Interim Condensed Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the First Quarter 2013

May 2013

TRANSLATION

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	First quarter accruals period from 01.01.13 to 31.03.13	First quarter accruals period from 01.01.12 to 31.03.12	First quarter accruals period from 01.01.13 to 31.01.13	First quarter accruals period from 01.01.12 to 31.01.12
Data related to the condensed consolidated financial statements				
Interest income	441,865	535,362	105,866	128,230
Fee and commission income	193,434	181,136	46,345	43,386
Profit before tax	439,515	309,208	105,303	74,062
Net profit	355,427	243,571	85,157	58,340
Total income	170,379	356,318	40,821	85,346
Increase of net cash	(300,998)	1,147,643	(72,116)	274,885
Total assets*	42,742,224	43,508,763	10,231,777	10,642,523
Amounts due to banks*	5,678,309	2,356,429	1,359,293	576,398
Amounts due to customers*	22,808,554	26,852,165	5,459,988	6,568,212
Shareholders' equity	7,561,794	6,800,799	1,810,168	1,634,179
Share capital	522,638	522,638	125,111	125,586
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	57.87	52.05	13.85	12.51
Capital adequacy ratio (%)*	18.5	18.1	18.5	18.1
Earnings per ordinary share (PLN / EUR)	2.72	1.86	0.65	0.45
Diluted net earnings per share (PLN / EUR)	2.72	1.86	0.65	0.45
Data related to the condensed unconsolidated financial statements				
Interest income	437,061	527,818	104,715	126,423
Fee and commission income	162,107	165,312	38,839	39,596
Profit before tax	420,083	299,008	100,648	71,619
Net profit	340,035	236,201	81,469	56,575
Total income	154,339	350,767	36,978	84,016
Increase of net cash	(290,477)	1,132,575	(69,595)	271,275
Total assets*	41,863,025	42,873,788	10,021,311	10,487,204
Amounts due to banks*	5,417,477	2,097,033	1,296,854	512,948
Amounts due to customers*	22,809,212	26,882,179	5,460,146	6,575,554
Shareholders' equity	7,498,067	6,706,354	1,794,912	1,611,485
Share capital	522,638	522,638	125,111	125,586
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	57.39	51.33	13.74	12.33
Capital adequacy ratio (%)*	18.3	17.7	18.3	17.7
Earnings per ordinary share (PLN / EUR)	2.60	1.81	0.62	0.43
Diluted net earnings per share (PLN / EUR)	2.60	1.81	0.62	0.43
Declared or paid dividend per share (PLN / EUR)**	5.79	2.76	1.39	0.66

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

*** The presented ratios are related to dividend declared from the distribution of 2012 profit and dividend paid in 2012 from the distribution of 2011 profit.*

**** The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 31 March 2013 - PLN 4.1774 (as at 31 December 2012: PLN 4.0882; as at 31 March 2012 – PLN 4.1616); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the first quarter of 2013 - PLN 4.1738 (in the first quarter of 2012: PLN 4.1750).*

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Condensed consolidated income statement

PLN '000	First quarter accruals period from 01.01.13 to 31.03.13	First quarter accruals period from 01.01.12 to 31.03.12
Interest and similar income	441,865	535,362
Interest expense and similar charges	(114,773)	(137,473)
Net interest income	327,092	397,889
Fee and commission income	193,434	181,136
Fee and commission expense	(29,804)	(29,036)
Net fee and commission income	163,630	152,100
Net income on trade financial instruments and revaluation	120,761	117,006
Net gain on debt investment securities	171,964	72,929
Net gain on capital investment instruments	1,844	-
Other operating income	20,021	13,223
Other operating expenses	(10,565)	(14,451)
Net other operating income	9,456	(1,228)
General administrative expenses	(331,297)	(398,582)
Depreciation of tangible and intangible assets	(13,406)	(16,423)
Profit/(loss) on sale of non-financial assets	68	49
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	(10,470)	(14,772)
Operating income	439,642	308,968
Share in net profits/(losses) of entities valued at equity method	(127)	240
Profit before tax	439,515	309,208
Income tax expense	(84,088)	(65,637)
Net profit	355,427	243,571
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net earnings per share (in PLN)	2.72	1.86
Diluted net earnings per share (in PLN)	2.72	1.86
Including:		
Net profit due to shareholders of the dominant entity	355,427	243,571
Net profit due to non-controlling shareholders	-	-

Condensed consolidated statement of comprehensive income

PLN '000	First quarter accruals period from 01.01.13 to 31.03.13	First quarter accruals period from 01.01.12 to 31.03.12
Net income	355,427	243,571
Other comprehensive income:		
Valuation of financial assets available-for-sale (net)	(185,694)	114,599
Exchange rate differences	646	(1,852)
Other comprehensive income after tax	(185,048)	112,747
Total comprehensive income	170,379	356,318
Including:		
Comprehensive income due to shareholders of the dominant entity	170,379	356,318
Comprehensive income due to non-controlling shareholders	-	-

Condensed consolidated statement of financial position

State as at *PLN '000*	30.03.2013	31.12.2012
ASSETS		
Cash and balances with the Central Bank	1,023,879	1,357,308
Amounts due from banks	1,439,236	1,461,901
Financial assets held-for-trading	9,174,851	6,838,483
Debt securities available-for-sale	11,997,087	15,003,003
Capital investments valued at equity method	14,982	15,110
Other capital investments	15,215	19,921
Amounts due from customers	16,261,950	16,221,412
Tangible fixed assets	399,056	409,916
Intangible assets	1,386,656	1,379,931
Income tax assets	234,545	221,488
Current	1,378	2,702
Deferred	233,167	218,786
Other assets	782,213	567,736
Fixed assets held-for-sale	12,554	12,554
Total assets	42,742,224	43,508,763
LIABILITIES		
Amounts due to banks	5,678,309	2,356,429
Financial liabilities held-for-trading	5,299,084	5,846,404
Amounts due to customers	22,808,554	26,852,165
Provisions	29,394	28,656
Income tax liabilities	50,797	55,343
Current	50,797	55,343
Other liabilities	1,314,292	978,351
Total liabilities	35,180,430	36,117,348
EQUITY		
Share capital	522,638	522,638
Share premium	3,011,380	3,011,380
Revaluation reserve	72,097	257,791
Other reserves	2,637,918	2,637,066
Retained earnings	1,317,761	962,540
Total equity	7,561,794	7,391,415
Total liabilities and equity	42,742,224	43,508,763

Condensed consolidated statement of changes in equity

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
Balance as at 1 January 2013	522,638	3,011,380	257,791	2,637,066	962,540	-	7,391,415
Total comprehensive income	-	-	(185,694)	646	355,427	-	170,379
Transfer to capital	-	-	-	206	(206)	-	-
Balance as at 31 March 2013	522,638	3,011,380	72,097	2,637,918	1,317,761	-	7,561,794

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
Balance as at 1 January 2012	522,638	3,009,396	(82,294)	2,264,082	730,659	-	6,444,481
Total comprehensive income	-	-	114,599	(1,852)	243,571	-	356,318
Balance as at 31 March 2012	522,638	3,009,396	32,305	2,262,230	974,230	-	6,800,799

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controllin g shares	Total equity
Balance as at 1 January 2012	522,638	3,009,396	(82,294)	2,264,082	730,659	-	6,444,481
Total comprehensive incomes	-	-	340,085	(2,386)	970,132	-	1,307,831
Dividends paid	-	-	-	-	(360,897)	-	(360,897)
Transfer to capital	-	1,984	-	375,370	(377,354)	-	-
Balance as at 31 December 2012	522,638	3,011,380	257,791	2,637,066	962,540	-	7,391,415

Condensed consolidated statement of cash flows

PLN '000	First quarter accruals period from 01.01.13 to 31.03.13	First quarter accruals period from 01.01.12 to 31.03.12
Cash at the beginning of the reporting period	1,544,322	1,044,182
Cash flows from operating activities	(275,227)	1,197,116
Cash flows from investing activities	(9,585)	(16,904)
Cash flows from financing activities	(16,186)	(32,569)
Cash at the end of the reporting period	1,243,324	2,191,825
Increase / (decrease) in net cash	(300,998)	1,147,643

Supplementary notes to the condensed consolidated financial statements

1 General information about the Bank and the Capital Group

Bank Handlowy w Warszawie S.A. ("the dominant entity", "the Bank", "Citi Handlowy") has its registered office in Warsaw at Senatorska 16, 00-923 Warszawa. The Bank was founded on the strength of a Notarial Deed of 13 April 1870 and is registered in the Register of Entrepreneurs in the National Court Register kept by the District Court for Warsaw, XII Commercial Department in Warsaw, under KRS number 0000001538.

The Bank was given REGON number: 000013037 and tax identification number NIP: 526-030-02-91.

The Bank and the Group were set up for unspecified period of time.

Issued capital of the Bank equals PLN 522,638,400 and is divided into 130,659,600 common shares, with nominal value of PLN 4.00 per share. The shares are quoted on the Warsaw Stock Exchange.

