



2020 SEMI-ANNUAL REPORT
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.



AUGUST 2020



CONDENSED INTERIM STAND-ALONE FINANCIAL STATEMENTS OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

AUGUST 2020

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Condensed income statement

	For a period	II quarter I half of the year		II quarter I half of the year	
		01.04. - 30.06. 2020	01.01. - 30.06. 2020	01.04. - 30.06. 2019	01.01. - 30.06. 2019
PLN'000	Note				
Interest income		267,588	594,941	324,682	640,675
Similar income		17,028	42,232	26,206	48,637
Interest expense and similar charges		(19,616)	(70,768)	(63,028)	(124,622)
Net interest income		265,000	566,405	287,860	564,690
Fee and commission income		134,147	284,569	168,287	314,710
Fee and commission expense		(18,319)	(36,227)	(19,912)	(38,319)
Net fee and commission income		115,828	248,342	148,375	276,391
Dividend income		12,532	12,632	10,703	10,779
Net income on trading financial instruments and revaluation		99,738	91,208	94,804	185,140
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		69,447	174,201	24,852	54,147
Net gain/(loss) on equity and other instruments measured at fair value through income statement		5,787	4,135	7,249	13,155
Net gain/(loss) on hedge accounting		1,291	(1,463)	(346)	(758)
Other operating income		5,117	11,780	4,919	12,241
Other operating expense		(8,500)	(15,099)	(7,391)	(14,452)
Net other operating income and expense		(3,383)	(3,319)	(2,472)	(2,211)
General administrative expense		(261,992)	(608,739)	(251,747)	(608,248)
Depreciation and amortization		(30,282)	(53,675)	(21,422)	(42,196)
Profit on sale of other assets		(18)	(394)	(32)	(31)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	5	(110,041)	(203,595)	(106,490)	(134,851)
Tax on some financial institutions		(32,613)	(63,602)	(22,314)	(44,205)
Profit before tax		131,294	162,136	169,020	271,802
Income tax expense		(42,860)	(50,262)	(36,960)	(80,257)
Net profit		88,434	111,874	132,060	191,545
Weighted average number of ordinary shares (in pcs)		-	130,659,600		130,659,600
Earnings per share (in PLN)		-	0.86		1.47
Diluted net earnings per share (in PLN)		-	0.86		1.47

Explanatory notes are integral part of the condensed interim standalone financial statements.

Financial data presented on quarterly basis for the period of 1 April 2020 to 30 June 2020 was not subject to a separate review or audit by an auditor.

Condensed statement of comprehensive income

	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06.	01.01. - 30.06.	01.04. - 30.06.	01.01. - 30.06.
For a period	2020	2020	2019	2019
<i>PLN'000</i>				
Net profit	88,434	111,874	132,060	191,545
Other comprehensive income, that might be subsequently reclassified to profit or loss				
Changes in value of financial assets measured at fair value through other comprehensive income	220,271	264,700	67,305	15,646
Other comprehensive income net of tax	220,271	264,700	67,305	15,646
Total comprehensive income	308,705	376,574	199,365	207,191

Explanatory notes are integral part of the condensed interim standalone financial statements.

Financial data presented on quarterly basis for the period of 1 April 2020 to 30 June 2020 was not subject to a separate review or audit by an auditor.

Condensed statement of financial position

<i>PLN '000</i>	State as at	30.06.2020	31.12.2019
	Note		
ASSETS			
Cash and balances with the Central Bank		2,217,908	3,736,706
Amounts due from banks		812,483	1,165,625
Financial assets held-for-trading		6,666,936	5,406,595
Hedging derivatives		678	-
Debt investment financial assets measured at fair value through other comprehensive income		25,262,575	15,484,578
Shares in subsidiaries		105,799	105,895
Equity and other instruments measured at fair value through income statement		66,489	62,355
Amounts due from customers	6	23,280,575	23,608,775
Tangible fixed assets		484,863	498,799
Intangible assets		1,455,603	1,441,953
Deferred tax asset		246,870	237,338
Other assets		169,687	149,093
Non-current assets held-for-sale		6,163	-
Total assets		60,776,629	51,897,712
LIABILITIES			
Amounts due to banks		2,514,664	2,125,383
Financial liabilities held-for-trading		3,573,849	1,867,900
Hedging derivatives		52,868	19,226
Amounts due to customers		45,958,383	39,849,772
Provisions		85,778	65,199
Current income tax liabilities		28,474	41,725
Other liabilities		1,162,336	904,804
Total liabilities		53,376,352	44,874,009
EQUITY			
Ordinary shares		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		379,593	114,893
Other reserves		2,799,505	2,874,289
Retained earnings		753,956	567,298
Total equity		7,400,277	7,023,703
Total liabilities and equity		60,776,629	51,897,712

Explanatory notes are integral part of the condensed interim standalone financial statements.

