

## Subject: Preliminary consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for 2018

The summary of the most important financial data and business information of Bank Handlowy w Warszawie S.A. (hereinafter referred to as "the Group") for 2018 is as follows:

- **The preliminary net profit** of PLN 638.9 million, up by PLN 103.3 million (or 19.3%) versus the net profit for 2017;
- **Total revenue** for 2018 increased by PLN 91.5 million (or 4.4%) to PLN 2,160.0 million;
- Maintenance of cost discipline as a result of which **total expenses** for 2018 went down by PLN 12.1 million (or 1.0%), despite the investments made to build the Citi Handlowy brand awareness and to increase sales of the Bank's credit products;
- **Net impairment losses** in 2018 dropped by PLN 39.7 million (or 38.5%) to PLN 63.5 million;
- **Return on equity (ROE)** of 10.0%, i.e. 1.5 percentage points increase over 2017;
- Strong growth dynamics of **loans in the Institutional Clients segment** by 14% YoY, primarily due to growing credit volumes of global clients and the largest Polish companies;
- Strong growth of **deposits in the Individual Clients segment** by 15% YoY, due to acquisition of new clients from the strategic target group;
- Maintenance of a strong and safe capital position, with **Capital Adequacy Ratio (CAR)** at the level of 16.8%.

### Consolidated income statement

PLN '000	01.01 – 31.12.2018	01.01 – 31.12.2017*	Change	
			PLN '000	%
Net interest income	1,107,574	1,082,147	25,427	2.3%
Net fee and commission income	549,948	580,661	(30,713)	(5.3%)
Dividend income	9,533	9,428	105	1.1%
Net income on trade financial instruments and revaluation	364,204	346,275	17,929	5.2%
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income <sup>a</sup>	112,631	35,772	76,859	214.9%
Net gain/(loss) on equity and other instruments measured at fair value through income statement <sup>b</sup>	6,522	3,377	3,145	93.1%
Net gain on hedge accounting	3,682	10,261	(6,579)	(64.1%)
Net other operating income	5,901	556	5,345	961.3%
<b>Total income</b>	<b>2,159,995</b>	<b>2,068,477</b>	<b>91,518</b>	<b>4.4%</b>
General administrative expenses and depreciation	(1,179,631)	(1,191,745)	12,114	(1.0%)
Net gain on sale of other assets	(813)	10,929	(11,742)	(107.4%)
Net impairment on financial assets and provisions for off-balance sheet commitments <sup>c</sup>	(63,511)	(103,189)	39,678	(38.5%)
Share in net profits of entities valued at equity method	(22)	242	(264)	(109.1%)
Tax on some financial institutions	(87,350)	(77,634)	(9,716)	12.5%
<b>Profit before tax</b>	<b>828,668</b>	<b>707,080</b>	<b>121,588</b>	<b>17.2%</b>
Corporate income tax	(189,816)	(171,514)	(18,302)	10.7%
<b>Net profit</b>	<b>638,852</b>	<b>535,566</b>	<b>103,286</b>	<b>19.3%</b>

\* On 1st. January 2018 Group adopted IFRS 9 "Financial instruments" for the first time without restatement of comparative data for earlier periods.

a. Corresponds to the 'Net gain on debt investment securities available-for-sale' in accordance with IAS 39.

b. Corresponds to the 'Net gain on equity investment instruments available-for-sale' in accordance with IAS 39.

c. Corresponds to the 'Net impairment due to financial assets and provisions for granted financial liabilities and guarantees' in accordance with IAS 39

The main determinants of the net operating income of the Group in 2018 were the following:

- Net interest income was the main source of the Group's revenue in the year 2018 (51.3% of total revenue). It amounted to PLN 1,107.6 million compared to PLN 1,082.1 million in 2017, up by PLN 25.4 million (or 2.3%).