The Group is a member of Citigroup Inc. Citibank Overseas Investments Corporation, a subsidiary of Citibank N.A., is the parent of the Bank.

The Bank is a universal bank that offers a wide range of banking services for individuals and corporate customers on the domestic and foreign markets. Additionally, the Group conducts the following activities through its subordinated entities:

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

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2013	31.12.2012
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00
Entities valued at equity method			
Handlowy Inwestycje Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.a.r.l.	Luxembourg	100.00	100.00

In the first quarter of 2013 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 Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2012.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes). The Bank is obliged to publish its financial results for the 3 month period ended 31 March 2013 which is deemed to be the current interim financial reporting period.

3 Principles accepted at the composition of the report

The condensed interim consolidated financial statements of the Group for the first quarter 2013 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the period ended 31 December 2012.

The preparation of condensed interim consolidated financial statements of the Group with accordance to IFRS requires form the Management to make certain estimates and adopting the related assumptions that affect the amounts reported in the financial statements. This financial statement is based on the same estimation rules, which were used in the annual financial statements of the Group for the period ended 31 December 2012, including the reasons and sources of uncertainty as at the balance sheet date.

The most significant estimates made for the 3 month period ended 31 March 2013, concern:
- Value loss of financial assets,
- Valuation to the fair value of derivatives,
- Employee benefits.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2013 to 31 March 2013. Comparable financial data are presented for the period from 1 January 2012 to 31 March 2012 and for the statement of financial position as at 31 December 2012.

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

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

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

The monthly macroeconomic figures indicate that in Q1 2013 economic growth stabilized at a very low level of less than 1% YoY, just like in Q4 2012. Between January and March 2013, industrial production fell by 2% compared to the same period a year earlier. The PMI stayed below 50 points, indicating that the trend of reducing activity in the industry would continue due to the still slow growth of both domestic and export orders. In the first two months of the year, exports grew by 5.1% YoY on the average, compared to 8.3% in Q4 2012. On the other hand, in January and February 2013 import dropped by 3.9% YoY, unlike in Q4 2012, when it rose by 4% on the average. This fall in import was mainly due to the weakening domestic demand, including a significant slow-down in private consumption in the previous quarters.

Weakening domestic demand and reductions of controlled prices significantly dampened inflation in the first months of 2013. Consumer prices (CPI) grew only by 1.3% YoY in Q1 2013 compared to 2.9% in the last three months of 2012. Hence the CPI fell through the bottom of the range of permissible volatility around the Monetary Policy Council inflation target, namely 1.5% - 3.5%. The reduction of the natural gas price and the decelerating dynamics of fuel prices were significant factors dampening price growth.

In response to signs of an economic slowdown and a weaker inflationary pressure, monetary authorities decided to relax the monetary policy further. In Q1 2013, the Monetary Policy Council cut interest rates to 3.25%, sooner than the market expected. Although the communication after the

March meeting of the MPC suggested that the cycle of rate cuts may end, what members of monetary authorities said in April suggests that further interest rate reductions are likely as early as in Q2 2013.

In Q1 2013, the zloty weakened somewhat against the euro, with the EUR/PLN exchange rate rising to 4.18 from 4.09 at the end of 2012. The USD/PLN exchange rate climbed to 3.26 at the end of March from 3.10 at the end of December 2012. The worsening financial crisis in Cyprus and negotiations on a bailout package for this country became one of the important events in Q1 2013. Nevertheless, the zloty exchange rate and the prices of Polish assets remained relatively stable in this period, showing resistance to news from the euro zone.

Regardless of a significant volatility on the debt market in the late Q1 2013, bond yields at the short end of the yield curve were close to their levels as of the end of last year, while they were up a bit at the long end of the curve. The beginning of the year was marked by a weakening of bonds, partly resulting from the tone of MPC communications and comments which suggested that the cycle of monetary policy relaxation would soon end. At the same time, the long end of the yield curve in Poland suffered from the growing risk of a budget revision. Yields were pushed up by the situation on core markets, where the prices of both German and US treasury bonds fell amid increasing expectations of an economic recovery later in the year. After a surprisingly large 50 basis points cut in interest rates in March , bond yields started falling again even though the MPC announced that it would end the cycle of relaxing the monetary policy. The strengthening of the domestic debt market was also supported by the same move on core debt markets, weaker than forecast data on business activity in Poland and lower than expected inflation. In Q1 2013, the yield of two-year bonds amounted to 3.15%, just as at year-end 2012, while the yields of 10-year bonds grew by 19 basis points to 3.93% in the first three months of 2013. In the same period, the WIBOR three month rate went 74 basis points down to 3.19%.

2. Capital market situation

In the first three months of 2013, the business cycle on the domestic market did not favor investors. The escalating Cypriot crisis dampened optimism in global financial markets. Share prices of companies listed on the Warsaw Stock Exchange (WSE) were under the pressure of, inter alia, weaker than expected results in Q4 2012, no signs of economic recovery, significant share supply (including a series of deals in the banking sector) and fears about the planned changes in the operation of the system of Open-Ended Pension Funds.

As a result, the WIG index fell by 4.9% QoQ. This was mainly due to companies with the greatest capitalization, whose index (WIG 20) decreased by 4.6% on a quarterly basis. Low capitalization companies did relatively well: their index was up 4.7%. A positive rate of return was also recorded for the mid-cap index, mWIG40 (+2.8% against the end of 2012).

Among sector sub-indices, the following did well: WIG-Chemicals, which improved by 9.7% on the previous quarter, and the index of fuel companies, which gained 3.4%. The remaining indices showed negative rates of return. What is notable is WIG-Telecoms which plummeted by 37.5% (mainly due to TPSA).

The IPO market stagnated in Q1 2013. During this period, only three companies were floated on the main WSE market, but an IPO concerned only PHN shares (PLN 239 million). In the remaining two cases, the shares were floated as part of a dual-listing and a transfer from New Connect.

At the end of March 2013, 439 companies were traded on the main market of the WSE. The market value of all companies listed on the WSE slightly exceeded PLN 708 billion, of which Polish companies accounted for 73%.

Stock market indices, as at 31 March 2013

Index	31.03.2013	31.12.2012	Change (%) QoQ	31.03.2012	Change (%) YoY
WIG	45,147.57	47,460.59	(4.9%)	41,267.16	9.4%
WIG-PL	45,528.85	47,709.64	(4.6%)	40,908.02	11.3%
WIG-div	986.42	1,103.30	(10.6%)	980.95	0.6%
WIG20	2,370.07	2,582.98	(8.2%)	2,286.53	3.7%
mWIG40	2,624.74	2,552.54	2.8%	2,503.64	4.8%
sWIG80	10,938.55	10,443.68	4.7%	10,262.46	6.6%

Index	31.03.2013	31.12.2012	Change (%) QoQ	31.03.2012	Change (%) YoY
Sector sub-indices					
WIG-Banks	6,369.16	6,648.51	(4.2%)	5,894.31	8.1%
WIG-Construction	1,677.23	1,690.66	(0.8%)	2,371.62	(29.3%)
WIG-Chemicals	10,595.39	9,658.35	9.7%	7,944.08	33.4%
WIG-Developers	1,335.61	1,446.06	(7.6%)	1,408.39	(5.2%)
WIG-Energy	3,441.46	3,748.02	(8.2%)	3,666.06	(6.1%)
WIG-IT	1,091.06	1,118.85	(2.5%)	1,184.43	(7.9%)
WIG-Media	2,642.66	2,654.07	(0.4%)	2,625.77	0.6%
WIG-Fuel	3,693.72	3,571.11	3.4%	2,746.96	34.5%
WIG-Food	3,478.60	3,666.41	(5.1%)	3,747.43	(7.2%)
WIG-Commodities	5,156.59	6,063.70	(15.0%)	4,236.63	21.7%
WIG-Telecoms	691.67	1,106.15	(37.5%)	1,460.81	(52.7%)

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

Value of trading in shares and bonds and volume of trading in derivatives on WSE in Q1 2013

	Q1 2013	Q4 2012	Change (%) QoQ	Q1 2012	Change (%) YoY
Shares (PLN million)*	142,187	95,613	48.7%	118,523	20.0%
Bonds (PLN million)	1,528	367	316.3%	972	57.2%
Futures (‘000 contracts)	5,955	4,835	23.2%	5,220	14.1%
Options (‘000 contracts)	372	447	(16.8%)	286	30.1%

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

In terms of the activity on the Polish equity market, the turnover of PLN 142.2 billion made Q1 2013 much better than Q4 2012 (a growth of 48.7% QoQ) and the corresponding period of the previous year (a 20% growth).

In the analyzed period, the turnover in bonds soared by 316.3% compared to the previous quarter, exceeding PLN 1.5 billion. The activity of investors in this segment clearly increased also on the annual basis (+57.2%).

Between January and March 2013, the volume of futures traded reached almost 6 million and was 23.2% higher QoQ and 14.1% higher YoY.

The volume of options traded increased by 30.1% compared to the corresponding period a year earlier, to 372 thousand contracts. However, the activity on the options market was 16.8% lower than in the previous quarter.

