownictwo (Construction) recorded the largest increases of 15.3% and 9.4%, respectively.

In the last three months, the market for initial public offerings was characterized by lower activity in comparison with the preceding quarter. On the main floor shares of 5 companies were floated (including 3 by way of a transfer from the alternative market), and the total value of deals exceeded PLN 101.6 million (in the comparable previous period there were the same number of new entrants, but the value of deals exceeded PLN 656 m).

At the end of September, on the main floor of the WSE, shares of 476 companies were traded (463 at the end of the comparable period in 2014) and their aggregate market capitalization exceeded PLN 1.12 billion (an increase of 20% yoy, and excluding the impact of the company Banco Santander -8% yoy).

Equity market indices as of 30 September 2015

Index	30 September 2015	30 June 2015	Change (%) QoQ	30 September 2014	Change (%) YoY
WIG	49,824.59	53,328.98	(6.6%)	54,878.58	(9.2%)
WIG-PL	50,998.52	54,697.00	(6.8%)	56,388.27	(9.6%)
WIG-div	1,053.47	1,178.57	(10.6%)	1,234.20	(14.6%)
WIG20	2,066.37	2,317.84	(10.8%)	2,500.29	(17.4%)
WIG20TR	3,394.72	3,742.78	(9.3%)	3,971.19	(14.5%)
WIG30	2,285.76	2,540.32	(10.0%)	2,683.51	(14.8%)
mWIG40	3,576.75	3,685.49	(3.0%)	3,639.74	(1.7%)
sWIG80	13,104.96	12,901.55	1.6%	12,628.20	3.8%
Sector sub-indices					
WIG-Banks	6,581.02	7,397.98	(11.0%)	8,694.03	(24.3%)
WIG-Construction	2,916.59	2,666.88	9.4%	2,225.92	31.0%
WIG-Chemicals	14,820.99	14,197.29	4.4%	11,760.68	26.0%
WIG-Developers	1,379.70	1,369.31	0.8%	1,341.09	2.9%
WIG-Energy	3,299.66	4,162.55	(20.7%)	4,643.91	(28.9%)
WIG-IT	1,618.65	1,639.99	(1.3%)	1,322.84	22.4%
WIG-Media	4,292.52	4,204.91	2.1%	4,169.71	2.9%
WIG-Oil & Gas	4,703.67	5,036.24	(6.6%)	3,209.07	46.6%
WIG-Food	3,394.75	2,945.16	15.3%	2,475.71	37.1%
WIG-Basic materials	2,599.96	3,182.74	(18.3%)	4,156.24	(37.4%)
WIG-Telecom	883.13	968.10	(8.8%)	1,203.56	(26.6%)

Source: WSE, DMBH;

Equity and bond trading value and derivatives trading volumes on WSE in the third quarter of 2015

	Q3 2015	Q2 2015	Change (%) QoQ	Q3 2014	Change (%) YoY
Shares (PLN million)*	117,105	115,514	1.4%	127,204	(7.9%)
Bonds (PLN million)	452	394	14.7%	558	(19.0%)
Futures (in thousand contracts)	3,954	3,824	3.4%	3,503	12.9%
Options (in thousand contracts)	227	193	17.6%	274	(17.2%)

* excluding calls

Source: WSE, DMBH

In the third quarter of 2015, the value of equity turnover on the WSE (session and blocks) exceeded PLN 117.1 billion, which means a small increase of 1.4% as compared to the preceding quarter. In annual terms, activity measured by the turnover value shrank by 7.9%.

The segment of debt instruments recorded an increase in the turnover value by 14.7% as compared to the second quarter, but compared to the third quarter of 2014, the investor activity in this area decreased by 19%.

On the forward and futures market the trading volume reached over 3.95 million units, which translates into an increase in both the quarter-on-quarter (+3.4%) and annual (+12.9%) terms.

The volume of trading in options recorded an increase of 17.6% qoq. On the other hand, there is still a noticeable decline in interest in these instruments, as evidenced by the decrease in the volume by 17.2% as compared to the corresponding period last year.

5 Banking sector

According to the National Bank of Poland, at the end of the third quarter of 2015, the volume of loans granted to businesses exceeded PLN 294 billion (a change by 9.1% yoy) The volume increase covered the entire portfolio of loans to businesses regardless of their maturity structure, with the greatest momentum observed for loans granted for a period of more than five years (9.3% yoy). Loans with a medium-term maturity (from 1 to 5 years) increased by 6.7% yoy, while loans with maturities of up to one year recorded the lowest growth rate (4.4% yoy).

In terms of their generic structure the highest lending increase was reported the category of the current loans (10.4% yoy). Slightly lower, though still high growth was recorded in investment loans (9.2% yoy) which is related to the good economic situation encouraging businesses to proceed with investments previously postponed in time. An almost twice as low rate of growth was observed on real estate loans (5.4% yoy).

The quality of the business loan portfolio in the third quarter of 2015 measured by the rate of non-performing loans (NPL) returned to the level of the prior year (10.6)%, mainly thanks to the improvement of the quality of the loans for large enterprises (a decrease by 0.2 p.p. to 8.2%). Meanwhile, the NPL ratio for loans to small and medium-sized enterprises deteriorated (increase by 0.2 p.p. to 12.5%). The improvement in the quality of the business portfolio can be explained by both the better economic situation translating into a better condition of the enterprises, as well as the low level of interest rates.

The balance of loans to households at the end of September 2015 exceeded the level of PLN 610 billion (+ 6.7% yoy) primarily due to real estate loans (+7.5% yoy). Loans denominated in zlotys are responsible for the vast majority of the growth; their balance increased by 11.4% yoy to the level of PLN 214 billion. The increase in the balance of loans denominated in foreign currencies amounted to 2.8% yoy, thus approaching the level of PLN 168 billion. On the one hand, this is a result of the gradual repayment of the foreign exchange portfolio with a significant reduction in the supply of such loans; on the other hand, the increase is due primarily to the appreciation of the Swiss franc. A positive upward trend is also shown by the portfolio of consumer loans. Its value increased over the past 12 months by about 5.8% yoy.

The quality of the portfolio of household loans improved. The NPL ratio for this segment decreased at the end of September by about 0.4 p.p. yoy to the level of 6.5%, and for mortgage loans it increased by 0.1 p.p. yoy to 3.3%, while for other loans it decreased by 1.7 p.p. yoy and amounted to 12.2% which is the lowest level since 2009. The improvement is due both to the low level of interest rates which helps borrowers to pay off their liabilities, and to the disposal of part of the portfolio of non-performing loans by the banks. Not without significance is also the impact of the increase in volumes which translates into improved quality of loans evaluated as against the NPL ratio.

Deposits of businesses on an annual basis rose by 11.5% and their balance at the end of September 2015 was almost PLN 234 billion. Such rapid development of the deposit base was a consequence of the very strong increase in current deposits (17.5% yoy), and a much slower growth in term deposits whose volume increased by 4.4% yoy.

In the case of deposits of households, an increase of the balance by 10.5% yoy to a level close to PLN 624 billion was reported. The main driver behind the increase were current deposits whose volume at the end of September 2015 rose by 14.4%, in relation to the level of the prior year. The balance of term deposits was growing more than twice as slow, reaching 6.7% yoy. This was mainly due to the low level of interest rates discouraging long-term savings. As a result, the share of current deposits in total deposits exceeded 50% (51.7%).

The net result of the banking sector after the third quarter of 2015 fell compared with the same period of 2014 by 12% and accounted for PLN 11.4 billion. The significantly worse performance was the result of a strong decline in interest revenues (-13% yoy) as well revenues from fees and commissions (-4.7% yoy). A large reduction of interest costs (-21.1% yoy) and costs for fees and commissions (-12.9% yoy) and even an improvement in other revenues (2.6% yoy) were not sufficient to offset the aforementioned decline. A significant decrease in impairment of assets (-10.5% yoy) was not enough to improve the net profit of the sector.

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

1. Consolidated statement of financial position

At the end of the third quarter of 2015 total assets amounted to PLN 49.8 billion, slightly down by PLN 0.1 billion (or 0.1%) compared to the end of 2014. The changes, however, related to the structure of total assets:

- decrease in financial assets held-for-trading by PLN 4.2 billion (or 33.2%), primarily as a result of the reduced value of the Treasury bonds portfolio;
- decrease in receivables from banks by PLN 0.7 billion (or 33.8%), mainly due to the decreased value of loans and deposits;
- increase in the balance of debt securities available-for-sale by PLN 3.0 billion (or 20.8%), due to the increased position in Treasury bonds;
- increase in net receivables from customers by PLN 1.8 billion (or 11.0%), primarily due to increased lending to non-financial sector customers by (PLN +1.7 billion, or 11.0%). Receivables from the non-financial sector increased both on the institutional customers side (PLN +1.5 billion, or 15.0%, the increase was reported in all customer segments), and on the retail customers side (PLN +0.3 billion, or 4.3%; the increase was reported in all product lines, while unsecured loans showed the biggest growth).