Condensed statement of changes in equity

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2020	522,638	2,944,585	114,893	2,874,289	567,298	7,023,703
Total comprehensive income, including:	-	-	264,700	-	111,874	376,574
Net profit	-	-	-	-	111,874	111,874
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	264,700	-	-	264,700
Dividends to be paid	-	-	-	-	-	-
Transfer to capital	-	-	-	(74,784)	74,784	-
Balance as at 30 June 2020	522,638	2,944,585	379,593	2,799,505	753,956	7,400,277

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019	522,638	2,944,585	84,372	2,877,122	578,335	7,007,052
Total comprehensive income, including:	-	-	15,646	-	191,545	207,191
Net profit	-	-	-	-	191,545	191,545
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	15,646	-	-	15,646
Dividends to be paid	-	-	-	-	(488,667)	(488,667)
Transfer to capital	-	-	-	1,172	(1,172)	-
Balance as at 30 June 2019	522,638	2,944,585	100,018	2,878,294	280,041	6,725,576

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019	522,638	2,944,585	84,372	2,877,122	578,335	7,007,052
Total comprehensive income, including:	-	-	30,521	(4,005)	478,802	505,318
Net profit	-	-	-	-	478,802	478,802
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	30,521	-	-	30,521
Net actuarial profits/(losses) on defined benefit plan	-	-	-	(4,005)	-	(4,005)
Dividends	-	-	-	-	(488,667)	(488,667)
Transfer to capital	-	-	-	1,172	(1,172)	-
As at 31 December 2019	522,638	2,944,585	114,893	2,874,289	567,298	7,023,703

Explanatory notes are integral part of the condensed interim standalone financial statements.

Condensed statement of cash flows

	For a period	01.01. – 30.06. 2020	01.02. – 30.06. 2019
<i>PLN '000</i>			
A. Operating activities			
I. Net profit		111,874	191,545
II. Adjustments:		(2,027,672)	(7,066,171)
Current and deferred income tax recognized in income statement		50,262	80,257
Depreciation expense		53,675	42,196
Net impairment due to financial assets value loss		182,917	132,998
Net provisions (recoveries)		20,948	2,109
Net interest income		(566,405)	(564,690)
Dividend income		(12,632)	(10,779)
Profit/loss on sale of fixed assets		394	31
Net unrealized exchange differences		(2,026)	1,179
Equity and other investment measured at fair value through the income statement		(4,135)	(13,155)
Other adjustments		11,184	(4,890)
Change in amounts due from banks		407,520	341,731
Change in amounts due from customers		145,628	(97,517)
Change in debt securities measured at fair value through other comprehensive income		(9,482,121)	(5,667,397)
Change in financial assets held-for-trading		(1,317,254)	(3,353,146)
Change in derivative hedging instruments		(678)	(474)
Change in assets held-for-sale		(6,163)	-
Change in other assets		(3,439)	(5,492)
Change in amounts due to banks		389,523	2,936,677
Change in amounts due to customers		6,114,355	(1,350,972)
Change in liabilities held-for-trading		1,705,949	123,481
Change in amounts due to hedging derivatives		33,642	4,064
Change in other liabilities		251,184	337,618
Interest received		726,826	718,217
Interest paid		(74,834)	(120,319)
Income tax paid		(135,137)	(145,758)
III. Net cash flows from operating activities		(1,398,943)	(6,422,486)
B. Investing activities			
Inflows			
Disposal of tangible fixed assets		1,127	18
Disposal of capital shares		-	20,640
Disposal of fixed assets held-for-sale		-	-
Dividends received		1,337	65
Outflows			
Purchase of tangible fixed assets		(15,468)	(10,308)
Purchase of intangible assets		(48,447)	(15,053)
Purchase of capital shares		-	(41)
Net cash flows from investing activities		(61,451)	(4,679)
C. Financing activities			
Outflows			
Dividends paid		-	(488,667)
Repayment of long-term loans from financial sector		-	(1,673)
Outflows from lease payments		(8,274)	(8,340)
Net cash flows from financing activities		(8,274)	(498,680)
D. Exchange rates differences resulting from cash and cash equivalent calculation		4,449	(1,815)
E. Net increase/(decrease) in cash and cash equivalent		(1,464,219)	(6,927,660)
F. Cash and cash equivalent at the beginning of reporting period		3,796,804	7,474,817
G. Cash and cash equivalent at the end of reporting period (see note 9)		2,332,585	547,157

Explanatory notes are integral part of the condensed interim standalone financial statements.

Supplementary notes to the condensed interim standalone financial statement

1. General information about the Bank

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

The Bank is expected to continue the business activity in the foreseeable future.

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

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

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

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

2. Declaration of conformity

The condensed standalone interim financial statements has been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' adopted by European Union and other applicable regulations.

The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the condensed standalone annual financial statements of the Bank for the financial year ended 31 December 2018 and the consolidated interim financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the six-month period ended 30 June 2019.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 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 2018 No 757) the Bank is obliged to publish its financial results for the six-month period ended 30 June 2019 which is deemed to be the current interim financial reporting period.

The condensed standalone interim financial statements of the Bank were approved by the Board of Directors on 24 August 2020.