5 Situation in the banking sector

Data published by the National Bank of Poland reveal the first signs that results are deteriorating in the banking sector. As a result of a weak results in February and March, the first quarter of 2013 saw the net profit fall by -7% compared to the corresponding period of the previous year and amounted to PLN 4.0 billion. A major driver of this result was the 8% drop in the result on banking operations (PLN -1.1 billion) which, in turn, was mainly due to net interest income decreasing by PLN 851m (-9% YoY) as a consequence of significant cuts in interest rates. Fee and commission result went down only slightly by -1% compared to the corresponding period of 2012. The clear drop in revenues was partially offset on the cost side, as costs declined by -1% as compared to the first quarter of 2012. Net profit was also improved by the decline of net impairment charges on assets which went down -14% YoY (PLN -286 million) regardless of the gradual deterioration of the credit portfolio quality, particularly in the field of loans to businesses. The ratio of non-performing loans (NPL) grew from 8.4% at the end of March 2012 to 8.9% a year later.

At the end of March 2013, the balance of loans extended to businesses amounted to PLN 252 billion, which represents a per annum increase of PLN 4.5 billion (+2 YoY). This resulted from a significant growth in loans financing real estate which increased by 8% YoY, while current loans went up by 1% YoY and investment loans went down by 1% YoY. Over 12 months, the proportion of non-performing loans (NPL) among those extended to large companies increased from 7.7% to 9.9% at the end of

March 2013. For small and medium enterprises, this ratio amounted to 13.3% at the end of March 2013, +1.1 percentage points more than in March 2012.

Loans to households grew by PLN 13 billion annually (3% YoY), mainly due to real estate loans, which rose by PLN 14 billion (14% YoY). Among real estate loans, those in zlotys grew by 18% YoY, while foreign currency loans fell by -5% YoY. During the same period, the portfolio of consumer loans shrunk by -4% YoY (PLN 5 billion). The portfolio quality in the household segment as measured by the NPL ratio did not change in March 2013 compared to the corresponding period of 2012 and remained at 7.5%. This happened because the gradual deterioration of this indicator for real estate loans (+0.4% YoY) was offset by an improvement in the quality of consumer loans by -0.9% YoY to the level of 17.3%.

The capital adequacy ratio for the banking sector improved by +1.1 percentage points YoY, from 14.2% at the end of March 2012 to 15.3%. The Tier 1 ratio behaved similarly (it rose by +1.1 percentage points in the same period to 13.8%).

Corporate deposits shrunk by -1% YoY (PLN 1.2 billion) in March 2013 due to term deposits whose balance fell by -5% (PLN 4.9 billion) on a yearly basis, while demand deposits increased by PLN 3.7 billion. The currency breakdown of the portfolio shifted slightly towards FX deposits. The share of zloty deposits in total deposits of businesses amounted to 83% (-2 percentage points YoY) as a result of the volume of zloty deposits falling by -3% YoY (PLN 4.5 billion) while FX deposits rose by +12% YoY (PLN 3.3 billion).

In the last 12 months, the trend in household deposits was the opposite of that in the business deposit portfolio. In the banking sector, this category grew by +9% YoY (PLN 44 billion), due to an increase both in term deposits (up +10% YoY to PLN 25 billion) and in demand deposits, which rose by +8% YoY (PLN 19 billion).

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

1. Consolidated statement of financial position

At the end of the first quarter of 2013, total assets amounted to PLN 42.7 billion compared to PLN 43.5 billion reported at the end of 2012, down by PLN 0.8 billion (i.e. 1.8%). The decline was due to the following factors:

- decrease in balance of debt securities available-for-sale by PLN 3.0 billion, i.e. 20.0%, mainly due to the reduced position in NBP cash bills;
- increase in financial assets held-for-trading by PLN 2.3 billion, i.e. 34.2%, primarily due to the growth of the Treasury bonds portfolio;
- slight (i.e. by 0.3%) increase in net receivables from customers, primarily reflecting an increase in receivables from financial sector entities by PLN 0.7 billion, or 72.7% (mainly due to the reverse repo transaction) and a slight decline in loans to non-financial sector (by PLN 0.6 billion, or 4.2%). The decline was a result of a lower level of receivables from corporate customers (mainly due to a decrease in overdrafts in the Corporate Customers segment) and, to a smaller extent, from individual customers (mainly driven by a decline in credit card loans).

Amounts due from customers

PLN '000	31.03.2013	31.12.2012	Change	
			PLN '000	%
Amounts due from financial sector entities	1,611,659	933,272	678,387	72.7%
Amounts due from non-financial sector entities, including:	14,650,291	15,288,140	(637,849)	(4.2%)
Corporate clients*	9,470,307	10,027,941	(557,634)	(5.6%)
Individual clients, including:	5,179,984	5,260,199	(80,215)	(1.5%)
credit cards	2,037,759	2,150,189	(112,430)	(5.2%)
cash loans	2,091,777	2,103,643	(11,866)	(0.6%)
mortgage loans	978,075	925,740	52,335	5.7%
Total net receivables	16,261,950	16,221,412	40,538	0.3%

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

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

PLN '000	30.03.2013	31.12.2012	Change	
			PLN '000	%
Not at risk of impairment, including:	15,971,450	15,938,733	32,717	0.2%
non-financial sector entities	14,359,671	15,005,344	(645,673)	(4.3%)
corporate clients*	9,271,496	9,833,172	(561,676)	(5.7%)
individual clients	5,088,175	5,172,172	(83,997)	(1.6%)
With recognized impairment, including:	1,316,967	1,299,462	17,505	1.4%
non-financial sector entities	1,297,971	1,280,466	17,505	1.4%
corporate clients*	548,901	531,645	17,256	3.3%
individual clients	749,070	748,821	249	0.0%
Dues related to matured derivative transactions	112,476	114,144	(1,668)	(1.5%)
Total gross receivables, including:	17,400,893	17,352,339	48,554	0.3%
non-financial sector entities	15,657,642	16,285,810	(628,168)	(3.9%)
corporate clients*	9,820,397	10,364,817	(544,420)	(5.3%)
individual clients	5,837,245	5,920,993	(83,748)	(1.4%)
Impairment, including:	(1,138,943)	(1,130,927)	(8,016)	0.7%
Dues related to matured derivative transactions	(94,005)	(94,925)	920	(1.0%)
Total net receivables	16,261,950	16,221,412	40,538	0.3%
Impairment coverage ratio with recognized impairment**	79.3%	79.7%		
corporate clients*	67.2%	67.0%		
individual clients	87.7%	88.2%		
Non-performing loans ratio (NPL)	7.6%	7.5%		

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

On the liabilities side, the biggest change was reported for liabilities towards customers which dropped by PLN 4.0 billion, or 15.1% compared to the end of 2012. The decline was driven mainly by lower liabilities under repo transactions (shown in other liabilities towards customers) and a decline in corporate customers deposits (decrease in current account balances by PLN 1.3 billion, or 14.7%, and in term deposit balances by PLN 0.9 billion, i.e. 15.4%). On the other hand, individual customers deposits grew by PLN 0.5 billion, i.e. 8.7%, which was a result of higher current account balances (primarily in savings accounts). Deposits of financial sector customers also grew slightly (by PLN 0.2 billion, or 5.7%), primarily driven by higher term deposit balances.

At the end of the first quarter of 2013, liabilities towards banks also grew by PLN 3.3 billion (or 141.0%) compared to the end of 2012.

Amounts due to customers

PLN '000	30.03.2013	31.12.2012	Change	
			PLN '000	%
Current accounts, including:	13,369,080	14,279,499	(910,419)	(6.4%)
financial sector entities	239,509	444,961	(205,452)	(46.2%)
non- financial sector entities, including:	13,129,571	13,834,538	(704,967)	(5.1%)
Corporate clients*, including:	7,680,770	8,998,764	(1,317,994)	(14.7%)
Budgetary units	1,326,729	2,008,369	(681,640)	(33.9%)
Individual clients	5,448,801	4,835,774	613,027	12.7%
Time deposits,including:	8,684,094	9,330,619	(646,525)	(6.9%)
financial sector entities	2,711,678	2,346,533	365,145	15.6%
non-financial sector entities, including:	5,972,416	6,984,086	(1,011,670)	(14.5%)
Corporate clients*, including:	5,020,033	5,933,352	(913,319)	(15.4%)
Budgetary units	1,007,772	823,099	184,673	22.4%

PLN '000	30.03.2013	31.12.2012	Change	
			PLN '000	%
Individual customers	952,383	1,050,734	(98,351)	(9.4%)
Accrued interest	19,842	19,602	240	1.2%
Total customers deposits	22,073,016	23,629,720	(1,556,704)	(6.6%)
Other amounts due to customers	735,538	3,222,445	(2,486,907)	(77.2%)
Total amounts due to customers	22,808,554	26,852,165	(4,043,611)	(15.1%)

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

2. Consolidated income statement

In the first quarter of 2013, the Group delivered a consolidated net profit of PLN 355.4 million, which is an increase of PLN 111.9 million (or 45.9%) compared to the first quarter of 2012. At the same time, the revenues of the Group increased by PLN 56.1 million (or 7.6%) to PLN 794.7 million.