Net amounts due from customers

PLN '000	30.09.2015	31.12.2014	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	1,123,816	1,021,364	102,452	10.0%
Receivables related to reverse repo transactions	658,018	599,899	58,119	9.7%
Amounts due from non-financial sector entities, including:	17,486,427	15,749,118	1,737,309	11.0%
Institutional clients*	11,346,763	9,864,270	1,482,493	15.0%
Individual clients, including:	6,139,664	5,884,848	254,816	4.3%
unsecured receivables	4,853,094	4,648,480	204,614	4.4%
mortgage loans	1,286,570	1,236,368	50,202	4.1%
Total net receivables from customers	18,610,243	16,770,482	1,839,761	11.0%

*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	30.09.2015	31.12.2014	Change	
			PLN '000	%
Without recognized impairment, including:	18,453,843	16,630,827	1,823,016	11.0%
non-financial sector entities	17,329,647	15,609,377	1,720,270	11.0%
Institutional clients*	11,294,693	9,811,191	1,483,502	15.1%
individual clients	6,034,954	5,798,186	236,768	4.1%
With recognized impairment, including:	745,783	847,540	(101,757)	(12.0%)
non-financial sector entities	728,649	828,544	(99,895)	(12.1%)
institutional clients*	299,477	346,564	(47,087)	(13.6%)

PLN '000	30.09.2015	31.12.2014	Change	
			PLN '000	%
individual clients	429,172	481,980	(52,808)	(11.0%)
Dues related to matured derivative transactions	78,419	91,011	(12,592)	(13.8%)
Total gross receivables from customers, including:	19,278,045	17,569,378	1,708,667	9.7%
non-financial sector entities	18,058,296	16,437,921	1,620,375	9.9%
institutional clients*	11,594,170	10,157,755	1,436,415	14.1%
individual clients	6,464,126	6,280,166	183,960	2.9%
Impairment, including:	(667,802)	(798,896)	131,094	(16.4%)
Dues related to matured derivative transactions	(70,685)	(81,134)	10,449	(12.9%)
Total net receivables from customers	18,610,243	16,770,482	1,839,761	11.0%
Impairment coverage ratio with recognized impairment**	80.1%	84.7%		
institutional clients*	85.2%	87.5%		
individual clients	75.6%	82.0%		
Non-performing loans ratio (NPL)	3.9%	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, amounts due to banks increased (PLN 3.4 billion, or 67.0%), which was primarily due to a higher level of term deposits. At the same time liabilities towards customers dropped (by PLN 2.5 billion, or 8.5%), which was mainly due to the high level of current account balances of institutional clients, including budgetary units, as of the end of 2014).

Amounts due to customers

PLN '000	30.09.2015	31.12.2014	Change	
			PLN '000	%
Current accounts, including:	16,674,745	19,537,444	(2,862,699)	(14.7%)
financial sector entities	267,168	238,351	28,817	12.1%
non-financial sector entities, including:	16,407,577	19,299,093	(2,891,516)	(15.0%)
institutional clients*, including:	9,674,588	12,926,331	(3,251,743)	(25.2%)
budgetary units	704,157	4,332,218	(3,628,061)	(83.7%)
individual clients	6,732,989	6,372,762	360,227	5.7%
Time deposits, including:	10,321,261	9,962,504	358,757	3.6%
financial sector entities	3,035,320	2,877,084	158,236	5.5%
non-financial sector entities, including:	7,285,941	7,085,420	200,521	2.8%
institutional clients*, including:	5,868,095	5,796,189	71,906	1.2%
budgetary units	578,184	127,354	450,830	354.0%
Individual customers	1,417,846	1,289,231	128,615	10.0%
Total customers deposits	26,996,006	29,499,948	(2,503,942)	(8.5%)
Other amounts due to customers	128,629	132,650	(4,021)	(3.0%)
Total amounts due to customers	27,124,635	29,632,598	(2,507,963)	(8.5%)

* 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 third quarter of 2015 the Group delivered a consolidated net profit of PLN 140.9 million, down by PLN 87.5 million (or 38.3%) compared to the third quarter of 2014. At the same time the revenues of the Group dropped by PLN 117.8 million (or 20,4%) to PLN 459.4 million.

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

- net interest income of PLN 236.7 million versus PLN 304.1 million in Q3, 2014 – down by PLN 67.4 million, or 22.2%, stemming primarily from lower interest income from amounts due from customers (PLN -60.2 million, or 24.1%), as a result of interest rate cuts.

Net interest income

PLN '000	01.01 - 30.09.2015	01.01 - 30.09.2014	Change	
			PLN '000	%
Interest and similar income from:				
Balances with the Central Bank	4,091	6,788	(2,697)	(39.7%)
Amounts due from banks	9,705	17,782	(8,077)	(45.4%)
Amounts due from customers, in respect of:	190,122	250,365	(60,243)	(24.1%)
financial sector	4,055	5,078	(1,023)	(20.1%)
non-financial sector, including:	186,067	245,287	(59,220)	(24.1%)
credit cards	62,727	83,774	(21,047)	(25.1%)
Debt securities available-for-sale	81,129	89,724	(8,595)	(9.6%)
Debt securities held-for-trading	8,202	21,492	(13,290)	(61.8%)
	293,249	386,151	(92,902)	(24.1%)
Interest expense and similar charges on:				
Amounts due to banks	(9,706)	(8,296)	(1,410)	17.0%
Amounts due to financial sector entities	(12,535)	(21,574)	9,039	(41.9%)
Amounts due to non-financial sector entities	(25,747)	(51,286)	25,539	(49.8%)
Loans and advances received	(378)	(874)	496	(56.8%)
Derivative instruments in hedge accounting	(8,195)	-	(8,195)	-
	(56,561)	(82,030)	25,469	(31.0%)
Net interest income	236,688	304,121	(67,433)	(22.2%)

- net fee and commission income of PLN 168.7 million versus PLN 144.4 million in Q3, 2014 – increase by PLN 24.3 million (or 16.9%) primarily due to higher fee and commission income from payment and credit cards (PLN +14.4 million, or 47.8%), mainly as a result of lower expenses (PLN -11.7 million, or 77.7%), in connection with the rationalization of the product. Additionally, brokerage income increased (PLN +6.4 million, or 104.2%), due to the participation of DMBH in the call for 100% of TVN S.A. shares and sale of the block of Alior Bank S.A. shares;

Net fee and commission income

PLN '000	01.07- 30.09.2015	01.07- 30.09.2014	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products distribution	29,149	37,564	(8,415)	(22.4%)
Payment and credit cards	47,768	45,115	2,653	5.9%
Payment orders	27,018	28,591	(1,573)	(5.5%)
Custody services	33,831	28,568	5,263	18.4%
Cash loans fees	963	822	141	17.2%
Brokerage activity	16,942	12,040	4,902	40.7%
Clients' cash on account management services	6,420	6,508	(88)	(1.4%)

PLN '000	01.07- 30.09.2015	01.07- 30.09.2014	Change	
			PLN '000	%
Guarantees granted	4,293	3,750	543	14.5%
Financial liabilities granted	1,227	1,747	(520)	(29.8%)
Other	17,990	9,266	8,724	94.2%
	185,601	173,971	11,630	6.7%
Fee and commission expense				
Payment and credit cards	(3,353)	(15,066)	11,713	(77.7%)
Brokerage activity	(4,489)	(5,941)	1,452	(24.4%)
Fees paid to the National Depository for Securities (KDPW)	(4,961)	(5,152)	191	(3.7%)
Brokerage fees	(681)	(931)	250	(26.9%)
Other	(3,377)	(2,488)	(889)	35.7%
	(16,861)	(29,578)	12,717	(43.0%)
Net fee and commission income				
Insurance and investment products distribution	29,149	37,564	(8,415)	(22.4%)
Payment and credit cards	44,415	30,049	14,366	47.8%
Payment orders	27,018	28,591	(1,573)	(5.5%)
Custody services	33,831	28,568	5,263	18.4%
Cash loans fees	963	822	141	17.2%
Brokerage activity	12,453	6,099	6,354	104.2%
Clients' cash on account management services	6,420	6,508	(88)	(1.4%)
Guarantees granted	4,293	3,750	543	14.5%
Financial liabilities granted	1,227	1,747	(520)	(29.8%)
Fees paid to the National Depository for Securities (KDPW)	(4,961)	(5,152)	191	(3.7%)
Brokerage fees	(681)	(931)	250	(26.9%)
Other	14,613	6,778	7,835	115.6%
Net fee and commission income	168,740	144,393	24,347	16.9%