This interim condensed consolidated financial statement of the Group has been prepared with the assumption of going concern in the period of at least 12 months since the date of publication. As of the day of signing the consolidated financial statement, the Bank's Management does not establish the existence of facts and circumstances that would indicate threats to the Group's ability to go concern in the period of 12 months since the date of publication due to omission or significant limitation of the Group's current activities. Especially, the COVID-19 pandemic's influence has been examined with regard to the Group's financial situation – described in the note no. 38.

3. Significant accounting policies

The interim condensed standalone financial statements of the Bank for the first half of 2020 has been prepared in accordance with accounting principles adopted and described in the annual consolidated financial statements of the Group for the financial year ended 31 December 2019, except for the burden of income tax that was calculated according to the rules of IAS 34.

The interim condensed standalone financial statements of the Bank have been prepared for the period from 1 January 2020 to 30 June 2020 and for the standalone statement of financial position as at 30 June 2020. Comparative financial data are presented for the period from 1 January 2019 to 30 June 2019 and for the standalone statement of financial position as at 31 December 2019.

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

The preparation of interim condensed standalone financial statements of the Bank with accordance to International Financial Reporting Standards requires that the management should make certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. The financial statements are based on the same estimation rules which were used in the annual standalone financial statements of the Bank for the financial year ended 31 December 2019, with regard to information included in the note no. 19 The impact of COVID-19 on the Bank's functioning.

The estimations and respective assumptions are made based on historical data available and multiple other factors which under given conditions are considered proper and which form the basis for estimation regarding balance sheet values of assets and liabilities whose value cannot be determined clearly based on other sources. However, actual values may differ from estimation values.

The estimations and respective assumptions are subject recurring to reviews. Changes of estimations are recognized in the period in which the estimation was modified if the adjustment concerns only this period or in the period of the change and future periods if the adjustment concerns both this period and the future periods.

Due to the pandemic situation and its influence on the economy, the estimations within particular balance sheet items were subject to special verification, which has been described in the note no. 38 of the Condensed interim consolidated financial statement of the Group.

The key estimates were presented in the annual standalone financial statements of the Bank for 2019. Additionally, with respect to interim financial statements, the Bank applies the principle of recognizing the financial result income tax charges based on the estimate of the annual effective income tax rate expected by the Bank in the full financial year.

Standards and interpretations awaiting European Union's approval:

- IFRS 17 „Insurance“ (including changes to IFRS 17 issued on 25 June 2020) replacing IFRS 4 „Insurance contracts“ and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities. Standard eliminates differences in accounting of insurance contracts depending on local jurisdictions, allowed by IFRS 4,
- IAS 1 'Presentation of financial statements' amendment – in the area of classification of liabilities as current or non-current, clarifying criteria for classification a liability as long-term,
- Amendments to IFRS 3 updating reference to conceptual framework,
- Amendments to IAS 16 prohibiting from deduction from fixed assets production costs of any proceeds from selling items produced while the entity is preparing the assets for its intended use. Instead, an entity recognizes those proceeds, together with the costs of producing them, in profit and loss. Effective date - an annual period beginning on January 1, 2022 or after that date,
- Amendments to IAS 37 specifying that „costs of fulfilling“ an onerous contract include „costs that relate directly to the contract“. Those costs can be both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Effective date - an annual period beginning on January 1, 2022 or after that date,
- IFRS 16 'Leases' amendment introducing practical expedient from accounting treatment of rent concessions related to COVID-19 as lease modifications,
- IFRS 4 'Insurance contracts' amendment issued on 25 June 2020 in relation to deferral of effective date of IFRS 17, regarding obligation to adopt IFRS 9,

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 January 2020:

- IFRS 3 'Business combinations' amendment - introducing a clarification of the definition of a project that helps to distinguish between acquisitions as a group of assets or a project,
- Amendments in the Conceptual Framework introducing comprehensive clarifications in respect of financial reporting, among others regulating the area of measurement and its basis, presentation and disclosures, derecognition of assets and liabilities from balance sheet, and updates and explanations of specific terms - the amendment does not have a significant impact on the financial statements.
- IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' to clarify the definition of the term 'significant' and to align it with the definition used in the conceptual assumptions - the amendment does not have a significant impact on the financial statements.
- IFRS 9, IAS 39 and IFRS 7 applicable to all hedging relationships directly affected by interest rate benchmark reform and uncertainties it gives rise to. Amendments introduce temporary exceptions from applying specific hedge accounting requirements that allow not to discontinue hedging relationships. Changes require entities to disclose additional information on hedging relationships that are affected by the above mentioned uncertainties - the amendment does not have a significant impact on the financial statements.

Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual result, that is, the estimated average annual effective income tax rate applied to the pre-tax result of the interim period. The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base.

Foreign currency

The statement of financial position and contingent liabilities received and granted items denominated in foreign currencies are converted to PLN equivalents using the average exchange rate of the currency determined by the Governor of the National Bank of Poland ("NBP") prevailing at the date of preparation of the condensed interim statement of financial position.