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

- Net interest income of PLN 327.1 million versus PLN 397.9 million in the first quarter of 2012 – down by PLN 70.8 million, i.e. 17.8%, stemming primarily from lower interest income from debt securities available-for-sale (PLN -64.7 million, or 37.2%) and debt securities held-for-trading (PLN -4.8 million, or 16.5%). In the case of customer business a decline in net interest income by PLN 21.5 million (including PLN 15.6 million from credit cards) was partially offset by lower interest expenses (down by PLN 16.4 million YoY);

Interest income

PLN '000	01.01 - 30.03.2013	01.01 - 31.03.2012	Change	
			PLN '000	%
Interest and similar income from:				
Balances with Central Bank	7,399	9,786	(2,387)	(24.4%)
Amounts due from banks	9,894	9,995	(101)	(1.0%)
Amounts due from customers, including:	290,686	312,194	(21,508)	(6.9%)
financial sector entities	11,990	12,883	(893)	(6.9%)
non-financial sector, including:	278,696	299,311	(20,615)	(6.9%)
credit cards	77,786	93,357	(15,571)	(16.7%)
Debt securities available-for-sale	109,401	174,069	(64,668)	(37.2%)
Debt securities held-for-trading	24,485	29,318	(4,833)	(16.5%)
	441,865	535,362	(93,497)	(17.5%)
Interest expense and similar charges on:				
Amounts due to banks	(12,540)	(17,444)	4,904	(28.1%)
Amounts due to financial sector entities	(25,135)	(22,046)	(3,089)	14.0%
Amounts due to non-financial sector entities	(76,304)	(95,749)	19,445	(20.3%)
Loans and advances received	(794)	(1,964)	1,170	(59.6%)
Debt securities issuance	-	(270)	270	(100.0%)
	(114,773)	(137,473)	22,700	(16.5%)
	327,092	397,889	(70,797)	(17.8%)

- net fee and commission income of PLN 163.6 million as compared to PLN 152.1 million in the first quarter of 2012 – up by PLN 11.5 million, or 7.6%, primarily due to higher brokerage fees in connection with the participation of DMBH in the accelerated sale of Pekao S.A. and PKO Bank

Polski shares and in the secondary offering of BZ WBK (more information about these transactions see page 25 of this report), as well as due to an increase in equity turnover volumes by 28.8% YoY. An increase was also reported in the fee income from custody services, which grew by PLN 3.7 million (18%) compared to the first quarter of 2012. On the other hand, the fee income from payment and credit cards declined, driven mainly by a reduction in interchange fees by card organizations, effective January 2013;

Net fee and commission income

PLN '000	01.01 - 31.03.2013	01.01 - 31.03.2012	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products	34,669	34,534	135	0.4%
Payment and credit cards	55,559	61,660	(6,101)	(9.9%)
Payment orders	26,175	28,023	(1,848)	(6.6%)
Custody services	24,270	20,572	3,698	18.0%
Cash loans	1,513	1,977	(464)	(23.5%)
Brokerage operations	31,393	15,825	15,568	98.4%
Account cash management services	7,080	7,569	(489)	(6.5%)
Granted guarantee liabilities	3,517	3,654	(137)	(3.7%)
Granted financial liabilities	1,407	1,557	(150)	(9.6%)
Other	7,851	5,765	2,086	36.2%
Total	193,434	181,136	12,298	6.8%
Fee and commission expense				
Payment and credit cards	(15,452)	(15,853)	401	(2.5%)
Brokerage operations	(6,314)	(5,346)	(968)	18.1%
Fees paid to the National Depository for Securities (KDPW)	(5,040)	(3,972)	(1,068)	26.9%
Brokerage fees	(958)	(1,438)	480	(33.4%)
Other	(2,040)	(2,427)	387	(15.9%)
Total	(29,804)	(29,036)	(768)	2.6%
Net fee and commission income				
Insurance and investment products	34,669	34,534	135	0.4%
Payment and credit cards	40,107	45,807	(5,700)	(12.4%)
Payment orders	26,175	28,023	(1,848)	(6.6%)
Custody services	24,270	20,572	3,698	18.0%
Cash loans	1,513	1,977	(464)	(23.5%)
Brokerage operations	25,079	10,479	14,600	139.3%
Account cash management services	7,080	7,569	(489)	(6.5%)
Granted guarantee liabilities	3,517	3,654	(137)	(3.7%)
Granted financial liabilities	1,407	1,557	(150)	(9.6%)
Fees paid to the National Depository for Securities (KDPW)	(5,040)	(3,972)	(1,068)	26.9%
Brokerage fees	(958)	(1,438)	480	(33.4%)
Other	5,811	3,338	2,473	74.1%
Total	163,630	152,100	11,530	7.6%

- net income on trade financial instruments and revaluation of PLN 120.8 million versus PLN 117.0 million in the first quarter of 2012, up by PLN 3.8 million, primarily due to higher customer result;
- net gain on debt investment securities of PLN 172.0 million compared to PLN 72.9 million in the first quarter of 2012 – up by PLN 99.0 million due to the realized gains in favorable conditions on the domestic bond market;

- operating expenses and overheads including depreciation expenses of PLN 344.7 million compared to PLN 415.0 million in the corresponding period of the previous year – down by PLN 70.3 million (or 16.9%) due to the branch network optimization and employment restructuring carried out in 2012. The restructuring provision of PLN 42.2 million (PLN 32.4 million out of which was presented in the staff expenses line and PLN 9.8 million in the building maintenance and rent expenses line) affected the result of the first quarter of 2012. Additionally, in the first quarter of 2013 there was a decline in advertising and marketing expenses as well as in telecommunications and IT hardware fees was reported in the Consumer Banking segment;

General administrative expenses and depreciation expense

PLN '000	01.01 - 30.03.2013	01.01 - 31.03.2012	Change	
			PLN '000	%
Staff expenses	(181,132)	(221,145)	40,013	(18.1%)
Remuneration costs	(139,561)	(186,864)	47,303	(25.3%)
Bonuses and rewards	(41,571)	(34,281)	(7,290)	21.3%
Administrative expenses	(150,165)	(177,437)	27,272	(15.4%)
Telecommunication fees and hardware purchase costs	(41,566)	(45,351)	3,785	(8.3%)
Advisory, audit, consulting and other external services' costs	(19,677)	(21,542)	1,865	(8.7%)
Building maintenance and rent costs	(22,553)	(36,649)	14,096	(38.5%)
Marketing costs	(8,130)	(13,410)	5,280	(39.4%)
Cash management services, KIR service and other transactional costs	(11,039)	(12,167)	1,128	(9.3%)
Costs of external services concerning distribution of banking products	(11,376)	(13,468)	2,092	(15.5%)
Postal services, office supplies and printmaking costs	(5,409)	(6,268)	859	(13.7%)
Training and education costs	(1,391)	(1,007)	(384)	38.1%
Banking supervision costs	(2,254)	(2,181)	(73)	3.3%
Other costs	(26,770)	(25,394)	(1,376)	5.4%
Depreciation/amortization of tangible and intangible assets	(13,406)	(16,423)	3,017	(18.4%)
Total	(344,703)	(415,005)	70,302	(16.9%)

- net impairment losses of PLN 10.5 million compared to PLN 14.8 million in the first quarter of 2012 (improvement by PLN 4.3 million, or 29.1%). A decline in net impairment losses in the Consumer Banking segment was the outcome of the continued improvement in quality of the credit cards and cash loans portfolio in consequence of the amendments to the credit policy introduced in previous years. In the Corporate Banking segment a growth of net impairment losses was due to increased risk of borrowers' default, mainly in the individually assessed portfolio in the MME and SME segment.

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

PLN '000	01.01 – 31.03.2013	01.01 – 31.03.2012	Change	
			PLN '000	%
Net impairment write-downs of financial assets				
Impairment write-downs				
Amounts due from banks	(845)	(115)	(730)	634.8%
Amounts due from customers	(66,929)	(64,735)	(2,194)	3.4%
Dues related to matured transactions on derivative instruments	(10)	(135)	125	(92.6%)
Other	(2,627)	(3,313)	686	(20.7%)
	(70,411)	(68,298)	(2,113)	3.1%
Reversals of impairment write-downs				
Amounts due from banks	387	100	287	287.0%
Amounts due from customers	59,068	52,410	6,658	12.7%

PLN '000	01.01 – 31.03.2013	01.01 – 31.03.2012	Change	
			PLN '000	%
Dues related to matured transactions on derivative instruments	930	142	788	554.9%
	60,385	52,652	7,733	14.7%
	(10,026)	(15,646)	5,620	(35.9%)
Net (charges to)/releases of provisions for granted financial and guarantee commitments				
Created provisions for granted financial and guarantee commitments	(7,860)	(4,246)	(3,614)	85.1%
Releases of provisions for granted financial and guarantee commitments	7,416	5,120	2,296	44.8%
	(444)	874	(1,318)	(150.8%)
Net impairment losses	(10,470)	(14,772)	4,302	(29.1%)

3. Ratios

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

Financial ratios	Q1 2013	Q1 2012
ROE *	16.9%	13.7%
ROA**	2.6%	2.0%
Cost/Income	43%	56%
Loans to non-financial sector/Deposits from non-financial sector	77%	68%
Loans to non-financial sector/Total assets	34%	33%
Net interest income/Revenue	41%	54%
Net fee and commission income/Revenue	21%	21%

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

Group employment*

In full time job equivalents (FTE)	01.01 – 31.03.2013	01.01 – 31.03.2012	Change	
			FTEs	%
Average employment in the first quarter	4,969	5,567	(598)	(10.7)
Employment at the end of quarter	5,024	5,496	(472)	(8.6)

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

In the first quarter 2013 the Group noted a significant drop in the employment in comparison to the corresponding period of 2012. It was a result of group layoffs made in the 2012 due to employment restructuring in connection with optimization of branch network aiming at increasing of the effectiveness in retail business and other areas of the Bank.