- net income from trade financial instruments and revaluation of PLN 56.1 million versus PLN 65.9 million in Q3, 2014, down by PLN 9.9 million as a result of unfavorable changes in the market environment;
- net income on debt investment securities was not realized in Q3, 2015 compared to PLN 57.7 million in Q3, 2014;
- result on other operating income and expenses in the amount of PLN -8.8 million versus PLN 4.0 million in Q3, 2014 – decline by PLN 12.8 million (or 318.9%) due to additional provision of PLN 8 million for the judgment of the Court of Appeal regarding the interchange fee;
- operating expenses and overheads including depreciation expenses of PLN 299.2 million compared to PLN 303.8 million in the corresponding period of the previous year – down by PLN 4.5 million (or 1.5%) mainly due lower staff expenses by PLN 11.3 million (or 7.9%). At the same time general administrative expenses grew by PLN 6.7 million (or 4.7%), mainly due to increased spending on IT infrastructure in the Consumer Banking Sector and higher BFG fees, partially offset by lower costs of cooperation with some external partners concerning the distribution of banking products;

General administrative expenses and depreciation expense

PLN '000	01.07 - 30.09.2015	01.07- 30.09.2014	Change	
			PLN '000	%
Staff expenses	(132,223)	(143,561)	11,338	(7.9%)
Remuneration costs	(97,126)	(98,465)	1,339	(1.4%)
Bonuses and rewards	(21,028)	(31,031)	10,003	(32.2%)
Social security costs	(14,069)	(14,065)	(4)	-

PLN '000	01.07 - 30.09.2015	01.07 - 30.09.2014	Change	
			PLN '000	%
Administrative expenses	(149,286)	(142,596)	(6,690)	4.7%
Telecommunication fees and hardware purchase costs	(57,239)	(36,702)	(20,537)	56.0%
Costs of external services, including advisory, audit, consulting services	(15,406)	(17,078)	1,672	(9.8%)
Building maintenance and rent costs	(18,357)	(26,681)	8,324	(31.2%)
Marketing costs	(3,700)	(6,726)	3,026	(45.0%)
Costs of cash management services, costs of cleaning services and other transaction costs	(10,757)	(12,671)	1,914	(15.1%)
Costs of external services related to distribution of banking products	(3,588)	(12,725)	9,137	(71.8%)
Postal services, office supplies and printmaking costs	(1,819)	(3,389)	1,570	(46.3%)
Training and education costs	(684)	(738)	54	(7.3%)
Banking supervision costs	1,325	1,637	(312)	(19.1%)
Other expenses	(39,061)	(27,523)	(11,538)	41.9%
Depreciation and amortization	(17,729)	(17,626)	(103)	0.6%
General administrative expenses and depreciation expense, total	(299,238)	(303,783)	4,545	(1.5%)

- positive result on impairment of financial assets of PLN 22.3 million compared to the positive result on impairment write-offs in Q3, 2014 in the amount of PLN 7.8 million. The Institutional Banking segment reported an increase in net impairment losses by PLN 10.3 million yoy mainly due to the increase in institutional clients receivables. The Consumer Banking segment reported a reversal of net impairment in the amount of PLN 20.5 million in Q3, 2015 versus creation of provisions for impairment losses in Q3, 2014 in the amount of PLN 4.4 million. The reversal of impairment in Q3, 2015 was mainly due to higher recoveries from the sale of part of the impaired retail exposures. The receivables from credit cards, cash loans and unsecured credit lines for the value of PLN 156.3 million were sold for PLN 32.7 million.

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

PLN '000	01.07 - 30.09.2015	01.07 - 30.09.2014	Change	
			PLN '000	%
Impairment allowances for financial assets				
Amounts due from banks	(1,102)	(568)	(534)	94.0%
Amounts due from customers	(39,555)	(55,287)	15,732	(28.5%)
Receivables from matured derivative transactions	(314)	(10)	(304)	-
Other	-	(833)	833	(100.0%)
	(40,971)	(56,698)	15,727	(27.7%)
Reversals of impairment allowances for financial assets				
Amounts due from banks	940	792	148	18.7%
Amounts due from customers	59,764	61,529	(1,765)	(2.9%)
Receivables from matured derivative transactions	579	6	573	-
Recoveries from sold debts	(29)	186	(215)	-
Other	2,104	-	2,104	-
	63,358	62,513	845	1.4%
Net impairment allowances financial assets	22,387	5,815	16,572	285.0%
Created provisions for granted financial and guarantee commitments	(4,711)	(6,279)	1,568	(25.0%)
Releases of provisions for granted financial and guarantee commitments	4,656	8,232	(3,576)	(43.4%)
Net impairment allowances provisions for granted financial and guarantee commitments	(55)	1,953	(2,008)	-

PLN '000	01.07 – 30.09.2015	01.07 – 30.09.2014	Change	
			PLN '000	%
Net impairment allowances financial assets and provisions for granted financial liabilities and guarantees	22,332	7,768	14,564	187.5%

3. Financial Ratios

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

Financial ratios	Q3 2015	Q3 2014
ROE *	11.3%	14.0%
ROA**	1.4%	1.9%
Cost/Income	65%	53%
Loans to non-financial sector/Deposits from non-financial sector	74%	78%
Loans to non-financial sector/Total assets	35%	33%
Net interest income/Revenue	52%	53%
Net fee and commission income/Revenue	37%	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 – 30.09.2015	01.01 – 30.09.2014	Change	
			FTEs	%
Average employment in the third quarter	4,157	4,368	(211)	(4.8%)
Average employment in the period	4,181	4,405	(224)	(5.1%)
Employment at the end of quarter	4,082	4,285	(203)	(4.7%)

*does not include employees on parental and unpaid leave

In the third quarter of 2015 the Group reported a further decline in employment compared to the corresponding period of the previous year, as a result of began in October 2013 and ended in October 2014 employment restructuring process.

As of September 30, 2015 the Bank's capital adequacy ratio was 16.2%, down by 1.3 point versus the end of 2014. The drop was due to the decrease in the Group's own funds by PLN 151 million (or 3.1%) mainly as a result of the decrease value of revaluation reserve of available for sale financial assets and the increase in the total capital requirement by PLN 104 million (or 4.6%).

Capital adequacy ratio*

PLN '000	30.09.2015	31.12.2014
I Tier I capital	4,793,847	4,944,496
II Total capital requirements, including:	2,360,508	2,256,721
credit risk capital requirements	1,755,029	1,581,701
counterparty risk capital requirements	85,592	87,247
Credit valuation adjustment capital requirements	52,737	54,648
capital requirements for excess of exposures' concentration limit and large exposures' limit	38,714	64,549
total market risk capital requirements	82,769	108,215
operational risk capital requirements	337,933	350,484
other capital requirements	7,734	9,877
Tier I capital ratio	16.2%	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 of dominant unit 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. – 30.09.2015			01.01. – 30.09.2014		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
<i>PLN '000</i>						
Net interest income	314,839	418,635	733,474	400,322	499,003	899,325
Internal interest income, including:	(42,678)	42,678	-	(38,691)	38,691	-
Internal income	-	42,678	42,678	-	38,691	38,691
Internal expenses	(42,678)	-	(42,678)	(38,691)	-	(38,691)
Net fee and commission income	212,195	266,577	478,772	208,345	260,175	468,520
Net income on dividends	1,626	5,715	7,341	2,214	3,568	5,782
Net income on financial instruments and revaluation	189,716	23,995	213,711	273,316	23,945	297,261
Net gain on debt investment securities	118,800	-	118,800	162,997	-	162,997
Net gain on equity investment instruments	2,232	-	2,232	3,526	-	3,526
Net gain/(loss) on hedge accounting	5,198	-	5,198	(379)	-	(379)
Net other operating income	10,315	(21,657)	(11,342)	29,557	(17,682)	11,875
General administrative expenses	(380,758)	(490,013)	(870,771)	(384,661)	(508,078)	(892,739)
Depreciation and amortization	(17,549)	(35,293)	(52,842)	(17,894)	(35,916)	(53,810)
Profit on sale of other assets	23	55	78	891	1	892
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	802	16,046	16,848	10,187	(4,416)	5,771

For the period	01.01. – 30.09.2015			01.01. – 30.09.2014		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
<i>PLN '000</i>						
Operating income	457,439	184,060	641,499	688,421	220,600	909,021
Share in net profits of entities valued at equity method	97	-	97	335	-	335
Profit before tax	457,536	184,060	641,596	688,756	220,600	909,356
Income tax expense			(133,482)			(167,046)
Net profit			508,114			742,310