Foreign currency transactions are converted at initial recognition to the functional currency (PLN) using the exchange rates prevailing at the date of transactions.

Foreign exchange profits and losses resulting from revaluation of the statement of financial position items denominated in foreign currencies and settlement of transactions in foreign currencies are included in net profit on foreign exchange, within the trade financial instruments and revaluation income.

The exchange rates of the major currencies applied in the preparation of these financial statements are:

PLN	30 June 2020	31 December 2019	30 June 2019
1 USD	3,9806	3,7977	3,7336
1 CHF	4,1818	3,9213	3,8322
1 EUR	4,4660	4,2585	4,2520

4. Segment reporting

Information on operating segments is presented in the Condensed Interim Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the 6 month period ended 30 June 2020.

5. Provision for expected credit losses on assets and provisions for off-balance sheet commitments

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2020	01.01. - 30.06. 2020	01.04. - 30.06. 2019	01.01. - 30.06. 2019
Provision for expected credit losses on equity investments				
Write-offs creation	(8)	(96)	(6)	(89)
Write-offs reversals	-	-	-	-
	(8)	(96)	(6)	(89)
Provision for expected credit losses on amounts due from banks				
Write-offs creation	(3,907)	(5,137)	(425)	(945)
Write-offs reversals	3,607	4,515	659	1,191
	(300)	(622)	234	246
Provision for expected credit losses on amounts due from customers				
Write-offs creation and reversals	(89,107)	(179,154)	(101,500)	(131,645)
Write-offs creation	(123,949)	(246,903)	(135,036)	(193,347)
Write-offs reversals	36,050	70,440	33,779	62,046
Other	(1,208)	(2,691)	(243)	(344)
Recoveries from sold debts (written off)	(102)	(99)	24	33
	(89,209)	(179,253)	(101,476)	(131,612)
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Write-offs creation	(553)	(2,946)	(766)	(1,544)
Write-offs reversals	-	-	-	-
	(553)	(2,946)	(766)	(1,544)
Provision for expected credit losses on financial assets	(90,070)	(182,917)	(102,014)	(132,999)
Created provisions for granted financial and guarantee commitments	(32,004)	(41,416)	(9,891)	(15,755)

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2020	01.01. - 30.06. 2020	01.04. - 30.06. 2019	01.01. - 30.06. 2019
Release of provisions for granted financial and guarantee commitments	12,033	20,738	5,415	13,903
Provision for expected credit losses for granted off-balance sheet commitments	(19,971)	(20,678)	(4,476)	(1,852)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(110,041)	(203,595)	(106,490)	(134,851)

6. Amounts due from customers

PLN '000	30.06.2020	31.12.2019
Amounts due from financial sector entities		
Loans, placements and advances	821,180	641,317
Unlisted debt financial assets	1,745,312	1,765,711
Receivables from purchased repo securities	34,768	30,217
Guarantee funds and deposits pledged as collateral	1,270,950	592,891
Other receivables	105	-
Total gross value	3,872,315	3,030,136
Impairment write-downs	(4,366)	(2,216)
Total net value	3,867,949	3,027,920
Amounts due from non-financial sector entities		
Loans and advances	18,518,024	19,176,989
Unlisted debt financial assets	290,879	305,928
Purchased receivables	1,412,250	1,751,320
Realized guarantees	25,302	24,941
Other receivables	15,391	7,835
Total gross value	20,261,846	21,267,013
Impairment write-downs	(849,220)	(686,158)
Total net value	19,412,626	20,580,855
Total net value of receivables from customers	23,280,575	23,608,775

In accordance with Transition Resource Group for Impairment of Financial Instruments the value of receivables in Stage 3 shall be presented increased by accrued contract interest in total amount of PLN 272,522 thousand as at 30 June 2020 (as at the end of 2019: PLN 311,351 thousand). The result of this presentation of receivables is also the growth of provisions for expected credit losses by the same amount. This change has no influence on total net value of receivables in Stage 3.

PLN '000	30.06.2020	31.12.2019
Gross total value including contract interest in Stage 3	24,406,683	24,608,500
Provision for expected credit losses including contract interest in Stage 3	(1,126,108)	(999,725)
Net total value	23,280,575	23,608,775

Movement in amounts due from customers presents as follows:

PLN '000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from customers				
Loss allowance as at 1 January 2020	(51,388)	(79,952)	(557,034)	(688,374)
Transfer to Stage 1	(14,861)	14,668	193	-

PLN '000	Stage 1	Stage 2	Stage 3	Total
Transfer to Stage 2	5,728	(6,503)	775	-
Transfer to Stage 3	463	13,299	(13,762)	-
Creations/Releases in the period through the income statement	(34,768)	(65,322)	(78,988)	(179,078)
Net changes due to modification derecognition	-	-	(76)	(76)
Amounts written off	-	-	13,473	13,473
Foreign exchange and other movements	(146)	(73)	688	469
Loss allowance as at 30 June 2020	(94,972)	(123,883)	(634,731)	(853,586)