As at 31 March 2013, capital adequacy ratio of the Group amounted to 18.5% and was higher by 0.4 percentage point comparing to the end of 2012, mainly because of a slight increase of the own funds of the Group. The total capital requirement remained in the first quarter of 2013 almost unchanged.

Capital adequacy ratio*

PLN '000	31.03.2013	31.12.2012
I Own funds in total, including:	5,073,769	5,010,491
Reduction of basic and supplementary funds		
investments in financial entities	14,983	15,110

Capital adequacy ratio*

PLN '000		31.03.2013	31.12.2012
	intangible assets, including:	1,386,655	1,379,931
	goodwill	1,245,976	1,245,976
II	Risk-weighted assets and off-balance-sheet commitments (bank portfolio)	19,921,113	20,150,725
III	Total capital requirements, including:	2,199,311	2,220,164
	credit risk capital requirements (II*8%)	1,593,689	1,612,058
	counterparty risk capital requirements	87,112	95,648
	capital requirements for excess of exposures' concentration limit and large exposures' limit	49,846	48,024
	total market risk capital requirements	86,856	78,194
	operational risk capital requirements	363,336	366,893
	other capital requirements	18,472	19,347
	Capital adequacy ratio (I/III*12,5)	18.5%	18.1%

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

7 Segmental reporting

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

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

The allocation of Group's assets, liabilities, income and expenses to operating segments was made on the basis of internal information prepared for management purposes. Transfer of funds between Group's segments is based on prices derived from market rates. The transfer prices are calculated using the same rules for both segments and any difference results only from maturity and currency structure of assets and liabilities.

Corporate Banking

Within the Corporate Banking segment, the Group offers products and renders services to business entities, self-government units and public sector. Apart from traditional banking services consisting in credit and deposit activities, the segment provides services in the area of cash management, trade financing, leases, brokerage and custody services in respect of securities and offers treasury products on financial and commodity markets. In addition, the segment offers a wide range of investment banking services on the local and international capital markets, including advisory services as well as obtaining and underwriting financing via public and non-public issue of financial instruments. The activities also comprise proprietary transactions on the capital, debt and derivative instruments market.

Consumer Banking

Within the Consumer Banking segment the Group provides products and financial services to individuals as well as micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from keeping bank accounts and providing an extensive credit and deposit offer, it also offers cash loans, mortgage loans and credit cards, provides asset management services and acts as agent in investment and insurance products sale.

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

Consolidated income statement of the Group by business segment

For the period	01.01. – 31.03.2013			01.01. – 31.03.2012		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
Net interest income	151,648	175,444	327,092	202,484	195,405	397,889
Internal interest income, including:	(6,569)	6,569	-	279	(279)	-
Internal income	-	6,569	6,569	279	-	279
Internal expenses	(6,569)	-	(6,569)	-	(279)	(279)
Net commission income	82,629	81,001	163,630	66,058	86,042	152,100
Net income on trade financial instruments and revaluation	112,888	7,873	120,761	107,972	9,034	117,006
Net gain on debt investment	171,964	-	171,964	72,929	-	72,929
Net gain on investments in capital instruments	1,844	-	1,844	-	-	-
Net other operating income	14,835	(5,379)	9,456	5,042	(6,270)	(1,228)
General administrative expenses	(155,966)	(175,331)	(331,297)	(160,861)	(237,721)	(398,582)
Depreciation of fixed assets and intangible assets	(6,740)	(6,666)	(13,406)	(8,473)	(7,950)	(16,423)
Profit/(loss) on sale of nonfinancial assets	-	68	68	33	16	49
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	(14,105)	3,635	(10,470)	(1,538)	(13,234)	(14,772)
Operating income	358,997	80,645	439,642	283,646	25,322	308,968
Share in net profits (losses) of entities valued at equity method	(127)	-	(127)	240	-	240
Profit before tax	358,870	80,645	439,515	283,886	25,322	309,208
Income tax expense			(84,088)			(65,637)
Net profit			355,427			243,571

State as at	31.03.2013			31.12.2012		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
Assets, including:	37,055,575	5,686,649	42,742,224	37,764,514	5,744,249	43,508,763
Assets valued at equity method	14,982	-	14,982	15,110	-	15,110
Fixed assets held-for-sale	-	12,554	12,554	-	12,554	12,554
Liabilities, including:	33,628,501	9,113,723	42,742,224	34,667,691	8,841,072	43,508,763
Obligations	27,991,024	7,189,406	35,180,430	29,193,148	6,924,200	36,117,348

8 Activities of the Group

1. Corporate Banking

1.1. Summary of segment results

PLN '000	Q1 2013	Q1 2012	Change	
			PLN '000	%
Net interest income	151,648	202,484	(50,836)	(25.1%)
Net fee and commission income	82,629	66,058	16,571	25.1%
Net income on trade financial instruments and revaluation	112,888	107,972	4,916	4.6%
Net gain on debt investment securities	171,964	72,929	99,035	135.8%
Net gain on investments in capital instruments	1,844	-	1,844	-
Net other operating income	14,835	5,042	9,793	194.2%
Total income	535,808	454,485	81,323	17.9%
General administrative expenses and depreciation	(162,706)	(169,334)	6,628	(3.9%)
Profit/(loss) on sale of nonfinancial assets	-	33	(33)	(100.0%)
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	(14,105)	(1,538)	(12,567)	817.1%
Share in net profits (losses) of entities valued at equity method	(127)	240	(367)	(152.9%)
Profit before tax	358,870	283,886	74,984	26.4%
Cost / Income	30%	37%		

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

- decrease in net interest income reflecting lower income from debt securities (down by PLN 69.5 million, or 34.2%). On the other hand, net interest income from customer business increased, primarily due to lower interest costs (as a result of the decrease in interest rates and lower balances of corporate customers deposits);
- increase in net fee and commission income, mainly in the area of brokerage activity in connection with the participation of DMBH in major transactions on the equity market (more information on these transactions see page 14 and page 25 of this report) as well as due to an increase in equity turnover volumes in the secondary market by 29% YoY. Net fee and commission income from custody services also went up as a result of the increase in the value of custody assets and the number of transactions settled;
- increase in net income from trade financial instruments and revaluation mainly due to higher customer result;
- significant increase in net gain on debt investment securities reflecting realized gains on sales of securities in favorable conditions on the domestic bond market;
- result on investment capital instruments of PLN 1.8 million as a result of the sale of non-controlling interests in Elektromontaż Poznań S.A.;
- decline in operating expenses resulting primarily from lower staff expenses (the expenses of the first quarter of 2012 included the restructuring provision of PLN 4.3 million)
- growth of net impairment losses (PLN -14.1 million in the first quarter of 2013 compared to PLN -1.5 million in the corresponding period of the previous year), due to increased risk of borrowers' default, mainly in the individually assessed portfolio in the MME and SME segment.

1.2. Corporate and Investment Bank and the Capital Markets

Corporate and Commercial Bank

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

At the end of the first quarter of 2013, the number of corporate clients (including customers of the Corporate Bank, global clients and corporate clients) amounted to 7.7 thousand, which means a 4% decrease compared to the first quarter of 2012, when the number of clients amounted to 8 thousand. Under the Corporate Bank (small and medium companies, large enterprises and public sector) the Bank served almost 5.6 thousand clients at the end of the first quarter of 2013 (which means a decrease of 6% compared to 6.0 thousand clients served at the end of the first quarter of 2012).