Interest income in 2018 amounted to PLN 1,304.5 million, down by PLN 46.9 million (or 3.5%) versus 2017. The difference is mainly a result of the discontinuation of hedge accounting, and consequently the fact that interest income on derivative hedging instruments is no longer presented in this line (down by PLN 41.1 million, or 100% in 2018). At the same time, interest on amounts due from customers (both in financial and non-financial sectors), constituting the main source of interest income, amounted to PLN 949.5 million, up by PLN 33.7 million (or 3.7%)

compared to 2017. It was mainly due to an increase in the average volume of unsecured receivables from individual clients and increasing credit volumes in the Institutional Clients segment.

Interest expenses in 2018 dropped by PLN 72.3 million (or 26.9%) compared to 2017. The biggest change was reported in interest expense on derivatives in hedge accounting (down by PLN 61.1 million, or 94.3% in 2018). On the other hand, interest on amounts due to customers (both in the financial and the non-financial sectors), constituting the main source of interest expenses declined by PLN 17.0 million (or 10.3%) compared to 2017 due to a lower margin on institutional clients' deposits.

## Net interest income

PLN '000	01.01 –	01.01 –	Change	
	31.12.2018	31.12.2017*	PLN '000	%
<b>Interest income from:</b>				
<b>financial assets measured at amortized cost</b>				
Balances with Central Bank	6,559	16,885	(10,326)	(61.2%)
Amounts due from banks	22,941	22,086	855	3.9%
Amounts from customers, including:	949,496	915,768	33,728	3.7%
financial sector entities	55,653	50,042	5,611	11.2%
non-financial sector entities	893,843	865,726	28,117	3.2%
credit cards	286,435	282,408	4,027	1.4%
<b>Financial assets measured at fair value through comprehensive income</b>				
Debt investment financial assets measured at fair value through comprehensive income**	270,773	322,023	(51,250)	(15.9%)
<b>Similar income from:</b>				
<b>financial assets measured at fair value through financial result</b>				
Debt securities held-for-trading	44,802	26,417	18,385	69.6%
Liabilities with negative interest rate	9,943	7,161	2,782	38.8%
Derivatives in hedge accounting	-	41,070	(41,070)	(100.0%)
	<b>1,304,514</b>	<b>1,351,410</b>	<b>(46,896)</b>	<b>(3.5%)</b>
<b>Interest expense and similar charges for:</b>				
<b>financial liabilities measured at amortized cost</b>				
Amounts due to banks	(43,021)	(37,947)	(5,074)	13.4%
Amounts due to financial sector entities	(59,482)	(52,867)	(6,615)	12.5%
Amounts due to non-financial sector entities	(88,321)	(111,888)	23,567	(21.1%)
Loans and advances acquired	(246)	(500)	254	(50.8%)
<b>Financial liabilities measured at fair value through financial result</b>				
Assets with negative interest rate	(2,161)	(1,240)	(921)	74.3%
Derivatives in hedge accounting	(3,709)	(64,821)	61,112	(94.3%)
	<b>(196,940)</b>	<b>(269,263)</b>	<b>72,323</b>	<b>(26.9%)</b>
<b>Net interest income</b>	<b>1,107,574</b>	<b>1,082,147</b>	<b>25,427</b>	<b>2.3%</b>

\* On 1st. January 2018 Group adopted IFRS 9 "Financial instruments" for the first time without restatement of comparative data for earlier periods.

\*\* Corresponds to the 'Interest and similar income from debt securities available-for-sale' in accordance with IAS 39.

- net fee and commission income of PLN 549.9 million versus PLN 580.7 million in 2017 – down by PLN 30.7 million (or 5.3%) was primarily a result of the bearish sentiment on the domestic stock market and an increase in risk aversion among individual customers, which had a negative impact on net fee and commission income on insurance and investment products, brokerage operations and custody services. On the other hand, net fee and commission income from core operations grew by PLN 8.0 million (or 2.3%) compared to 2017.