As at 30 June 2020 the Bank did not identify POCI assets (assets acquired or granted with initial impairment)

PLN '000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from customers				
Loss allowance as at 1 January 2019	(56,110)	(74,776)	(533,500)	(664,386)
Transfer to Stage 1	(14,461)	14,050	411	-
Transfer to Stage 2	7,241	(7,991)	750	-
Transfer to Stage 3	1,735	26,164	(27,899)	-
(Creation)/Releases in the period through the income statement	10,209	(37,459)	(186,780)	(214,030)
Net changes due to modification derecognition	-	-	(2,080)	(2,080)
Decrease in write-downs due to write-offs	-	-	66,901	66,901
Decrease in write-downs in connection with the sale of receivables	-	-	124,839	124,839
Foreign exchange and other movements	(2)	60	324	382
Loss allowance as at 31 December 2019	(51,388)	(79,952)	(557,034)	(688,374)

As at 31 December 2019 the Bank did not identify POCI assets (assets acquired or granted with initial impairment)

7. Financial instruments disclosures

Fair value of financial assets and liabilities

The summary below provides statement of financial position (by category) and fair value information for each category of financial assets and liabilities.

PLN '000	30.06.2020		31.12.2019	
	Balance value	Fair value	Balance value	Fair value
Assets				
Cash and balances with the Central Bank	2,217,908	2,217,908	3,736,706	3,736,706
Amounts due from banks	812,483	812,483	1,165,625	1,165,623
Amounts due from customers	23,280,575	23,210,132	23,608,775	23,538,787
Liabilities				
Amounts due to banks	2,514,664	2,514,613	2,125,383	2,125,480
Amounts due to customers	45,958,383	45,955,293	39,849,772	39,843,837

Valuation methods and assumptions used for the purposes of fair value

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

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

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

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

Fair value included in stand-alone statement of financial position

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

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

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

As at 30 June 2020

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	207,408	6,459,528	-	6,666,936
derivatives	-	3,459,547	-	3,459,547
debt securities	207,408	2,999,981	-	3,207,389
Hedging derivatives	-	678	-	678
Debt financial assets measured at fair value through other comprehensive income	25,262,575	-	-	25,262,575
Equity and other investments measured at fair value through income statement	878	-	65,611	66,489
Financial liabilities	-	-	-	-
Financial liabilities held-for-trading	41,489	3,532,360	-	3,573,849
short sale of securities	40,473	-	-	40,473
derivatives	1,016	3,532,360	-	3,533,376
Hedging derivatives	-	52,868	-	52,868

As at 31 December 2019

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	2,881,897	2,524,698	-	5,406,595
derivatives	-	1,524,780	-	1,524,780
debt securities	2,881,897	999,918	-	3,881,815
Debt financial assets measured at fair value through other comprehensive income	15,484,578	-	-	15,484,578
Equity and other investments measured at fair value through income statement	825	-	61,530	62,355

PLN '000	Level I	Level II	Level III	Total
Financial liabilities				
Financial liabilities held-for-trading	238,408	1,629,492	-	1,867,900
short sale of securities	238,408	-	-	238,408
derivatives	-	1,629,492	-	1,629,492
Hedging derivatives	-	19,226	-	19,226

As of the 30th of June 2020, the amount of financial assets classified to the Level III includes the share of PLN 44,132 thousand in Visa Inc. (as of the 31st of December 2019 the amount of financial assets as the shares in Visa Inc. was at the level of PLN 41,324 thousand).

The fair value valuation method takes into account the value of shares of Visa Inc. as well as corrections resulting from legal cases (actual and potential) a party of which could be Visa or the Bank. Minority shareholdings in partnerships of Biuro Informacji Kredytowej S.A. and Krajowa Izba Rozliczeniowa S.A. were measured to fair value based on book value of net assets based on available annual and audited financial statements of partnerships.

Changes in financial assets and liabilities in, measured at a fair value that was defined by using relevant parameters not-market based are presented below:

PLN '000	Equity and other investments measured at fair value through income statement	
	01.01.-30.06. 2020	01.01.-31.12. 2019
As at the beginning of period	61,530	47,741
Sale	-	(600)
Revaluation	4,081	14,389
As at the end of period	65,611	61,530

Revaluation is included in equity and other investments' gain/(loss) measured at fair value through the income statement.

In the first half of 2020 the Bank has made no transfers between levels of instruments' fair value due to established method of setting fair value.

In the first half of 2020, the Bank has not made any changes in classification criteria of financial instruments' (presented in the stand-alone statement of financial position at fair value) to each category reflecting the fair value (level I, level II, level III).

During the same period, the Bank has not made any changes in financial assets classification that could result from asset's purpose or usage change.

8. Net gain/ (loss) on derecognition of asset from balance sheet

The amount from derecognition of financial assets in the Bank comes down to gain on debt investment financial assets measured at fair value through other comprehensive income and amounted to PLN 174,201 thousand in the first half of 2020 (PLN 54,147 thousands in the first half of 2019).