State as at	30.09.2015			31.12.2014		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
<i>PLN '000</i>						
Total assets, including:	43,339,229	6,433,856	49,773,085	43,663,564	6,180,101	49,843,665
Equity investments valued at equity method	7,804	-	7,804	7,765	-	7,765
Non-current assets held-for-sale	-	1,928	1,928	-	2,113	2,113
Total liabilities and shareholders' equity, including:	39,149,557	10,623,528	49,773,085	40,417,857	9,425,808	49,843,665
Liabilities	34,019,391	9,046,678	43,066,069	34,672,382	7,760,523	42,432,905

8 Activities of the Group

1. Institutional Banking

1.1. Summary of segment results

<i>PLN '000</i>	Q3 2015	Q3 2014	Change	
			PLN '000	%
Net interest income	98,361	131,662	(33,301)	(25.3%)
Net fee and commission income	74,639	66,326	8,313	12.5%
Net income on dividends	164	100	64	64.0%
Net income on trading financial instruments and revaluation	47,387	57,396	(10,009)	(17.4%)
Net gain on debt investment securities	-	57,709	(57,709)	(100.0%)
Net gain on equity investment instruments	2,232	671	1,561	232.6%
Net gain/(loss) on hedge accounting	4,288	330	3,958	-
Net other operating income	3,494	9,644	(6,150)	(63.8%)
Total income	230,565	323,838	(93,273)	(28.8%)
General administrative expenses and depreciation	(127,823)	(124,983)	(2,840)	2.3%
Profit on sale of other assets	17	595	(578)	(97.1%)
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	1,828	12,154	(10,326)	(85.0%)
Share in net profits of entities valued at equity method	49	22	27	122.7%
Profit before tax	104,636	211,626	(106,990)	(50.6%)
Cost / Income	55%	39%		

The key highlights that impacted the gross profit of the Institutional Banking Segment for Q3, 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 -21.9 million, or 19.7%) partially offset by lower interest expenses;
- increase in net fee and commission income, mainly in brokerage operations due to the participation of DMBH in major transactions on the capital market (for more information see page 15 and 25 of this Report);

- decrease in net income from trade financial instruments and revaluation as a result of unfavorable changes in the market environment;
- decrease in net income on debt investment securities as a result of the strategy to reduce the fixed interest rate risk in the unfavorable market conditions;
- increase in operating expenses resulting mainly from increased spending on technology;
- increase in net impairment losses (PLN 1.8 million in Q3, 2015 versus PLN 12.2 million in the corresponding period of the previous year) was, among other things, a result of the increase in institutional clients receivables.

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.

At the end of the third quarter of 2015, the number of institutional clients (including strategic clients, global clients and corporate banking clients) amounted to 6,800, which means a decrease of 8% as compared to the end of the third quarter of 2014, when the number of clients amounted to 7,400, and a decrease of 1% as compared to the end of the second quarter of 2015, when the number of clients was 6,900. In the commercial bank (small and medium-sized enterprises, large companies and the public sector), the Bank served 4,600 customers at the end of the third quarter of 2015 (which translates to a drop by 12% compared to 5,200 customers served at the end of the third quarter of 2014, but compared to the second quarter of 2015, the number of clients remained at a similar level).

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 according to the management reporting format.

Assets*

PLN million	30.09.2015 (1)	30.06.2015 (2)	30.09.2014 (3)	Change		Change	
				(1)/(2)	(1)/(3)	PLN million	%
Enterprises**, including:	4,845	4,672	4,506	173	4%	339	8%
SMEs	1,881	1,906	1,847	(25)	(1%)	34	2%
MMEs	2,964	2,767	2,659	197	7%	305	11%
Public Sector	174	167	172	7	4%	2	1%
Global Clients	3,536	3,565	3,887	(29)	(1%)	(351)	(9%)
Corporate Clients	3,098	2,361	2,791	737	31%	307	11%
Other***	18	50	66	(32)	(64%)	(48)	(73%)
Total Institutional Bank	11,671	10,815	11,422	856	8%	249	2%

Liabilities*

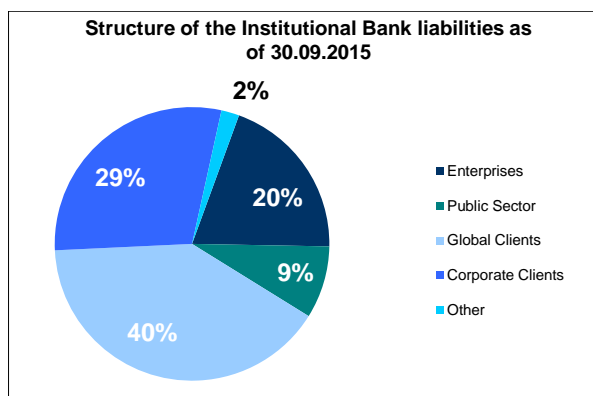
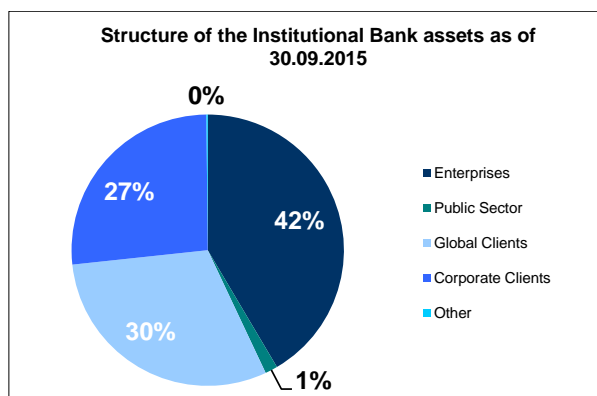
PLN million	30.09.2015 (1)	30.06.2015 (2)	30.09.2014 (3)	Change		Change	
				(1)/(2)	(1)/(3)	PLN million	%
Enterprises**, including:	3,346	3,383	3,068	(37)	(1%)	278	9%
SMEs	2,326	2,320	2,136	6	-	190	9%
MMEs	1,021	1,063	932	(42)	(4%)	89	10%
Public Sector	1,451	1,940	2,921	(489)	(25%)	(1,470)	(50%)
Global Clients	6,849	6,105	5,591	744	12%	1,258	23%
Corporate Clients	4,950	5,535	6,248	(585)	(11%)	(1,298)	(21%)

PLN million	30.09.2015	30.06.2015	30.09.2014	Change		Change	
				(1)/(2)	(1)/(3)		
	(1)	(2)	(3)	PLN million	%	PLN million	%
Other***	358	389	356	(31)	(8%)	2	1%
Total Institutional Bank	16,954	17,352	18,184	(398)	(2%)	(1,230)	(7%)

. * In 2015 there was a change in the classification of customers by segment.

** Enterprises include clients with annual turnover from PLN 8 million to PLN 150 million (SMEs) and from PLN 150 million to PLN 1.5 billion (MMEs).

*** 'Other' include, among others, clients subject to restructuring and clients of Handlowy-Leasing Sp. z o.o., who are not clients of the



Bank.

Key transactions and achievements in the area of Institutional Banking in the third quarter of 2015:

- In the Strategic Clients segment:
 - The Bank signed an agreement for a large-amount acquisition loan for one of the leading Polish companies in the FMCG sector;
 - The Bank signed a syndicated loan agreement with a client from the fuel & energy industry amounting to USD 400 million;
 - The Bank, as the Mandated Lead Arranger, participated in a project for refinancing debts of a client from the television industry;
 - In addition, the Bank, as the Loan Agent, the Arranger and the Lender took part in the syndicated loan of EUR 5.5 billion for one of the Polish energy groups.
- In the Global Clients segment:
 - The Bank won the tender for keeping the account, for transaction business and for lending to one of the FMCG industry leaders;
 - The Bank signed a supplier financing program for one of the largest manufacturers of brown and white goods;
 - The Bank obtained the mandate for three trade financing products for PLN 165 million (supplier financing, reverse factoring and customer financing with a recourse to the sponsor) for a leading international energy company in Poland;
 - The Bank obtained the mandate for a supplier financing program of PLN 70 million for a leading US food industry company;
 - The Bank obtained the mandate for business concerning the EUR settlements for a leading international fuel group.
- The Bank made a series of financing transactions with Corporate Banking clients, including: issue of the first tranche of bonds for PLN 40 million for a contractor of works related to building railroads and underground railways (the total value of the bonds was PLN 277.8 million), an overdraft in the amount of PLN 35 million for a town office, a loan commitment in the amount of PLN 25 million for a manufacturer of plastic packaging, a revolving loan in the amount of PLN 20

million to a producer of beef, an overdraft in the amount of PLN 20 million for a manufacturer of agricultural and horticultural fertilizers, a supplier financing program of PLN 18.5 million for a manufacturer of agricultural and animal-derived products, a PSE line (foreign exchange transactions) in the amount of PLN 15 million for a producer of sugar, a multi-purpose facility in the amount of PLN 13.8 million for an apparel industry corporation;

- In the Commercial Bank, 62 new customers were acquired in the third quarter of 2015, including 9 Large Enterprises, 49 Small and Medium-sized Enterprises, and 4 Public Sector Customers. The Bank acquired 14 client relations in the Strategic Clients and Global Clients segment.