## Net fee and commission income

PLN '000	01.01 –	01.01 –	Change	
	31.12.2018	31.12.2017	PLN '000	%
<b>Fee and commission income</b>				
Insurance and investment products*	82,085	106,016	(23,931)	(22.6%)
Payment and credit cards	159,205	158,443	762	0.5%
Payment orders	106,995	105,913	1,082	1.0%
Custody services*	85,086	89,443	(4,357)	(4.9%)

PLN '000	01.01 – 31.12.2018	01.01 – 31.12.2017	Change	
			PLN '000	%
Brokerage operations	42,665	55,332	(12,667)	(22.9%)
Cash management services	25,610	25,099	511	2.0%
Guarantees granted	19,194	19,289	(95)	(0.5%)
Financial liabilities granted	7,933	6,406	1,527	23.8%
Other	110,188	98,661	11,527	11.7%
installment products in credit card	27,483	26,142	1,341	5.1%
<b>Total</b>	<b>638,961</b>	<b>664,602</b>	<b>(25,641)</b>	<b>(3.9%)</b>
<b>Fee and commission expense</b>				
Payment and credit cards	(36,685)	(28,571)	(8,114)	28.4%
Brokerage operations	(12,865)	(16,181)	3,316	(20.5%)
Fees paid to the National Depository for Securities (KDPW)	(18,928)	(19,782)	854	(4.3%)
Brokerage fees	(4,516)	(4,412)	(104)	2.4%
Other	(16,019)	(14,995)	(1,024)	6.8%
<b>Total</b>	<b>(89,013)</b>	<b>(83,941)</b>	<b>(5,072)</b>	<b>6.0%</b>
<b>Net fee and commission income</b>				
Insurance and investment products*	82,085	106,016	(23,931)	(22.6%)
Payment and credit cards	122,520	129,872	(7,352)	(5.7%)
Payment orders	106,995	105,913	1,082	1.0%
Custody services*	85,086	89,443	(4,357)	(4.9%)
Brokerage operations	29,800	39,151	(9,351)	(23.9%)
Cash management services	25,610	25,099	511	2.0%
Guarantees granted	19,194	19,289	(95)	(0.5%)
Financial liabilities granted	7,933	6,406	1,527	23.8%
Fees paid to the National Depository for Securities (KDPW)	(18,928)	(19,782)	854	(4.3%)
Brokerage fees	(4,516)	(4,412)	(104)	2.4%
Other	94,169	83,666	10,503	12.6%
<b>Net fee and commission income</b>	<b>549,948</b>	<b>580,661</b>	<b>(30,713)</b>	<b>(5.3%)</b>

\*Starting from 1st quarter 2018 the remuneration of the Bank from distribution of structured bonds for customers of Retail Sector, presented earlier in Custody services was moved to Insurance and investment products distribution. Comparative data was respectively restated.

- other operating profit (i.e. non-interest and non-commission income) of PLN 502.5 million compared to PLN 405.7 million in 2017. Increase in other operating income by PLN 96.8 million (or 23.9%) was mainly due to a higher net gain on debt investment financial assets measured at fair value through income statement by PLN 76.9 million as a result of the favorable conditions on the domestic debt market in 2018. At the same time, net income on trade financial instruments and revaluation went up by PLN 17.9 million as a result of an increase of the customer business income – FX transactions.
- general administrative and depreciation expenses in 2018 amounted to PLN 1,179.6 million, down by PLN 12.1 million (or 1.0%). The biggest change was observed in administrative expenses (down by PLN 8.6 million, or 1.5%), due to a lower annual contribution to the BFG's obligatory Resolution Fund and lower rent costs. On the other hand, an increase was reported in the expenses associated with the sale of banking products and the advertising and marketing costs due to investments made to build the Citi Handlowy brand awareness.