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

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

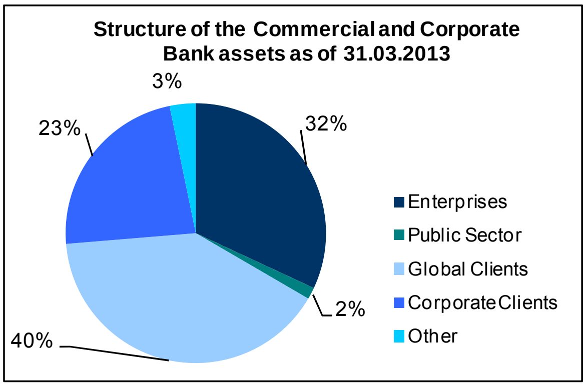
Assets

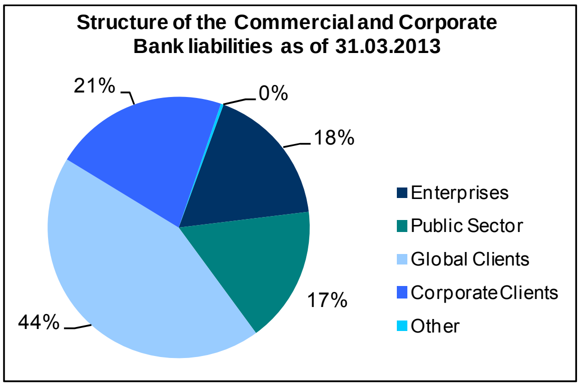
PLN million	31.03.2013	31.12.2012	31.03.2012	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	‘000	%	‘000	%
Enterprises*, including:	3,274	3,133	2,813	141	5%	461	16%
SMEs	1,510	1,491	1,442	19	1%	68	5%
MMEs	1,764	1,642	1,371	122	7%	393	29%
Public Sector	151	101	152	50	49%	(1)	(1%)
Global Clients	4,128	4,165	3,342	(37)	(1%)	786	24%
Corporate Clients	2,366	2,778	1,986	(412)	(15%)	380	19%
Other**	331	323	591	8	2%	(260)	(44%)
Total Corporate and Commercial Bank	10,249	10,500	8,884	(251)	(2%)	1,365	15%

Liabilities

PLN million	31.03.2013	31.12.2012	31.03.2012	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	‘000	%	‘000	%
Enterprises*, including:	2,627	2,969	3,029	(342)	(12%)	(402)	(13%)
SMEs	1,967	2,224	2,222	(257)	(12%)	(255)	(11%)
MMEs	660	745	807	(86)	(11%)	(147)	(18%)
Public Sector	2,534	3,110	2,153	(577)	(19%)	381	18%
Global Clients	6,565	8,147	6,211	(1,582)	(19%)	354	6%
Corporate Clients	3,226	2,860	4,014	367	13%	(788)	(20%)
Other**	48	54	79	(6)	(11%)	(31)	(39%)
Total Corporate and Commercial Bank	15,001	17,140	15,486	(2,139)	(12%)	(485)	(3%)

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





Key transactions and successes of the Corporate and Commercial Bank in Q1 2013:

- The Bank revolved PLN 250 million of fixed-term financing for a food industry company;
- The Bank revolved a credit facility of PLN 110 million for two leading producers in the automotive industry;
- The Bank signed an agreement to finance suppliers with a strategic client from the coal sector;
- In Q1 2013, the Bank closed a number of financing deals with Commercial Banking clients including: extending an overdraft facility of PLN 50 million to a higher education institution, signing a factoring agreement of PLN 30 million for a customer from the railway industry, raising current financing in the form of an overdraft facility by PLN 20 million for a client from the footwear industry, increasing the overdraft facility for an IT hardware distributor by PLN 20 million, extending a PLN 20 million overdraft facility to a public sector entity, signing an overdraft agreement for PLN 16 million with a seller of car parts and accessories, extending an overdraft facility of PLN 15 million to a public sector entity, signing an overdraft facility of PLN 15 million with a manufacturer of plastic windows.
- In Q1 2013, the Bank acquired a new global client, namely one of the leading producers of pet food in Poland, and gained contracts in tender procedures to serve one of the leading food industry companies and one of the leading producers of construction materials.

Activity and Business Achievements of the Treasury Division

- In the first quarter of 2013 the Treasury Division reported one of the highest quarterly results in the history mainly driven by record-high gains realised on AFS bond portfolio;
- In February 2013, Citi Handlowy was officially recognized for its achievements on the Treasury BondSpot Poland market, namely for being active during fixing sessions and for reaching the greatest turnover in 2012;
- In March 2013, in cooperation with Dom Maklerski Banku Handlowego S.A. (the Brokerage House), the Bank started listing securities on the WSE, and thus, it gained a new transaction channel for distributing securities to all stock exchange participants;
- In Q1 2013, the Bank maintained a strong position on the corporate FX transactions market. The volume of FX transactions was 2% higher than in Q1 2012. However, due to the seasonality observed in this type of market activity of the clients, the Bank recorded a 7% drop in turnover compared to the previous quarter. CitiFX Pulse, an online FX platform, remained very popular: in Q1 2013, almost 75% of FX transactions were concluded through this platform;
- The volume of transactions in Treasury bonds with financial institutions in Q1 2013 remained at the same level as in the corresponding period of the previous year. It did, however, grow by 8% against Q4 2012.
- The Bank remained a leader in arranging issues of bonds and certificates of deposit for banks. According to the Fitch Ratings ‘Rating&Rynek’ report, the Bank controlled nearly 27% of this market at the end of March 2013;
- In Q1 2013, the Bank kept its leading position in the overall ranking of the competition for the 2014 Treasury Securities Dealer organized by the Polish Ministry of Finance.

Transactional Banking

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

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

One of the strategic directions of the Bank's development is to strengthen the relationship with the largest companies in Poland, leaders of their sectors, which is to result in Citi Handlowy being indicated as the bank of first choice in the transaction services sector. A measurable effect of activating customers acquired in recent months is the clear growth of balances and the accounts becoming more operational. In Q1 2013, the balances of corporate current accounts grew by 25% compared to the previous year, while trade finance assets increased by 38% YoY.

The process of activating and acquiring new customers is strengthened by the constant scaling-up of technological platforms used by the customers to communicate with the Bank. A new functionality was added to the Citi Trade Portal: starting from Q1 2013, the customers can use this application to enter orders concerning import letter of credits. This implementation of the new module of the Citi Trade Portal contributes to the strategy of enhancing and promoting trade finance products in the transactional service offer of the Bank.

Other Transactional Banking business achievements in Q1 2013:

- Electronic banking:
  - The number of transactions processed electronically through the CitiDirect and CitiDirect Banking Evolution systems totaled over 6 million in Q1 2013;
  - The number of corporate customers actively using the system was maintained at a constant high level of over 4 thousand;
  - At the end of Q1 2013, the number of corporate customers activated in CitiDirect amounted to 11.7 thousand, and in CitiDirect EB to 2.1 thousand;
- Direct Debit

The Bank provides its clients with comprehensive debt management services. One of the segments of this service market is the direct debit market. The growing number of transactions processed allowed the Bank to strengthen its leading position: in Q1 2013, the Bank's share of the direct debit market was estimated at 40%, representing a 36% increase comparing to the previous year.

- Electronic Post Office Money Transfers

The Electronic Post Office Money Transfer is a product addressed to corporate clients who pay cash to individuals.

In Q1 2013, the Bank started actively working with another postal operator to process electronic post office money transfers. Engaging a new operator to process the product allows the costs of provided services to be managed even more effectively. The solutions proposed by the new partner also made it possible to extend the functionality package of the offer of electronic post office money transfers. As a result of launching the service of electronic post office money transfers with a new operator, we were able to start serving one of the largest insurers in Poland as early as in Q1 2013.

- EU advisory

An important part of the activities in Q1 2013 was to promote a new program for financing investments in improved energy efficiency. The SME Energy Efficiency Program and the Municipal Energy Efficiency Program are programs in which the KfW bank, on behalf of the European Commission and in cooperation with the Council of Europe Development Bank (CEB), provides funds and expertise facilitating energy efficiency investments of SMEs and public sector entities. KfW programs are designed to encourage participants to invest in energy efficiency and prompt banks in the program countries to add energy efficiency investment finance to their offers.

- Trade finance products
  - In Q1 2013, the Bank continued its strategy of dynamically developing trade finance. In this period, new transaction were concluded as part of the supplier financing scheme, receivable discounting and trade credit. The increasing popularity of trade finance services offered by the Bank translated into an intensive asset growth – Q1 2013 was the fifth in a row in which the Bank's assets grew in this area.
  - The implementation of a module for processing import letter of credits on the electronic platform called the Citi Trade Portal made the Bank's offer significantly more attractive and enabled it to further improve its strong position in the area of trade finance services. The launched functionalities allow the comprehensive processing of this product, i.e.: creating an application for opening the letter of credit and applications related to servicing the open letter of credit, checking the accuracy of the application during its writing, information about the available limit, communicating with the Bank's experts directly through the platform, complete information about transactions in the form of statuses and reports, SMS and e-mail notifications. Customers also have access to individual prices and application processing times.
  - Key transactions in the area of structured trade finance services in Q1 2013:
    - short-term receivables in the fuel industry, totaling over PLN 790 million, were discounted;
    - another Supplier Finance Program, worth over PLN 100 million, launched with one of the largest mining companies;
    - a receivable discounting transaction in the transport industry, concerning deliveries of new railway rolling stock to an entity operating in the public sector.

Custody Services

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

As at 31 March 2013, the Bank kept 12,200 securities accounts.