Activity and business achievements of the Treasury Division

- In the third quarter of 2015, for the fourth time in a row, the Bank became a leader in the general ranking under the Treasury Securities Dealer of the Year 2016 competition organized by the Ministry of Finance and thus for the fourth time the Bank won the entire competition;
- In the third quarter of 2015, the Bank showed a lot of activity on the market of non-treasury debt securities, including but not limited to: The Bank signed an agreement for establishing the bond issue scheme for a listed company from the railway sector for up to PLN 200 million, and conducted the first bond issue under the scheme for up to PLN 40 million. In addition, the Bank participated in a syndicate of banks providing a 5-year loan to a company from the telecommunications sector. The total amount of the loan was PLN 12.5 billion, and the share of the Bank was PLN 450 million;
- According to the "Rating & Market" report by Fitch Ratings, at the end of the third quarter of 2015 the Bank held a 15% market share as an arranger of issues of bonds and certificates of deposit for banks and was ranked second among other market participants;
- 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. Almost 79% of all foreign-exchange transactions is accomplished through the platform. 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.

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 receivables processing: Direct Debit and SpeedCollect;
- Cash products;
- EU-oriented advisory services; and
- Trade finance products.

Business events and achievements of the Transactional banking area in the third quarter of 2015:

- **Electronic banking**

In the third quarter of 2015, further works were carried out in order to provide the Bank's clients with a number of new solutions in the area of electronic banking. The most significant changes proposed to clients included:

- Making available under the CitiDirect system an improved reporting module for a more effective access to financial information and data on the users activity;
- Implementation of the mechanism of single use passwords (OTP) as an additional security element in the process of electronic payment authorization.

Other data concerning electronic banking at the end of the third quarter of 2015:

- The number of institutional clients activated under the Internet banking system CitiDirect amounted to 3,600, while in the CitiDirect EB (CitiDirect Evolution Banking) 3,100;
- The number of institutional clients actively using the system is quite constant and remains at a high level of nearly 4,700;
- The number of clients with a mobile access to both electronic banking systems amounted to 3,300;
- During the third quarter of 2015, the total number of transactions processed electronically by CitiDirect and CitiDirect EB systems exceeded 6 million.

- **Deposits and current accounts**

In the third quarter of 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 the third quarter of 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 16% compared to the third quarter of 2014.

- **Business cards**

In the area of charge and guaranteed cards the Bank's business reported with the same amount of non-cash transactions an increase in their value by 3% in comparison with the similar period of 2014. In addition, compared to the previous quarter, the value of non-cash and cash transactions rose by 11%. That was attributable to the consistent policy of attracting high transaction volumes and activation of the portfolio of the existing clients.

- **Prepaid cards**

In the third quarter of 2015, the Bank recorded an increase in the amount of non-cash transactions made with Prepaid Cards by 6% compared to the corresponding period in 2014. The number of Prepaid Card issued rose in relation to the third quarter of 2014 by more than 8%.

- **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 the third quarter of 2015, the Bank strengthens its position of the market leader, thus making settlements for the largest number of transactions as the creditor bank in Poland. Thus, Citi Handlowy kept a record 37% market share.

- **Speedcollect**

SpeedCollect is a service that allows automated booking of receivables for creditors who are recipients of mass payments. The functionality of virtual accounts allows to encode the creditor's important information in the account number such as for example the number of the counterparty or the number of its own commercial unit settling costs and revenues. An extension of the functionality of virtual accounts is SpeedCollect Plus, a service that allows not only to automatically identify and report proceeds into the account, but also to reconcile these transactions with additional information provided by the creditor, providing comprehensive information about the settlements. The volume of transactions remains high at the level comparable to the same period of 2014.

- **EU-oriented advisory services**

In the third quarter of 2015, the Bank started the implementation of its strategy for the new EU Financial Perspective 2014-2020 where banks are important partners in the distribution of European funds and in financing of investments co-financed with subsidies.

As part of the Horizon 2020 initiative the Bank commenced the implementation of ELENA project. The program is carried out under the agreement with Kreditanstalt für Wiederaufbau for distribution of funds within the framework of the energy efficiency programs intended for local government units. In addition, in order to finance further investment projects, in the third quarter of 2015 the Bank actively participated in sourcing applications under the new EU budget for 2014-2020.

- **Trade finance products**

In the third quarter of 2015, the Trade Finance Department continued developing supplier financing programs, in both domestic and foreign trading; the average size of assets under the supplier finance programs increased by 19% compared to the corresponding period of the prior year. Good performance resulted, among others, from the implementation of new suppliers and a large industry diversification. This diversification strategy implemented in 2015 minimizes seasonal fluctuations in assets.

In addition, the Trade Financing Department continued works on the implementation of subsequent programs for discounting claims and issuing guarantees. One of the successes of the third quarter of the current year is a renewal for a further year of transactions under the Syndicated Loan scheme for purchases of crude oil for one of the leading petrochemical industry companies.

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 30 September 2015 the Bank held 10,718 securities accounts.

At the same time, the Bank was the custodian for five open pension funds (OFE): MetLife OFE, Aviva OFE Aviva BZ WBK, Nationale-Nederlanden OFE, Pekao OFE, Nordea OFE, for five voluntary pension funds: MetLife DFE, Nordea DFE, Nationale-Nederlanden DFE, DFE Pekao and Generali DFE and for two employee pension funds – Pracowniczy Fundusz Emerytalny PZU “Słoneczna Jesień” in liquidation 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 the third quarter of 2015, DMBH brokered session transactions representing 11% of equities trade 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 11.02 billion and declined by 13.9% in relation to the corresponding period of the preceding year while trading on the WSE increased by 2.7%. 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. An intensifying competition in the domestic market is also the cause of a further reduction in the rates of commissions and favors brokers carrying out remote operations on the Polish market. Their activities contributed to the increase in turnover on the WSE through the growing use of HFT (High Frequency Trading).

The third quarter of 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 the third quarter of 2015, DMBH was the Market Maker for the shares of 31 companies listed on the Warsaw Stock Exchange (including 20 covered by the WIG20 stock market index). That represented 6.47% of all shares traded on the WSE main market.

DMBH maintained 10,200 investment accounts at the end of the third quarter of 2015, an increase of 7.1% compared to the corresponding period of 2014 and 1.4% compared to the end of the second quarter of 2015. 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.

The third quarter of the current year was the best quarter this year in terms of the number and value of transactions carried out by DMBH.

DMBH carried out the following transactions on the capital market:

- TVN S.A./Southbank Media Limited – DMBH served as the Agent under the forced buyout of the shares in TVN S.A. amounting to PLN 85 million (September 2015);
- TVN S.A./Southbank Media Limited – DMBH served as the Agent under the tender for 100% of the shares in TVN S.A. amounting to PLN 3.1 billion (August 2015);
- Alior Bank S.A. – DMBH served as the Bookbuilding Co-Runner under the transaction for an accelerated sale of shares belonging to the Management Board amounting to PLN 78 million (July 2015);
- Agnella S.A. – DMBH served as the agent in a private transaction (July 2015).

Summary Income Statement and Balance Sheet

Company's Name	Headquarter	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of
			30.09.2015	30.09.2015	01.01-30.09.2015
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warszawa	100.00	2,237,333	111,432	16,469

The greatest influence on the performance of DMBH comes from the activity of institutional investors (both domestic and foreign), which in turn is directly dependent on the influx of new capital, as well as from the conditions on the domestic stock market. The introduction of a voluntary nature of the second pillar of the pension system, gradually shifting resources from the OFE to the ZUS (under the so-called slider) and higher investment limits for foreign instruments essentially reduced the demand of such institutions for shares of companies listed on the WSE. In addition, the lack of significant inflows to the domestic equity funds substantially restricts the activity of this segment of clients.