## General administrative expenses and depreciation expense

PLN '000	01.01 – 31.12.2018	01.01 – 31.12.2017	Change	
			PLN '000	%
<b>Staff expenses</b>	<b>(529,500)</b>	<b>(531,316)</b>	<b>1,816</b>	<b>(0.3%)</b>
Remuneration costs	(385,245)	(389,404)	4,159	(1.1%)
Bonuses and rewards	(81,241)	(80,020)	(1,221)	1.5%
Social security costs	(63,014)	(61,892)	(1,122)	1.8%
<b>Administrative expenses</b>	<b>(578,747)</b>	<b>(587,337)</b>	<b>8,590</b>	<b>(1.5%)</b>
Telecommunication fees and hardware purchase costs	(187,339)	(188,484)	1,145	(0.6%)
Costs of external services, including advisory, audit and consulting	(55,169)	(53,447)	(1,722)	3.2%
Building maintenance and rent costs	(64,208)	(69,409)	5,201	(7.5%)
Advertising and Marketing costs	(47,213)	(42,702)	(4,511)	10.6%
Cash management services, clearing house (KIR) services and other transactional costs	(37,634)	(39,076)	1,442	(3.7%)

PLN '000	01.01 – 31.12.2018	01.01 – 31.12.2017	Change	
			PLN '000	%
Costs of external services concerning distribution of banking products	(40,402)	(33,486)	(6,916)	20.7%
Postal services, office supplies and printmaking costs	(7,657)	(9,630)	1,973	(20.5%)
Training and education costs	(1,409)	(1,815)	406	(22.4%)
Banking and capital supervision costs	(4,316)	(3,258)	(1,058)	32.5%
Bank Guarantee Funds costs	(61,720)	(71,226)	9,506	(13.3%)
Other costs	(71,680)	(74,804)	3,124	(4.2%)
<b>Depreciation/amortization of tangible and intangible assets</b>	<b>(71,384)</b>	<b>(73,092)</b>	<b>1,708</b>	<b>(2.3%)</b>
<b>General administrative expenses and depreciation expense in total</b>	<b>(1,179,631)</b>	<b>(1,191,745)</b>	<b>12,114</b>	<b>(1.0%)</b>

- net impairment losses of PLN 63.5 million versus the 2017 net impairment losses of PLN 103.2 million – improvement by PLN 39.7 million mainly in the Institutional Clients segment (reversal of net impairment losses of PLN 8.6 million in 2018 versus net impairment losses of PLN 51.4 million in 2017) due to lower NPL write-offs and repayment of some loans. The Consumer Banking segment reported a higher negative result in net impairment losses on financial assets, i.e. PLN 72.1 million compared to PLN 51.8 million in 2017, primarily due to implementation of IFRS 9 and new impaired accounts.

### Net impairment allowances for financial assets and net provisions for financial liabilities and guarantees granted

PLN '000	2018	2017*	Change	
			PLN '000	%
<b>Net impairment on amounts due from banks</b>				
Write-offs creation	(5,664)	(1,471)	(4,193)	285.0%
Write-offs reversals	4,355	512	3,843	750.6%
	<b>(1,309)</b>	<b>(959)</b>	<b>(350)</b>	<b>36.5%</b>
<b>Net impairment on amounts due from customers</b>				
<b>Write-offs creation and reversals</b>				
Write-offs creation	(214,504)	(211,432)	(3,072)	1.5%
Net write-offs creation on receivables on taken instruments transactions	(215)	(155)	(60)	38.7%
Write-offs reversals	140,482	99,810	40,672	40.7%
Net write-offs creation on receivables on taken instruments transactions	208	1,545	(1,337)	(86.5%)
Other	(1,070)	5,358	(6,428)	(120.0%)
<b>Recoveries from sold debts</b>	<b>2,373</b>	<b>8,219</b>	<b>(5,846)</b>	<b>(71.1%)</b>
	<b>(72,726)</b>	<b>(96,655)</b>	<b>23,929</b>	<b>(24.8%)</b>
<b>Net impairment on debt investment financial assets measured at fair value through other comprehensive income</b>				
Write-offs reversals	-	-	-	-
	1,069	-	1,069	-
	<b>1,069</b>	<b>-</b>	<b>1,069</b>	<b>-</b>
<b>Net impairment on financial assets</b>				
	<b>(72,966)</b>	<b>(97,614)</b>	<b>24,648</b>	<b>(25.3%)</b>
<b>Net impairment on provisions for granted off-balance sheet commitments</b>				
Created provisions for granted financial and guarantee commitments	(33,810)	(17,773)	(16,037)	90.2%
Release of provisions for granted financial and guarantee commitments	43,265	12,198	31,067	254.7%
	<b>9,455</b>	<b>(5,575)</b>	<b>15,030</b>	<b>(269.6%)</b>
<b>Net impairment on financial assets and provisions for off-balance sheet commitments</b>				
	<b>(63,511)</b>	<b>(103,189)</b>	<b>39,678</b>	<b>(38.5%)</b>