Due to specific activity of the Bank, changes in debt investment financial assets measured at fair value through other comprehensive income are presented in operating activities in cash flow statement.

PLN '000	II quarter 01.04. - 30.06. 2020	I half of the year 01.01. - 30.06. 2020	II quarter 01.04. - 30.06. 2019	I half of the year 01.01. - 30.06. 2019
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income				
Polish treasury bonds	68,213	172,967	24,852	54,147
Treasury bills	1,234	1,234	-	-
	69,447	174,201	24,852	54,147

9. Additional information to the statement of cash flows

PLN'000	30.06.2020	31.12.2019	30.06.2019
Cash related items:			
Cash in hand	370,067	436,216	364,964
Nostro current account in Central Bank	1,847,841	3,300,490	11,172
Current accounts in other banks (nostro, overdrafts on loro accounts)	114,677	60,098	171,021
	2,332,585	3,796,804	547,157

10. Seasonality or periodicity of business activity

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

11. Issue, redemption and repayment of debt and equity securities

In the first half of 2020 no issue, pay back or repurchase of debt or equity securities took place.

12. Paid or declared dividends

Dividends paid for 2018

The Ordinary General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. (hereinafter WZ) adopted a resolution on distribution of the net profit for 2018 on June 5, 2019. The Meeting resolved to appropriate the amount of PLN 488,666,904.00 for the dividend payment, which means that the dividend per one ordinary share is PLN 3.74. The dividend has cash character and the number of shares covered by the dividend equals to 130,659,600.

Simultaneously, the WZ resolved to set the date of the right to the dividend for June 13, 2019 (the day of the dividend) and the day of the dividend payment for June 24, 2019 (the day of the dividend payment).

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

Dividends paid for 2019

The Ordinary General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. (hereinafter GM) adopted a resolution regarding the net profit for 2019 and for the previous years on June 4, 2020. The GM has decided to leave the profit entirely undistributed.

13. Changes in the Bank's structure

In the first half of 2020 the structure of the Bank has not changed. Changes in Group's structure were presented in consolidated interim financial statements of the Group.

14. Changes in granted and received financial and guarantee commitments

The detailed specification of granted and received financial and guarantee commitments as at 30 June 2020 and changes in comparison with the end of 2019 are as follows:

PLN '000	State as at		Change	
	30.06.2020	31.12.2019	PLN '000	%
Contingent liabilities and guarantees granted				
Letters of credit	174,540	182,326	(7,786)	(4.3%)
Guarantees granted	2,234,430	2,273,926	(39,496)	(1.7%)
Credit lines granted	14,554,270	13,016,317	1,537,953	11.8%
	16,963,240	15,472,569	1,490,671	9.6%
Letters of credit				
Import letters of credit issued	173,960	174,555	(595)	(0.3%)
Export letters of credit confirmed	580	7,771	(7,191)	100.0%
	174,540	182,326	(7,786)	(4.3%)

The provisions of contingent liabilities and guarantees granted by the Bank are established. As at 30 June, 2020 the amount of provisions of granted contingent liabilities and guarantees was PLN 82,634 thousand (31 December 2019: PLN 61,703 thousand).

Guarantees granted include guarantees of credit repayment for payer, other guarantees of payment, guarantees on advance payments, guarantees on properly performance, tender guarantees and endorsements on bills.

PLN '000	State as at		Change	
	30.06.2020	31.12.2019	PLN '000	%
Contingent liabilities and guarantees received				
Financial	-	-	-	-
Guarantees	20,235,408	20,106,687	128,721	0.6%
	20,235,408	20,106,687	128,721	0.6%

15. Information about shareholders

The table below presents the list of shareholders that hold at both 30 June 2020 and the day of publishing the standalone financial statements for the first half of 2020 directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital.

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

In the first half of 2020 the structure of major shareholdings of the Bank has not undergone any changes in comparison with the end of 2019.

16. Information on pending court proceedings

In the Group's opinion, no proceedings regarding receivables or liabilities of the Group conducted in the first half of 2020 in court, public administration authority or an arbitration authority is of significant value, except the cases described in the first point below, which value, in the Group's opinion, is unjustified.

- In January 2019, the Bank became aware of the filing of lawsuits by two previous agents, Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. with registered office in Warsaw and Rotsa Sales Direct Sp. z o.o. with registered office in Katowice. The lawsuits concerned claims related to agency agreements which in the past merged agents with the Bank.

On 27 May 2019 the Bank received a statement of claim submitted by Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. for the payment of PLN 386,139,180.89 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 50,017,463.89 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014. The Court has referred the matter to mediation proceedings, which have not resulted in a mutual agreement, so the Bank filed a response to the statement of claim on 20 February 2020.

On 10 February 2020 the Bank received a statement of claim submitted by Rotsa Sales Direct sp. z o.o. for the payment of PLN 419,712,468.48 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 33,047,245.20 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014. On 11 May 2020 the Bank filed a response to the suit. The court referred the matter to mediation that is pending.