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	Total equity	Net financial result for the period of
			30.09.2015	30.09.2015	01.01-30.09.2015
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warszawa	100.00	200,819	137,754	2,555

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q3 2015	Q3 2014	Change	
			PLN '000	%
Net interest income	138,327	172,459	(34,132)	(19.8%)
Net fee and commission income	94,101	78,067	16,034	20.5%
Net income on trading financial instruments and revaluation	8,698	8,540	158	1.9%
Net other operating income	(12,269)	(5,636)	(6,633)	117.7%
Total income	228,857	253,430	(24,573)	(9.7%)
General administrative expenses and depreciation	(171,415)	(178,800)	7,385	(4.1%)
Net on sales of other assets	(11)	-	(11)	-
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	20,504	(4,386)	24,890	-
Profit before tax	77,935	70,244	7,691	10.9%
Cost/Income	75%	71%		

The key highlights that impacted the gross profit of the Consumer Banking Segment in Q3, 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 Q3, 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 5% increase in credit balances compared to Q3, 2014 and a decline in interest expenses, which was achieved despite a 11% increase in the deposit balances compared to Q3, 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);
- increase in net fee and commission despite a further interchange fee reduction to 0.2% for a debit card and 0.3% for a credit card. Increase was driven by higher acquisition of unsecured loans, the change of structure of investment products sale and 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);
- result on other operating income and expenses in the amount of PLN -12.3 million versus PLN -5.6 million in Q3, 2014 – decline by PLN 6.6 million (or 117.7%) due to the creation of additional provision of PLN 8 million for the judgment of the Court of Appeal regarding the interchange fee;
- 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 (16 branches at the end of Q3 2015 comparing to 8 branches at the end of Q3 2014);
- reversal of net impairment write-downs in the amount of PLN 20.5 million in Q3, 2015 versus creation of provisions for impairment losses in Q4. The reversal of impairment write-downs in Q3, 2015 was mainly due to higher recoveries from the sale of part of the impaired retail exposures. The receivables from credit cards, cash loans and unsecured credit lines for the value of PLN 156.3 million were sold for PLN 32.7 million.

2.2. Selected business data

'000	Q3 2015	Q2 2015	Q3 2014	Change QoQ	Change YoY
Number of individual customers	685.6	692.8	758.7	(7.2)	(73.1)
Number of current accounts, including:	467.0	468.9	509.4	(2.0)	(42.4)
number of operating accounts*	297.3	302.1	346.0	(4.8)	(48.6)
Number of operating accounts newly acquired during the reported period	14.2	15.8	33.3	(1.6)	14.1
Number of saving accounts	162.0	163.9	177.7	(1.9)	(15.8)
Number of credit cards, including:	698.5	704.7	748.2	(6.2)	(49.7)
co-branded cards	391.5	399.6	442.6	(8.1)	(51.1)
Number of active credit cards	698.5	638.6	673.8	59.9	24.7
Number of debit cards, including:	281.1	285.7	325.5	(4.7)	(44.5)
PayPass cards	267.9	270.2	304.0	(2.3)	(36.1)

* In Q4, 2014 there was a change in the classification of number of operating income

Net receivables from individual clients – management view

'000	30.09.2015	31.12.2014	30.09.2014	Change (1)/(2)		Change YoY	
	(1)	(2)	(3)	'000	%	'000	%
Unsecured receivables, including:	4,853,094	4,648,482	4,631,871	204,612	4.4%	221,223	4.8%
Credit cards	2,159,416	2,105,550	2,120,826	53,866	2.6%	38,590	1.8%
Cash loans	2,618,447	2,482,226	2,438,469	136,221	5.5%	179,978	7.4%
Other unsecured receivables	75,231	60,706	72,576	14,525	23.9%	2,655	3.7%
Mortgage loans	1,286,570	1,236,368	1,193,596	50,202	4.1%	92,974	7.8%
Net client receivables	6,139,664	5,884,850	5,825,467	254,814	4.3%	314,197	5.4%

2.3. Key Business Highlights

Bank accounts

- **Current accounts**

At the end of the third quarter of 2015, the number of personal current accounts stood at 467,000 (against 509,000 at the end of the third quarter of 2014), including 282,000 in Polish zlotys and 185,000 in foreign currencies. The decline in the number of accounts was attributable to the measures taken in the fourth quarter of 2014 designed to close the deposit relationships not being used by the clients. The result of these actions was the closure of about 33,000 accounts held for 22,000 clients.

The total balance of current accounts amounted to over PLN 3.78 billion, a growth of 30% on the corresponding period of the previous year.

- **Savings accounts**

The number of savings accounts in the third quarter of 2015 was 162,000. The total balance of funds accumulated on them amounted to PLN 2.92 billion compared to 178,000 savings accounts with the total balance of PLN 3.15 billion in the same period last year.

- **Changes in the offering**

The Bank encouraged clients to use remote channels, e.g. through a higher interest rate for deposits opened on Citibank Online site, and to deepen their relationship with the Bank so as to meet the Citi Priority or CitiGold criteria.

The Bank also continued to actively support acquisition of clients in Citigold, Citigold Select and Citi Priority through promotional offers for term deposits for new clients of Citigold and the Citigold Recommendation Program for the existing clients of the Bank. As a result, in the third quarter of 2015, the number of Citigold and Citigold Select clients was higher by 4% and by 7% for Citi Priority, as compared to the same period in the previous year.

Credit cards

At the end of the third quarter of 2015, the number of credit cards amounted to 698,500.

The debt balance on credit cards at the end of the third quarter of 2015 amounted to PLN 2.2 billion, i.e. was 2% 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 25% according to the figures provided at the end of September 2015.

In the third quarter of 2015, the acquisition of credit cards was lower than in the corresponding period of the previous year. 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. In the structure of the acquisition of credit cards in the third quarter of 2015, classic cards no longer dominate. Citibank Gold Credit Card and Citibank Silver Credit Card reached a total share in the acquisition of 6%. A leader in the structure of the acquisition in the third quarter was the Simplicity card that reached the acquisition at 52%. As regards co-branded cards, the highest share in the issued cards was that of Citibank World Credit Card with a share of 37% followed by Citibank PremierMiles Credit Card with a share of 4%.

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

The balance of cash loans at the end of the third quarter of 2015 was PLN 2.6 billion and disclosed an increase in comparison with the previous year (7.4%).

The total cash loan sales, including cash loans sold to credit card holders amounted to PLN 438.6 million in the third quarter of 2015.

Mortgage products

At the end of the third quarter of 2015, the balance of mortgage loan portfolio amounted to PLN 1.3 billion, i.e. increased by 8% compared to the same period last year. The Bank continued its strategy based on the price attractiveness of the offering of mortgage products for clients from the Gold segment – 2/3 of the value of new loans are loans taken out by Gold clients.

Insurance and investment products

At the end of the third quarter of 2015, the total value of investment products (including investment-type insurance products, net of bi-currency investments) purchased by retail customers via the Bank was 8% higher than at the end of the same period of 2014.

This increase was mainly in the area of structured bonds, as well as the instruments accumulated on accounts maintained by Dom Maklerski of Bank Handlowy S.A. ("DMBH").

As regards structured products, the Bank offered 36 structured bond subscriptions denominated in PLN, USD and EUR in the third quarter of 2015.

Within the scope of cooperation with DMBH, the Bank granted its clients access to 10 issues of investment certificates of closed-end investment funds.

2.4. Development of distribution channels

Online banking

The number of active Citi Mobile users, i.e. users who accessed mobile banking at least once every 30 days, exceeded 70,000 at the end of the third quarter of 2015, an increase of 13% compared to the same period last year. The share of active users of mobile banking in the entire portfolio of Citi Handlowy clients stood at that time at 10%, which represents an increase of 2 percentage points as compared to the corresponding period in 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 13,200 downloads from its introduction in the third quarter of 2013.

Internet banking

The number of active users of Citibank Online, that is, those who at least once every 30 days logged

on to the site on computer, reached 320,000 users at the end of the third quarter of 2015. The share of active users of Citibank Online on PCs within the entire portfolio of the Bank's clients amounted at the end of the third quarter of 2015 to 47%, an increase of 4 percentage points as compared to the third quarter of 2014.

At the end of the third quarter of 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 330,000, which accounted for 49% 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 the third quarter of 2015 amounted to 96% and grew by 3 p.p. in relation to the corresponding period of 2014.

In the third quarter of 2015, the Internet sales channels recorded a significant increase in the share in the results. The share of internet sales of credit cards increased by 68% compared with the same period last year. On the other hand, sales of deposit products on the Internet represented more than 10% of total sales in this product category.

Based on feedback from users of on-line banking and clients' comments under the Net Promoter Score survey, key improvements are constantly being added to basic functionalities: recently the process of changing the type of credit card at the client's request has significantly improved – the option is now available with just a few clicks after login. Currency exchange rates updated in real time are also available on the transaction platform.

Indirect and Direct Customer Acquisition

- **Direct sales**

As per previous assumptions, the Universal Bankers channel launched in 2014 increases its involvement in the acquisition of the portfolio of clients. In the third quarter of 2015, the channel acquired 1,400 credit cards and 1.2 million in the volume of loans.