\* On 1st. January 2018 Group adopted IFRS 9 "Financial instruments" for the first time without restatement of comparative data for earlier periods.

- The total charge to the income statement of the Group due to the tax on certain financial institutions in 2018 amounted to PLN 87.4 million compared to PLN 77.6 million in 2017.

## Consolidated statement of comprehensive income

PLN'000	01.01 – 31.12.2018	01.01 – 31.12.2017*
<b>Net profit</b>	<b>638,852</b>	<b>535,566</b>
<b>Other comprehensive income, that might be subsequently reclassified to profit or loss:</b>		
Changes in value of financial assets measured at fair value through other comprehensive income <sup>d</sup>	94,286	205,725
Currency translation differences	162	(314)
<b>Other comprehensive income, that cannot be subsequently reclassified to profit or loss</b>		
Net actuarial profits on specific services program valuation	(2,842)	(334)
<b>Other comprehensive income net of tax</b>	<b>91,606</b>	<b>205,077</b>
<b>Total comprehensive income</b>	<b>730,458</b>	<b>740,643</b>

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d. Corresponds to the 'Net value of available-for-sale financial assets' in accordance with IAS 39.

## Consolidated statement of financial position

As of December 31, 2018, total assets of the Group amounted to PLN 49,304.7 million, up by 14.6 % compared to the end of 2017.

As of the end of 2018 net amounts due from customers had the biggest share in the Group's total assets. As of the end of December 2018 they accounted for 44.5% of the Group's total assets. The value of net amounts due from customers as of the end of December 2018 amounted to PLN 21.9 billion, and was significantly higher by PLN 2.1 billion (or 10.6%) compared to 2017 and was driven mainly by increased lending to the non-financial sector clients (PLN +1.9 billion, or 10.9%). Amounts due from customers in the non-financial sector increased both on the institutional clients side (PLN 1.6 billion, or 14.4%; increase was reported in all customer segments) and the individual customers side (PLN 0.4 billion, or 5.3%; due to higher balances of unsecured and mortgage loans).

As of December 31, 2018, total liabilities of the Group amounted to PLN 42.2 billion, up by PLN 6.1 billion (or 17.0%) compared to the end of 2017.

In 2018 amounts due to customers were the dominant source of financing of the Group's activity and accounted for 77.7% of the Group's liabilities and own funds. Total amounts due to customers as of the end of 2018 amounted to PLN 38.3 billion, up by PLN 6.2 billion (or 19.3%) compared to the end of 2017. The main driver of growth were deposits of non-financial sector clients, which grew by PLN 4.0 billion versus 2017, and the biggest growth was reported mainly in current accounts and was a result of a consistent strategy to focus on these accounts.