At the same time, the Bank served the role of a custodian bank for five open-end pension funds: Amplico OFE, Aviva OFE Aviva BZ WBK, ING OFE, Pekao OFE and Nordea OFE; five optional pension funds: MetLife Amplico DFE, Nordea DFE, ING DFE, DFE Pekao, Generali DFE; two company pension funds: Pracowniczy Fundusz Emerytalny PZU "Słoneczna Jesień", Pracowniczy Fundusz Emerytalny Telekomunikacji Polskiej S.A. Additionally, custody services were provided to investment funds managed by the following Fund Management Companies: BZ WBK TFI S.A., PKO TFI S.A., Pioneer Pekao TFI S.A., Legg Mason TFI S.A. and Aviva Investors Poland TFI S.A.

Brokerage Activities

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

In Q1 2013, DMBH acted as a broker in 12.4% of shares trading on the secondary market which made it the leader of the market. The session and block transactions concluded through DMBH on the WSE equity market were worth PLN 17,7 billion, an increase of 28.8% compared to the corresponding period of the previous year, while the turnover on the WSE rose by 20% in the period.

At the end of Q1 2013, DMBH kept 8,963 investment accounts, 5.3% fewer than at the end of Q1 2012 and 3.0% fewer than at the end of Q4 2012. This drop in the number of accounts was mainly due to closing the accounts of inactive customers and zero balance accounts.

At the end of Q1 2013, DMBH was the Market Maker for 32 companies, which represented almost 9.8% of all the shares listed on the main market of the WSE. Once again, the number of companies for which DMBH is the market maker puts us among the leading brokerage houses performing this function on the WSE. Not only the number of companies for which DMBH plays this role, but also the activity of the market maker in Q1 2013 remained high. In addition, the Proprietary Investments Unit performed the same function in respect of futures for the WIG20 index and those for the shares of PZU, PKO BP and Pekao.

In Q1 2013, DMBH carried out the following transactions on the equity market:

- NG2 S.A. – DMBH was the Exclusive Book Runner for a transaction to sell a block of shares worth PLN 140 million (January 2013);
- PKO Bank Polski S.A. – DMBH acted as the Global Joint Coordinator and Joint Book Runner for an accelerated sale of a block of shares held by the State Treasury of the Republic of Poland and worth PLN 5.2 billion (January 2013);
- Bank Pekao S.A. – DMBH acted as the Joint Book Runner for an accelerated sale of a block of shares held by Unicredit SpA and worth PLN 3.7 billion (February 2013);
- Polski Holding Nieruchomości S.A. – DMBH acted as the Global Joint Coordinator and Joint Book Runner for the initial public offering of Polski Holding Nieruchomości S.A. worth PLN 238.6 million (February 2013);
- Bank Zachodni WBK S.A. – DMBH acted as the Global Joint Coordinator and Joint Book Runner for the secondary public offering of the company, which covered the sale of the block of shares held by KBC Bank NV and Banco Santander S.A. worth PLN 4.9 billion (March 2013);
- Dexia Kommunalkredit Bank Polska S.A. – DMBH acted as the intermediary in a private transaction whereby Getin Noble Bank S.A. bought shares worth PLN 57.1 million (March 2013).

Summary Income Statement and Balance Sheet*

Company's Name	Headquarter	Participation interest of the Bank in equity %	Balance sheet as at 31.03.2013 PLN '000	Equity as at 31.03.2013 PLN '000	Net financial result for 01.01-31.03.2013 PLN '000
Dom Maklerski Banku Handlowego S.A.	Warszawa	100.00	804,777	108,117	14,892

The results achieved by DMBH are determined primarily by the activities of institutional investors (both domestic and foreign), which is impacted by the influx of new capital and the situation on the stock market. A significant risk to the demand for shares from pension funds, as well as the situation on the WSE is the uncertainty associated with the planned changes to the pension funds scheme (OFE). On the other hand, low interest rates reduce the attractiveness of safe financial instruments in favor of more risky assets, hence the expected higher inflow of funds with exposure to the equity market should have a positive influence on the activity of the above mentioned investors segment.

Leasing Activities

The Group's leasing activities are carried out through Handlowy Leasing Sp. z o.o. ("Handlowy Leasing", "HL"), where the Bank is the sole shareholder.

New assets leased in Q1 2013 were worth PLN 31.7 million, which represented a 54% decline compared to PLN 68.9 million in assets leased in Q1 2012.

Net asset value of leases

PLN milion	Q1 2013	Q1 2012	Change	
			PLN million	%
Value of leases contracted in the period:	31.7	68.9	(37.2)	(54%)
for vehicles	19.7	44.1	(24.4)	(55%)
for machinery and equipment	12.0	24.8	(12.8)	(52%)

In Q1 2013, the Company continued selling leasing products only to the Bank's customers.

On 19 March 2013, the Bank Supervisory Board approved the directions of the leasing business strategy which call for curtailing leasing activities. As the HL's significance within the Bank Group is decreasing – its share of Group revenue has been declining systematically since 2010 and has now fallen below 1% – on 19 March 2013 the Bank Management Board decided to restrict the leasing business within the Bank Group to performing under leasing agreements concluded by HL. The leasing product will remain in the offer of the Bank Group and will be offered as part of the "open architecture", i.e. the Bank's cooperation with organizations from outside its Group treated as partners.

On 20 March 2013, the Extraordinary General Meeting of Handlowy-Leasing resolved to restrict the leasing business of HL only to performing under leasing agreements concluded on or before 30 April 2013. This means that after this date, Handlowy Leasing will not enter into any new leasing agreements and its job will be to continue servicing the agreements already in effect. The goal of the HL Management Board is to maintain the customer service quality, ensure process continuity and the economic efficiency in its business.

Summary Income Statement and Balance Sheet*

Company's Name	Headquarters	Participation interest of the Bank in equity %	Balance sheet as at 31.03.2013 PLN '000	Equity as at 31.03.2013 PLN '000	Net financial result for 01.01-31.03.2013 PLN '000
Handlowy-Leasing Sp. z o.o.	Warszawa	100.0	547,199	137,715	2,271

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q1 2013	Q1 2012	Change	
			PLN '000	%
Net interest income	175,444	195,405	(19,961)	(10.2%)
Net fee and commission income	81,001	86,042	(5,041)	(5.9%)
Net income on trade financial instruments and revaluation	7,873	9,034	(1,161)	(12.9%)
Net other operating income	(5,379)	(6,270)	891	(14.2%)
Total income	258,939	284,211	(25,272)	(8.9%)
General administrative expenses and depreciation	(181,997)	(245,671)	63,674	(25.9%)
Profit/(loss) on sale of nonfinancial assets	68	16	52	325.0%
Net impairment due to financial assets and provisions value losses for granted financial and guarantees liabilities	3,635	(13,234)	16,869	(127.5%)
Profit before tax	80,645	25,322	55,323	218.5%
Cost/Income	70%	86%		

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

- decline in net interest income mainly due to a reduction of credit card interest rates as a result of changes in market interest rates, which was partially offset by a decrease in interest expenses.

Interest expenses declined, despite the increase in deposit balances, as a result of the reduction of interest rates mainly in the area of term deposits, but also as a result of the change in the structure of the deposit portfolio (the share of current deposits grew at the cost of term deposits);

- decline in net fee and commission income, mainly due to the change of interchange fees by card organizations in January 2013. The decrease was partially offset by an increase in fee on investment products thanks to higher sales and increased interest of customers in structured products and foreign funds;
- operating expenses decreased as a result of the restructuring activities carried out in 2012 related to the optimization of the branch network and associated head office support units (in Q1, 2012 the restructuring provision was PLN 37.9 million). At the same time advertising and marketing expenses went down the first quarter of 2013;
- significant decline in net impairment losses as a result of the continued improvement in quality of the credit cards and cash loans portfolio in consequence of the amendments to the credit policy introduced in previous years.

2.2. Selected business data

	Q1 2013	Q4 2012	Q1 2012	Change QoQ	Change YoY
Number of individual customers	851,534	858,448	961,445	(6,914)	(109,911)*
Number of current accounts, including:	585,995	585,842	663,170	153	(77,175)
number of operating accounts**	177,917	180,678	182,713	(2,761)	(4,796)
Number of operating accounts newly acquired during the reported period**	16,391	18,580	21,404	(2,189)	(5,013)
Number of saving accounts	195,726	193,102	221,871	2,624	(26,145)
Number of credit cards, including:	792,662	795,440	834,326	(2,778)	(41,664)
co-branded cards	467,443	464,263	476,568	3,180	(9,125)
Number of active credit cards	716,221	720,698	749,465	(4,477)	(33,244)
Number of debit cards, including:	428,470	417,967	479,488	10,503	(51,018)
PayPass cards	381,982	364,727	350,548	17,255	31,434

** The drop in number of individual customers is driven by the Bank's decision on the closure of non-active customers' accounts.*
*** The comparative data for Q1 2012 differ from the data presented in the Q1 2012 Consolidated Report due to a change in the calculation methodology.*

2.3. Business achievements

Credit Cards

The number of credit cards at the end of Q1 2013 was 792.7 thousand.