In the Bank's opinion, the amount of claims filed by the companies is not justified. The Bank's position is confirmed by legally binding resolutions of legal actions taken by the companies against the Bank, which are beneficial for the Bank.

- As at 30 June 2020, the Bank was among others a party to 21 court proceedings associated with derivative transactions. Among these, 18 proceedings have not been terminated with a legally binding conclusion. One of them is pending in the Supreme Court cassation proceeding. In two of them, final termination of proceedings has taken place, yet the time for cassation appeals has still not lapsed. In 14 proceedings the Bank acted as a defendant and in 7 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by

court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.

- 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 addressees 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 the subject of legal analyses in appeal proceedings. On April 22, 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. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. 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. As the Bank submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict and the case has been returned to the Appeal Court for a second review. The appeals proceedings has begun again. In the first quarter of 2018, the Bank received the reimbursed of the fine which was recognized in the profit and loss. In the first half of 2020 the case did not develop.
- The Bank is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Bank has identified a number of doubts as regards interpretation of the above-mentioned judgment. As at the day of these financial statements, these doubts prevent a reliable and rational assessment of the influence of the judgment on proceedings pending before national courts and necessitate a thorough analysis of the relevant case law. Given the marginal share of mortgage loans indexed to CHF in the entire loan portfolio, the Bank finds that any court rulings on these loans that are unfavorable to the Bank should not significantly affect the Bank's financial situation.
- On September 11, 2019, CJEU passed a ruling in the case C 383/18, indicating the following interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers (Directive): "the right of the consumer to a reduction in the total cost of the credit in the event of early repayment of the credit includes all the costs imposed on the consumer." Hence, according to the provisions of the Directive, the above-mentioned right of the consumer includes costs both related and not related to the duration of the contract. In performance of the banking activities falling under the definition of a consumer credit, the Bank charged commissions which were, in the light of the practice being in place during this time, structurally not related to the duration of the contract and thus, not subject to reduction in the event of early repayment of a consumer credit. CJEU ruled on the interpretation of the provision of the Directive which is not directly binding upon domestic law entities and requires implementation into the national law, whose potential amendment, interpretation and application will be of significant importance in assessing customers' claims for the reimbursement of a part of commissions in the event of early repayment of a consumer credit.

In its practice, the Bank has taken into account the influence of the judgment on the interpretation of the national law, whereby the total cost of credit specified for consumer credit agreements concluded after the date of delivery of the judgment, will be accordingly reduced; the reduction will apply to all the costs borne by the consumer. As a reaction to changes of the market standards and the regulatory environment, the Bank will adjust the way of reducing total credit cost through applying the so called "linear method", suggested by UOKiK, the use of which has been declared by majority of banks.

The Bank is monitoring the risk of claims for the return of a part of commission. As of 30 June 2020, the Bank, based on internal and external legal analysis, previous court rulings in this case and the number of court cases received by the Bank, did not create provisions for potential commission returns for customers who repaid consumer loans earlier.

- As of 30 June 2020, the Group is sued in 99 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 521,315.00 and in 18 cases concerning a credit indexed to CHF for the total amount of PLN 2,789,940.00 (most of the cases are in the first instance).

In accordance with applicable regulations, the Bank recognizes impairment losses for receivables subject to legal proceedings.

In the case of legal proceedings involving the risk of cash outflow as a result of meeting the Bank's commitments, the appropriate provisions are created. The value of provisions for disputes as at 30 June 2020 is PLN 3,144 thousand. PLN (PLN 3,214 thousand as at December 31, 2019).

In the first half of 2020, the Group did not make any significant settlement due to court cases ended with a final judgment.

17. Transactions with the key management personnel

PLN '000	30.06.2020		31.12.2019	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted				
Current accounts	11,575	23,328	10,776	30,731
Term deposits	9,459	-	10,563	6,411
Deposits	21,034	23,328	21,339	37,142

As at 30 June 2020 and 31 December 2019, no loans or guarantees were granted to members of the Management Board and the Supervisory Board.

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

Staff expenses for the first half of 2020 include costs of remuneration and awards for current and former members of the Management Board amounting to PLN 12,428 thousand (for the first half of 2019: PLN 8,702 thousand).

From the scope of work relationship, among contracts of employment between Bank and Members of Management Board, only in one case of one Member of Management Board the contract includes a provision on the financial compensation in case of its termination upon notice.

A separate non-competition agreement conducted with the Bank applies to each member of the Bank's Management Board. According to its provisions, in case of termination of employment in the Bank, in the period of 12 months (in case of one member of the Management Board – of 6 months) from the date of employment termination, the member of the Management Board is obligated to refrain from competitive activities against the Bank. Due to limitations mentioned above, the Bank will be obliged to pay the compensation to the member of the Management Board.

18. Related parties

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

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

The transactions with related entities result from present Bank's activity and mainly include loans, deposits, guarantees and derivatives transactions.

Apart from the transactions described in this section, in the presented period neither the Bank nor the Bank's subsidiaries conducted any transactions with related entities, which would be individually or jointly significant. No transaction with related entities was concluded on terms other than market terms.