## Consolidated statement of financial position

PLN '000	State as at		Change	
	31.12.2018	31.12.2017*	PLN '000	%
<b>ASSETS</b>				
Cash and balances with the Central Bank	7,272,193	462,126	6,810,067	-
Amounts due from banks	1,333,977	836,774	497,203	59.4%
Financial assets held-for-trading	2,237,076	2,179,925	57,151	2.6%
Debt financial assets measured at fair value through other comprehensive income <sup>e</sup>	14,241,363	17,439,439	(3,198,076)	(18.3%)
Equity investments valued at equity method	10,399	10,664	(265)	(2.5%)
Equity and other instruments measured at fair value through income statement <sup>f</sup>	48,768	26,500	22,268	84.0%
Amounts due from customers	21,949,014	19,849,033	2,099,981	10.6%
Tangible fixed assets	364,261	376,775	(12,514)	(3.3%)
Intangible assets	1,418,794	1,352,413	66,381	4.9%
Income tax assets	1,744	667	1,077	161.5%
Deferred income tax asset	204,207	175,904	28,303	16.1%
Other assets	222,918	325,448	(102,530)	(31.5%)
Fixed assets held-for-sale	-	1,928	(1,928)	(100.0%)
<b>Total assets</b>	<b>49,304,714</b>	<b>43,037,596</b>	<b>6,267,118</b>	<b>14.6%</b>
<b>LIABILITIES</b>				
Due to banks	1,402,233	1,568,376	(166,143)	(10.6%)
Financial liabilities held-for-trading	1,609,382	1,353,215	256,167	18.9%
Hedging derivatives	-	50,191	(50,191)	(100.0%)

PLN '000	State as at		Change	
	31.12.2018	31.12.2017*	PLN '000	%
Due to customers	38,334,345	32,136,698	6,197,647	19.3%
Provisions	29,984	18,300	11,684	63.8%
Current income tax liabilities	66,297	52,340	13,957	26.7%
Other liabilities	805,723	919,593	(113,870)	(12.4%)
<b>Total liabilities</b>	<b>42,247,964</b>	<b>36,098,713</b>	<b>6,149,251</b>	<b>17.0%</b>
<b>EQUITY</b>				
Share capital	522,638	522,638	-	-
Share premium	3,003,290	3,003,969	(679)	-
Revaluation reserve	84,372	(9,118)	93,490	-
Other reserves	2,883,838	2,895,598	(11,760)	(0.4%)
Retained earnings	562,612	525,796	36,816	7.0%
<b>Total equity</b>	<b>7,056,750</b>	<b>6,938,883</b>	<b>117,867</b>	<b>1.7%</b>
<b>Total liabilities and equity</b>	<b>49,304,714</b>	<b>43,037,596</b>	<b>6,267,118</b>	<b>14.6%</b>

\* On 1st. January 2018 Group adopted IFRS 9 "Financial instruments" for the first time without restatement of comparative data for earlier periods.

e. Corresponds to the 'Debt securities available-for-sale' in accordance with IAS 39.

f. Corresponds to the 'Equity investments available for sale' in accordance with IAS 39.

## Receivables from customers divided into at risk and not at risk of impairment

PLN'000	As of		Change	
	31 Dec 2018	31 Dec 2017*	PLN'000	%
<b>Loans without recognized impairment (Stage 1), including:</b>	<b>20,246,985</b>	<b>19,714,214</b>	<b>532,771</b>	<b>2.7%</b>
financial sector entities	2,148,206	1,995,354	152,852	7.7%
non-financial sector entities	18,098,779	17,718,860	379,919	2.1%
institutional clients**	11,752,193	10,946,510	805,683	7.4%
individual customers	6,346,586	6,772,350	(425,764)	(6.3%)
<b>Loans without recognized impairment (Stage 2), including:</b>	<b>1,642,100</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
financial sector entities	-	n/a	n/a	n/a
non-financial sector entities	1,642,100	n/a	n/a	n/a
institutional clients**	832,118	n/a	n/a	n/a
individual customers	809,982	n/a	n/a	n/a
<b>Loans with recognized impairment (Stage 3), including:</b>	<b>669,671</b>	<b>660,094</b>	<b>9,577</b>	<b>1.5%</b>
financial sector entities	-	17,136	(17,136)	(100.0%)
non-financial sector entities	669,671	642,958	26,713	4.2%
institutional clients**	291,221	322,643	(31,422)	(9.7%)
individual customers	378,450	320,315	58,135	18.1%
<b>Amounts due from matured transactions in derivative instruments (Stage 3)</b>	<b>56,818</b>	<b>62,508</b>	<b>(5,690)</b>	<b>(9.1%)</b>
<b>Total gross loans to customers, including:</b>	<b>22,615,574</b>	<b>20,436,816</b>	<b>2,178,758</b>	<b>10.7%</b>
financial sector entities	2,148,206	2,012,490	135,716	6.7%
non-financial sector entities	20,410,550	18,361,818	2,048,732	11.2%
institutional clients**	12,875,532	11,269,153	1,606,379	14.3%
individual customers	7,535,018	7,092,665	442,353	6.2%
<b>Impairment, including:</b>	<b>(666,560)</b>	<b>(587,783)</b>	<b>(78,777)</b>	<b>13.4%</b>
Amounts due from matured transactions in derivative instruments	(50,859)	(54,295)	3,436	(6.3%)
<b>Total net amounts due from customers</b>	<b>21,949,014</b>	<b>19,849,033</b>	<b>2,099,981</b>	<b>10.6%</b>
<b>Impairment provisions coverage ratio***</b>	<b>91.9%</b>	<b>80.8%</b>		
institutional clients**	81.5%	68.3%		
individual customers	99.6%	92.3%		
<b>Non-performing loans ratio (NPL)</b>	<b>3.0%</b>	<b>3.2%</b>		