2.5. Branch network

Smart Banking Ecosystem

At the end of the third quarter as well as of the first half of 2015, the Smart Banking Ecosystem had 16 branches, varying in format, all of which offered the smart banking model, a coherent and dynamic system customized to the clients' current and future behaviors. In addition, the branches use the latest technology to allow a convenient use of banking services using mobile and web solutions.

Changes in branch network

At the end of the third quarter of 2015, the network of the Bank's branches comprised 46 outlets.

As part of the development of Banking Smart Ecosystem, in the period from 1 January to 30 September 2015, branches in Katowice, Kraków and Poznań were opened.

Number of branches and other Points of Sale/touch points

	30.09.2015 (1)	30.06.2015 (2)	30.09.2014 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	46	47	47	(1)	(1)
HUB Gold	8	8	9	-	(1)
Smart HUB Gold	2	2	1	-	1
Blue	19	20	27	(1)	(8)
Investment Center	2	2	2	-	-
Smart branch	14	14	7	-	7
Corporate branch	1	1	1	-	-
Other PoS/touch points:					
Financial agents (Open Finance, Expander and other)	-	-	274	-	(274)
Airports	1	1	4	-	(3)
Shopping malls and cinemas	8	6	37	2	(29)

	30.09.2015	30.06.2015	30.09.2014	Change	Change
	(1)	(2)	(3)	(1)/(2)	(1)/(3)
Other (BP petrol stations)	10	-	-	10	10
Cash points (Billbird and Brinks)	-	3	4	(3)	(4)
Own ATMs	78	80	72	(2)	6

* 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"). In the third quarter of 2015, there were no changes to the Bank's ratings. The last change in the rating granted by Moody's took place on 21 May 2015 while Fitch affirmed the ratings at the same level on 14 April 2014.

At the end of the third quarter of 2015, Moody's rated the Bank as follows:

Long-term deposit rating	A3
Short-term deposit rating	Prime-2
Baseline Credit Assessments (BCA)	Baa3
Adjusted Baseline Credit Assessments (Adjusted BCA)	Baa2
Long-term Counterparty Risk Assessment	A2
Short-term Counterparty Risk Assessment	Prime-1
Rating outlook for long term deposits	stable

At the end of the third 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 table below presents the fair value of financial assets and liabilities valued at amortised cost in consolidated statement of financial position.

PLN '000	30.09.2015		31.12.2014	
	Balance value	Fair value	Balance value	Fair value
Financial assets				
Amounts due from banks	1,366,987	1,366,989	2,065,685	2,070,670
Amounts due from customers	18,610,243	18,649,141	16,770,482	16,770,482
Financial liabilities				
Amounts due to banks	8,555,893	8,555,342	5,122,576	5,120,810
Amounts due to customers	27,124,635	27,123,861	29,632,598	29,632,598

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 9 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.

Starting from June 1st, 2015 there was introduced a new calculation model for the valuation of derivatives and exchange transaction in the system infrastructure.

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 30 September 2015

<i>PLN '000</i>	Level I	Level II	Total
Financial assets			
Financial assets held-for-trading	3,611,581	4,891,981	8,503,562
derivatives	-	4,858,517	4,858,517
debt securities	3,595,066	33,464	3,628,530
capital instruments	16,515	-	16,515
Debt securities available-for-sale	14,915,437	2,520,802	17,436,239
Financial liabilities			
Financial liabilities held-for-trading	1,199,882	4,889,078	6,088,960
short sale of securities	1,199,882	-	1,199,882
derivatives	-	4,889,078	4,889,078
Hedging derivatives	-	94,577	94,577

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 30 September 2015 was PLN 1,928 thousands (31 December 2014: PLN 1,928 thousands).

In the 9 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 9 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 9 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 9 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 30 September 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	2,128	-	(4,470)	-	-	(47)	491
Amounts due from customers	798,896	139,639	3,135	(148,027)	(82,849)	(42,551)	(441)	667,802
	801,776	141,767	3,135	(152,497)	(82,849)	(42,551)	(488)	668,293
Provisions for granted financial liabilities and guarantees								
	13,238	20,330	-	(23,606)	-	-	-	9,962
	815,014	162,097	3,135	(176,103)	(82,849)	(42,551)	(488)	678,255
Other assets impairment								
Capital investment	11,440	-	-	-	-	(1,954)	-	9,486
Tangible assets available for sale	1,401	-	-	-	-	-	-	1,401
Other assets	266	503	-	(552)	-	-	-	217
	13,107	503	-	(552)	-	(1,954)	-	11,104
Total impairment of assets and provisions for granted financial liabilities and guarantees								
	828,121	162,600	3,135	(176,655)	(82,849)	(44,505)	(488)	689,359
Other provisions								
Contentious issues	9,634	13,416	-	(784)	-	-	(4,450)	17,816
Restructuring	3,537	-	-	(700)	-	-	(1,827)	1,010
Total other provisions	13,171	13,416	-	(1,484)	-	-	(6,277)	18,826

*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 – 30 September 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

<i>PLN '000</i>	30.09.2015	31.12.2014
Asset due to differed income tax	1,050,405	1,155,827
Provision due to differed income tax	(878,156)	(998,508)
Net asset due to differed income tax	172,249	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 – 30 September 2015 the value of purchased by the Group components of “fixed assets” equaled PLN 26,002 thousand (in 2014: PLN 47,144 thousand); the value of sold components equals PLN 4,677 thousand (in 2014: PLN 21,939 thousand).

As at 30 September 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 30 September 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 9 month period of 2015 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid or declared dividends

Dividends paid

At the meeting on June 22, 2015, the Ordinary General Meeting of Shareholders of the Bank Handlowy w Warszawie S.A. (hereinafter WZ) adopted a resolution on distribution of the net profit for 2014. The WZ resolved to appropriate the amount of PLN 970,800,828.00 the dividend payment, which means that the dividend per one ordinary share is PLN 7.43. The number of shares covered by the dividend is 130,659,600.

Simultaneously, the WZ resolved to set the day of the right to the dividend for July 6, 2015 (day of dividend) and the day of the dividend payment for July 24, 2015 (day of the dividend payment).

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

As at 30 September 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 30 September 2015 and changes in comparison with the end of 2014 are as follows:

PLN '000	State as at		Change	
	30.09.2015	31.12.2014	PLN '000	%
Contingent liabilities granted				
financial	15,983,878	14,822,644	1,161,234	7.8%
Import letters of credit issued	118,735	207,208	(88,473)	(42.7%)
Credit lines granted	14,352,813	13,161,336	1,191,477	9.1%
Subscription of securities granted to other issuers	1,123,050	1,264,450	(141,400)	(11.2%)
Reverse repo transactions with future currency date	389,280	189,650	199,630	105.3%
guarantees	2,092,208	1,813,926	278,282	15.3%
Guarantees granted	2,064,886	1,779,425	285,461	16.0%
Export letters of credit confirmed	-	918	(918)	(100.0%)
Other	27,322	33,583	(6,261)	(18.6%)
	18,076,086	16,636,570	1,439,516	8.7%
Contingent liabilities received				
financial (deposits to receive)	542,465	708,148	(165,683)	(23.4%)
guarantees (guarantees received)	14,581,191	6,199,449	8,381,742	135.2%
	15,123,656	6,907,597	8,216,059	118.9%
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	6,019,792	3,267,226	2,752,566	84.2%
Forward **	318,707,879	305,118,052	13,589,827	4.5%
	324,727,671	308,385,278	16,342,393	5.3%

*Foreign exchange and securities transactions with current value date

** Derivatives: FX, interest rate transactions and options

20 Changes in Group's structure

In the third quarter of 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 third 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 first quarter 2015, interim consolidated financial report for the first half of 2015 and publishing this report for the third 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 third quarter 2015	Number of shares on day of publishing the Interim Consolidated Financial Report for the first half of 2015	Number of shares on day of publishing the Interim Financial Statement for the first quarter 2015
Iwona Dudzińska*	Member of the Managing Board	-	-	600
Andrzej Olechowski	Chairman of Supervisory Board	2,200	2,200	1,200
Total		2,200	2,200	1,800

*Ms. Iwona Dudzińska resigned from her function of the Management Board of the Bank, effective July 31, 2015

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

24 Information on pending court proceedings

In the third 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 third 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 third 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 30 September 2015, the Bank was among others a party to 17 court proceedings regarding derivative transactions: in 11 proceedings the Bank acted as a defendant and in 6 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 third quarter of the 2015 there was one case found in Bank's favor, final and binding where the Bank was a defendant.

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

The Bank was 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 Bank was one of the addressee of the President of UOKiK's decision in the case.