Transactions with subsidiaries

The receivables and liabilities towards subsidiaries are as follows

PLN '000	30.06.2020	31.12.2019
Receivables		
Overdraft facilities	-	71
Receivables		
Balance at the beginning of period	71	-
Balance at the end of period	-	71
Deposits		
Current accounts	289,210	137,792
Term deposits	70,665	130,546
	359,875	268,338
Deposits		
Balance at the beginning of period	268,338	262,840

PLN '000	30.06.2020	31.12.2019
Balance at the end of period	359,875	268,338
Contingent liabilities granted		-
Credit lines granted	80,550	80,550

PLN '000	01.01. - 30.06.2020	01.01. - 30.06.2019
Interest and commission income	1,152	1,647
Interest and commission expense	412	690
Other operating income	1,268	1,132

On 30 June 2020 and 31 December 2019 there were no write-offs due to value loss of receivables and contingent liabilities granted.

Transactions with other Citigroup Inc. subsidiaries

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

PLN '000	30.06.2020	31.12.2019
Receivables, including:	81,495	172,180
Deposits	-	-
Liabilities, including:	1,178,434	722,185
Deposits*	571,553	179,854
Derivative	-	-
Assets held-for-trading	937,173	449,183
Liabilities held-for-trading	366,848	379,293
Liabilities on hedge derivatives	-	-
Contingent liabilities granted	317,213	439,748
Contingent liabilities received	76,702	34,834
Contingent derivative transactions (liabilities granted/received), including:	59,446,985	28,293,455
Interest rate instruments	7,426,213	6,740,216
Currency instruments	50,914,167	20,561,934
Securities transactions	288,848	963,107
Commodity transactions	817,757	28,198

*Including deposits of parent undertaking in the amount of PLN 12 thousand (31 December 2019: PLN 12 thousand)

PLN '000	01.01. - 30.06.2020	01.01. - 30.06.2019
Interest and commission income*	14,272	14,964
Interest and commission expense*	5,115	35,588
General administrative expenses	82,391	87,065
Other operating income	7,340	4,387

*Interest and commission income in amount of PLN 458 thousand (for the first half of 2019: PLN 631 thousand) and interest and commission expense in amount of PLN 0 thousand (for the first half of 2019 PLN 2 thousand) refer to parent undertaking.

The Bank receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge market risk. These are back to back derivative transactions, opposite to transactions with Group's other clients and closing Bank's own position that is related to the risk of market parameter (exchange rate, FX), whereas the stable part e.g. the margin is not being closed due to no risk generated on these transactions. On 30 June 2020 net balance valuation of transactions on derivatives amounted to PLN 570,325 thousand (31 December 2019: PLN 215,756 thousand).

The Bank runs a compression of derivative transaction portfolios' periodically. It is one of the risk-mitigation techniques recommended by the "Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories" and the implementing regulations (EMIR Regulation). In accordance with the EMIR Regulation this in particular applies to the portfolios exceeding 500 derivative transactions.

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

The costs incurred and accrued (including VAT reflected in the Bank's costs) due to the concluded agreements were connected, in particular, with costs of services regarding maintenance of the Bank's information systems and advisory support and are presented in the General administrative expenses and other operating expenses; the income was related to data processing and other services rendered by the Bank and is presented in the Other operating income.

In the first half of 2020, there was capitalization of investments regarding the efforts over modification of the Bank's IT systems' functionality. Total value of payments to Citigroup Inc. units amounted to PLN 40,970 thousand (in 2019: PLN 55,708 thousand).

19. The impact of COVID-19 on the Bank's functioning

The impact of COVID-19 upon the Bank's functioning is presented in the Condensed Interim Consolidated Financial Statement of the Capital Group of Bank Handlowy w Warszawie S.A. for the 6-month period ended on 30 June 2020.

20. Other significant information

Personal changes in the Bank's bodies

On 31 March 2020, the Supervisory Board decided to appoint Dennis Hussey to perform the Vice-president of Management Board function for a three-year term. The term starts on 1 April 2020.

At the same time, the Supervisory Board appointed Maciej Kropidłowski and Barbara Sobala to perform the Vice-president of Management Board function for the next three-year term.

21. Major events after the balance sheet date

After the balance sheet date there were no events that should be disclosed in the financial statements.

Members of Management Board

24 August 2020 Date	Sławomir S. Sikora Name	The President of Management Board Position/Function
24 August 2020 Date	Natalia Bożek Name	Vice-president of Management Board Position/Function
24 August 2020 Date	Maciej Kropidłowski Name	Vice-president of Management Board Position/Function
24 August 2020 Date	Dennis Hussey Name	Vice-president of Management Board Position/Function
24 August 2020 Date	Barbara Sobala Name	Vice-president of Management Board Position/Function
24 August 2020 Date	James Foley Name	Member of Management Board Position/Function
24 August 2020 Date	Katarzyna Majewska Name	Member of Management Board Position/Function