\* On 1st. January 2018 Group adopted IFRS 9 "Financial instruments" for the first time without restatement of comparative data for earlier periods.

\*\* Institutional clients include enterprises, the public sector, state-owned and private companies, co-operatives, individual enterprises, non-commercial institutions acting for the benefit of households.

\*\*\* Ratio was calculated including receivables impairment classified to Stage 1 and Stage 2.

## Customer net receivables

PLN '000	31.12.2018	31.12.2017	Change	
			PLN '000	%
<b>Receivables from financial sector entities</b>	<b>2,146,815</b>	<b>1,995,017</b>	<b>151,798</b>	<b>7.6%</b>
<b>Receivables from non-financial sector entities including:</b>	<b>19,802,199</b>	<b>17,854,016</b>	<b>1,948,183</b>	<b>10.9%</b>
Institutional customers*	12,644,282	11,056,890	1,587,392	14.4%
Individual customers, including:	7,157,917	6,797,126	360,791	5.3%
Unsecured receivables	5,508,151	5,323,199	184,952	3.5%
Mortgage loans	1,649,766	1,473,927	175,839	11.9%
<b>Total net customer receivables</b>	<b>21,949,014</b>	<b>19,849,033</b>	<b>2,099,981</b>	<b>10.6%</b>

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

## Receivables from individual clients – management view

PLN '000	31.12.2018	31.12.2017	Change	
			PLN '000	%
Unsecured receivables, including:	5,508,151	5,323,199	184,952	3.5%
Credit cards	2,721,397	2,535,457	185,940	7.3%
Cash loans	2,723,192	2,735,544	(12,352)	(0.5%)
Other unsecured receivables	63,562	52,198	11,364	21.8%
Mortgage loans	1,649,766	1,473,927	175,839	11.9%
<b>Total net individual clients' receivables</b>	<b>7,157,917</b>	<b>6,797,126</b>	<b>360,791</b>	<b>5.3%</b>