The proceedings have concerned 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. The President of UOKiK's decision was a subject of legal analyses in appeal proceedings. 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. 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. On October 6, 2015 the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. The verdict is binding and enforceable. The Bank applied for the delivery of the written justification of the Appeal Court verdict. There will be the possibility to file the extraordinary appeal to the Supreme Court, if after the analysis of the justification, the grounds for its filing are identified.

In accordance with the above sentence on charged penalty the Bank has created an additional reserve in the amount of PLN 8 million. The amount has decreased the result of third quarter in 2015.

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

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

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

On October 1, 2015 the Chairman of the Supervisory Board of the Bank accepted a resignation of Mr. Adnan Omar Ahmed from the function of the Member of the Supervisory Board of Bank Handlowy w Warszawie S.A.. The resignation shall become effective as of October 1, 2015.

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

There is still uncertainty as to the scale of the economic slowdown in China. If the actual activity of the Chinese economy turned out to be much lower than projected, it could have a negative impact on economic performance, including the Euro zone, and Germany in particular, i.e. Poland's most important trade partners. Therefore, the economic growth in Poland would be lower, which could lead to further reductions in interest rates and weakening of the zloty.

A risk factor for emerging market assets, including Poland, is the moment of the first interest rate hike and the pace of further monetary policy tightening in the US. If the US central bank decides to raise interest rates faster than expected by the market, that could lead to increased outflows of capital from emerging markets, including from Poland. As a result, the zloty and Polish government bonds could depreciate.

Still in the background there is the problem of Greek debt. Despite an agreement between Greece and its creditors on the further loan program, the risk of growing concerns about the fiscal position of Greece in the coming years is still high. In addition, the scenario of another Greek debt restructuring and Greece's exit from the euro zone is still probable. As a result, the financial markets could face considerable volatility with the Polish currency depreciating and the Swiss franc appreciating. In the event of considerable changes in the currency market, this could pose a threat to some Polish households and as a result affect the condition of part of the Polish banking sector. Greece's possible withdrawal from the Eurozone could also have an adverse effect on economic activity in Western Europe, which would also affect the business climate in Poland.

Similar to previous quarters, rising geopolitical tensions in Eastern Europe remain one of the threats to the Polish economy, potentially resulting in a collapse of demand for some of Poland's export products.

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

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

Condensed income statement

<i>PLN '000</i>	Third quarter period from 01.07.15 to 30.09.15	Third quarter accruals period from 01.01.15 to 30.09.15	Third quarter period from 01.07.14 to 30.09.14	Third quarter accruals period from 01.01.14 to 30.09.14
Interest and similar income	292,203	889,240	383,737	1,144,841
Interest expense and similar charges	(64,115)	(167,994)	(83,869)	(256,786)
Net interest income	228,088	721,246	299,868	888,055
Fee and commission income	168,667	492,659	161,941	502,553
Fee and commission expense	(12,372)	(42,866)	(23,637)	(66,864)
Net fee and commission income	156,295	449,793	138,304	435,689
Dividend income	-	22,957	25	48,867
Net income on trading financial instruments and revaluation	55,048	212,035	65,770	296,735
Net gain on debt investment securities	-	118,800	57,709	162,997
Net gain on equity investment instruments	2,232	2,232	671	3,526
Net gain/(loss) on hedge accounting	4,288	5,198	330	(379)
Other operating income	8,652	31,910	14,566	47,443
Other operating expenses	(17,070)	(40,419)	(10,469)	(32,582)
Net other operating income	(8,418)	(8,509)	4,097	14,861
General administrative expenses	(275,636)	(853,302)	(280,595)	(874,316)
Depreciation and amortization	(17,226)	(50,995)	(16,485)	(49,973)
Profit on sale of other assets	6	78	595	892
Net impairment due to financial assets and provisions for granted financial liabilities and guarantees	22,191	16,330	7,808	6,198
Profit before tax	166,868	635,863	278,097	933,152
Income tax expense	(38,898)	(129,730)	(52,935)	(163,644)
Net profit	127,970	506,133	225,162	769,508
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Earnings per share (in PLN)		3.87		5.89
Diluted net earnings per share (in PLN)		3.87		5.89

Condensed statement of comprehensive income

<i>PLN '000</i>	Third quarter period from 01.07.15 to 30.09.15	Third quarter accruals period from 01.01.15 to 30.09.15	Third quarter period from 01.07.14 to 30.09.14	Third quarter accruals period from 01.01.14 to 30.09.14
Net profit	127,970	506,133	225,162	769,508
Other comprehensive income, that might be subsequently reclassified to profit or loss				
Net value of available-for-sale financial assets	(18,264)	(240,728)	54,548	100,490
Total comprehensive income	109,706	265,405	279,710	869,998

Condensed statement of financial position

	State as at	30.09.2015	31.12.2014
<i>PLN '000</i>			
ASSETS			
Cash and balances with the Central Bank		1,303,743	1,522,949
Amounts due from banks		1,366,740	2,065,614
Financial assets held-for-trading		8,487,047	12,721,335
Debt securities available-for-sale		17,436,239	14,435,099
Equity investments		236,652	240,417
Amounts due from customers		18,441,651	16,545,902
Tangible fixed assets		344,076	347,855
Intangible assets		1,372,063	1,386,118
Current income tax receivables		4,749	10,358
Deferred income tax asset		172,928	157,815
Other assets		194,189	167,802
Non-current assets held-for-sale		1,928	2,113
Total assets		49,362,005	49,603,377
LIABILITIES			
Amounts due to banks		8,497,934	5,004,190
Financial liabilities held-for-trading		6,088,960	6,770,922
Hedging derivatives		94,577	-
Amounts due to customers		27,284,287	29,803,545
Provisions		28,538	26,188
Other liabilities		724,520	649,947
Total liabilities		42,718,816	42,254,792
EQUITY			
Ordinary shares		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		(188,106)	52,622
Other reserves		2,857,939	2,857,317
Retained earnings		506,133	971,423
Total equity		6,643,189	7,348,585
Total liabilities and equity		49,362,005	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:	-	-	(240,728)	-	506,133	265,405
Net profit	-	-	-	-	506,133	506,133
Net valuation of available-for-sale financial assets	-	-	(240,728)	-	-	(240,728)
Dividends paid	-	-	-	-	(970,801)	(970,801)
Transfer to capital	-	-	-	622	(622)	-
Balance as at 30 September 2015	522,638	2,944,585	(188,106)	2,857,939	506,133	6,643,189

<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:	-	-	100,490	-	769,508	869,998
Net profit	-	-	-	-	769,508	769,508
Net valuation of available-for-sale financial assets	-	-	100,490	-	-	100,490
Dividends paid	-	-	-	-	(934,216)	(934,216)
Transfer to capital	-	-	-	566	(566)	-
Balance as at 30 September 2014	522,638	2,944,585	57,300	2,862,973	769,508	7,157,004

<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	Third quarter accruals	Third quarter accruals
	period from 01.01.15 to 31.09.15	period from 01.01.14 to 31.09.14
Cash at the beginning of the reporting period	1,732,844	1,120,157
Cash flows from operating activities	691,172	756,598
Cash flows from investing activities	(22,115)	26,446
Cash flows from financing activities	(1,046,713)	(878,572)
Cash at the end of the reporting period	1,355,188	1,024,629
Increase/(decrease) in net cash	(377,656)	(95,528)

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 – additionally, the Regulator's standpoint from 12 of February 2015 and Ministry of Finance opinion presented in the letter from 11 of February 2015 regarding costs of fees paid to Bank Guarantee Fund have been taken into account.

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 third 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 9 month period ended 30 September 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 2015 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 third 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 third quarter of 2015 is presented below.

Bank's financial results

For first three quarters of 2015 the Bank has generated profit before tax of PLN 636 million, in comparison to PLN 933 million in the corresponding period of 2014. Gross profit in third quarter 2015 was PLN 167 million, in comparison to PLN 278 million in the same period of 2014.

Net profit accruals (for January-September, 2015 period) was PLN 506 million in comparison to PLN 770 million of net profit in the corresponding period of 2014, while net profit in third quarter of 2015 was PLN 128, million in comparison to PLN 225 million of net profit in corresponding period of 2014.

The significant impact on the Bank's net profit in the third quarter 2015 had decrease in (net) impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities by PLN 14 million, increase of result on hedge accounting by PLN 4 million, decrease in Bank's activity costs and general and administrative expenses and depreciation by total of PLN 4 million (or 1.4%), decrease of financial instruments result (trade financial instruments and revaluation, debt securities and capital securities) by total of PLN 67 million (or 53.9%), decrease of result on other operating income and expenses as well as result on sale of other assets by PLN 13 million, decrease of interest and fees result by PLN 54 million (or 12.3%) and lower income tax burden by PLN 14 million (or 26.5%).

The consolidated quarter report for the third 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

06.11.2015

06.11.2015

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