## Customer liabilities

PLN '000	31.12.2018	31.12.2017	Change	
			PLN '000	%
<b>Current accounts of:</b>	<b>25,692,030</b>	<b>22,660,986</b>	<b>3,031,044</b>	<b>13.4%</b>
financial sector entities	704,512	531,361	173,151	32.6%
non-financial sector entities, including:	24,987,518	22,129,625	2,857,893	12.9%
institutional customers*, including:	15,607,453	13,593,215	2,014,238	14.8%
budgetary units	3,676,760	2,826,740	850,020	30.1%
individual customers	9,380,065	8,536,410	843,655	9.9%
<b>Term deposits from:</b>	<b>12,405,418</b>	<b>9,284,167</b>	<b>3,121,251</b>	<b>33.6%</b>
financial sector entities	6,335,488	4,321,787	2,013,701	46.6%
non-financial sector entities, including:	6,069,930	4,962,380	1,107,550	22.3%
institutional customers*, including:	3,546,663	3,150,070	396,593	12.6%
budgetary units	69,706	96,966	(27,260)	(28.1%)
individual customers	2,523,267	1,812,310	710,957	39.2%
<b>Total customers deposits</b>	<b>38,097,448</b>	<b>31,945,153</b>	<b>6,152,295</b>	<b>19.3%</b>
<b>Other liabilities to customers</b>	<b>236,897</b>	<b>191,545</b>	<b>45,352</b>	<b>23.7%</b>
<b>Total liabilities towards customers</b>	<b>38,334,345</b>	<b>32,136,698</b>	<b>6,197,647</b>	<b>19.3%</b>

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

## Financial ratios and employment data

In 2018, the key financial ratios were as follows:

Ratios	2018	2017
ROE	10.0%	8.5%
ROA	1.4%	1.2%
Cost/Income	55%	58%
Interest margin on total assets	2.5%	2.5%
Interest margin on interest-bearing assets	2.6%	2.7%



Non-financial sector loans/ Non-financial sector deposits	64%	66%
Capital adequacy ratio	16.8%	17.9%

## Employment in the Group

In full time job equivalents (FTE)	01.01 – 31.12.2018	01.01 – 31.12.2017	Change	
			FTEs	%
Average employment in the period	3,413	3,561	(148)	(4.2%)
Employment at the end of quarter	3,276	3,487	(211)	(6.1%)

## Consolidated income statement of the Group by business segments

For the period	01.01 – 31.12.2018			01.01 -31.12.2017*		
	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
<i>PLN '000</i>						
Net interest income	499,331	608,243	1,107,574	501,716	580,431	1,082,147
Net fee and commission income	283,490	266,458	549,948	282,705	297,956	580,661
Dividend income	1,474	8,059	9,533	1,634	7,794	9,428
Net income on trade financial instruments and revaluation	335,714	28,490	364,204	316,484	29,791	346,275
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income**	112,631	-	112,631	35,772	-	35,772
Net gain/(loss) on equity and other instruments measured at fair value through income statement***	6,522	-	6,522	3,377	-	3,377
Net loss on hedge accounting	3,682	-	3,682	10,261	-	10,261
Net other operating income	9,199	(3,298)	5,901	19,123	(18,567)	556
General administrative expenses	(490,817)	(617,430)	(1,108,247)	(484,315)	(634,338)	(1,118,653)
Depreciation and amortization	(18,326)	(53,058)	(71,384)	(19,504)	(53,588)	(73,092)
Profit on sale of other assets	(829)	16	(813)	10,836	93	10,929
Net impairment loss on financial assets and provisions for off-balance sheet commitments ****	8,628	(72,139)	(63,511)	(51,365)	(51,824)	(103,189)
<b>Operating income</b>	<b>750,699</b>	<b>165,341</b>	<b>916,040</b>	<b>626,724</b>	<b>157,748</b>	<b>784,472</b>
Share in net profits (losses) of entities valued at equity method	(22)	-	(22)	242	-	242
Tax on some financial institutions	(64,339)	(23,011)	(87,350)	(56,077)	(21,557)	(77,634)
<b>Profit before tax</b>	<b>686,338</b>	<b>142,330</b>	<b>828,668</b>	<b>570,889</b>	<b>136,191</b>	<b>707,080</b>
Income tax expense			(189,816)			(171,514)
<b>Net profit</b>			<b>638,852</b>			<b>535,566</b>

\* On 1st. January 2018 Group adopted IFRS 9 "Financial instruments" for the first time without restatement of comparative data for earlier periods.

\*\* Corresponds to the 'Debt securities available-for-sale' in accordance with IAS 39.

\*\*\*Corresponds to the 'Equity investments available for sale' in accordance with IAS 39.

\*\*\*\* Corresponds to the 'Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees' in accordance with IAS 39.