According to the data available at the end of Q4 2012, the Bank kept its leading position on the credit card market in terms of the transaction value with a market share of 22.3% and in terms of the value of credit card loans with market share of 18.6%.

The structure of credit cards sold in Q1 2013 was dominated by the multipartner Citibank World Credit Card with a share of 68% followed by the Citibank Wizz Air Credit Card with a share of 17% in the number of cards sold.

Interest rate cuts made by the Monetary Policy Council between January and March 2013 caused the nominal interest rate of credit cards to go down another 4 percentage points to the level of 19%.

Bank Accounts

- **Current Accounts**

At the end of Q1 2013 the number of current accounts amounted roughly to 586 thousand (as compared to 663 thousand as at the end of March 2012), of which 396 thousand were denominated in PLN and 190 thousand were denominated in foreign currencies. The total current account balance amounted to PLN 2.5 billion, which is a rise of 7% against the corresponding period of the previous year.

- **Savings Accounts**

The number of savings accounts in the first quarter of 2013 reached almost 195.7 thousand. The total balance of funds held in savings accounts amounted to nearly PLN 3 billion against PLN 221.9 thousand of savings accounts with a total balance of PLN 2.5 billion in the corresponding period of the previous year.

- **Changes in the offering**

According to the current account acquisition strategy, which was adopted last year, the Bank focused its acquisition efforts on the affluent customer segment (CitiForward) and the wealthy customer segment (Citigold), actively using the Bank's services. In response to the needs of this group of Clients, the Bank diversified its deposit offering to additionally reward Clients using their debit cards to pay in points of sale, maintaining high enough balance in the Bank and interested in building investment relations with the Bank. Additionally, the Bank enhanced its SuperOszczędnościowe (SuperSavings) account terms by offering a competitive interest rate on low amounts. The Bank's efforts led to a significant increase in deposit balances in Q1, 2013 (6% YoY and 9% QoQ). Additionally, the Clients using their debit cards to pay in points of sale could take part in competitions – the persons with the highest transaction quantity and/or value could win a PLN 5,000 IKEA shopping spree.

Credit Products

- **Cash Loan**

In Q1 2013 the Bank actively promoted its consolidation loan through local marketing campaigns. Consequently, in Q1 2013 the Bank recorded an increased sales of 9% QoQ achieving at the same time higher profitability of this product.

- **Mortgage Products**

At the end of Q1 2013, the balance of the mortgage loan portfolio amounted to PLN 978 million in contrast to PLN 926 million at year-end 2012, representing a growth of 6%.

In the first three months of 2013, a new price offer which implements the Bank's strategy of focusing on its own customers, particularly from the Citigold segment, was introduced. The price offer for the Citigold segment is among the best on the market and the additional link between mortgage and investment products allows the customers of this segment to use the full potential of the Bank product offering.

Insurance and Investment Products

- At the end of Q1 2013, the total value of investment products (including certificates of deposit, bi-currency investments, investment deposits and insurance products) bought by individual customers via Bank was 2.4% higher than at the end of the corresponding period of previous year.

  During Q1 2013, the above funds grew by another 0.9% on Q4 2012. This growth was mainly due to stronger sales of structured products (structured bonds, life insurance with an embedded derivative).

- In order to make the product offer more attractive with new investment opportunities, 3 investment funds offered by a foreign investment company were added to the offer in Q1 2013. These changes extended the debt and equity product classes (two bond funds and one share fund).
- As regards structured products, in Q1 2013 the Bank offered 7 structured bond subscriptions as well as 2 investment life insurance subscriptions.
- In Q1 2013, the Bank broadened its offer of investment advice regarding investment funds by launching it at all branches serving customers from the Gold and Gold Select segments.

2.4. Development of distribution channels

Mobile Banking

At the end of Q1 2013, the number of customers who had used Citi Mobile at least once (whether the browser or the application version) rose to 125,000, including 14,000 who logged into Citi Mobile for the first time during this quarter. About 80% of users logged into the service using the application (available for the iOS, Android and Blackberry operating systems), while the rest used mobile browsers to access this service.

In Q1 2013, the Bank continued promoting mobile banking by organizing the second edition of the FotoKasa service promotion as part of which customers are reimbursed for a part of bills paid using this solution.

Internet Banking

In Q1 2013, the Bank changed its online acquisition model to improve the efficiency and quality of this distribution channel. The complete support of online acquisition activities was outsourced to an agency which gives the Bank better visibility, better quality of creative work and communication as well as better ways of tracking the results achieved.

The Bank also continued its strategy of informing customers of the benefits that the online channel brings. As a result, transactions made online constituted 67% of those made through other channels in Q1 2013. This was also reflected in the number of visits to the Bank's website, which broke the record of roughly 3.5 million in March.

Social networks

In Q1 2013, the Bank remained the leader of the banking category on Facebook. The Bank's profile, devoted to credit cards and the Credit Card Rebate Program called Rabatowcy.pl had 105 thousand fans at the end of Q1 2013, against 52 thousand in the corresponding period of 2012. The second bank profile – CitiMobile – dedicated to promote mobile banking services also built a community of over 62 thousand fans at the end of Q1 2013 compared to 33 thousand in the corresponding period of 2012.

Direct and Indirect Customer Acquisition

- **Direct Sales**

In Q1 2013, the Bank continued its sales strategy for the Direct Sales channel, which mainly acquires credit card holders using physical teams staffing sales stands located in shopping centers, Multikino chain cinemas and at airports. At the same time, steps were taken to optimize training processes in the mobile sub-channel - Field Teams - and the sales processes in the Telesales structure.

The Bank also started working with new external partners/agencies in direct sales and telephone sales to ensure a better geographic coverage of main Polish cities and thus develop the sales network.

- **Citibank at Work**

Citibank at Work is responsible for delivering sales services to corporate clients' employees at their workplace, offering convenience, time saving opportunity and special terms of purchase of the Bank's products and services. In Q1 2013, Citibank at Work focused on acquiring customers with incomes exceeding net PLN 5,000. The share of newly opened accounts for individuals earning more than PLN 5,000 amounted to 70% in Q1 2013, 15% more than in the previous quarter and 1,530% more than in Q1 2012 (in Q1 2012, these accounts represented only 1% of all accounts acquired).

3. Branch network

At the end of Q1 2013, the branch network of the Bank comprised 87 outlets and was made up of branches of the L and M types.

In connection with the strategy aimed at growing the Citigold segment, an additional branch classification was introduced in Q1 2013. Depending on the type of services provided, branches were divided into the following: HUB Gold (L-type branches with zones distinguished for serving Citigold customers) Satellite Gold (L or M-type branches employing a Citigold relationship manager), Blue (L and M branches without Citigold RMs) and Investment Centers. At the end of Q1 2013, the numbers of Bank branches in particular classes were as follows: HUB Gold – 12 branches, Satellite Gold – 14, Blue – 59, Investment Center – 2 branches.

In Q1 2013, the Bank also started a project aimed at improving the quality of Citigold customers service and the effectiveness of banking product sales. This investment is scheduled to start in 2013 and may be prolonged into 2014. In order to improve the sales effectiveness, it is planned to change the management model by modifying the sales coordination model. There are also plans to increase the human resources and extend the service zones for Citigold customers.

In parallel, as part of network optimization, the M branch at E12 Osiedle Centrum in Kraków stopped operations in Q1 2013 because of the planned extension of another Kraków branch, at 7 Karmelicka St.

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

	Q1 2013	Q4 2012	Q1 2012	Change QoQ	Change YoY
Number of branches:	87	88	138	(1)	(51)
L type branches	35	35	44	-	(9)
M type branches	52	53	80	(1)	(28)
S type branches	-	-	14	-	(14)
Other points of sales/contact with Client:					
Financial intermediary outlets (Open Finance & Expander and others)	274	412	270	(138)	4
Airports	5	7	5	(2)	-
Shopping Centers	23	17	16	3	7
Cash points (Billbird & Brinks)	20	20	-	-	20
Citi Handlowy ATMs	115	115	135	-	(20)
Citi Handlowy logo-branded “Euronet” ATMs and CDMs	-	-	950	-	(950)*

** In view of expiry of the agreement with Euronet, in September 2012 Citi Handlowy logo was removed from Euronet ATMs and Cash Deposit Machines (CDMs).*

9 Rating

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

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

At the end of the first quarter of 2013, Moody’s rated the Bank as follows:

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

At the end of the first quarter of 2013, 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.*

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

10 Financial instruments disclosure

Fair value of financial assets and liabilities

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

PLN '000	31.03.2013		31.12.2012	
	Balance value	Fair value	Balance value	Fair value
Assets				
Amounts due from banks	1,439,236	1,439,234	1,461,901	1,461,901
Amounts due from customers	16,261,950	16,264,135	16,221,412	16,239,445
Liabilities				
Amounts due to banks	5,678,309	5,679,523	2,356,429	2,356,295
Amounts due to customers	22,808,554	22,803,724	26,852,165	26,848,279

With exception to information provided in the table above and investments in equity instruments available-for-sale, the balance value of other assets and financial liabilities included in the consolidated statement of financial position are equal to fair value.

Investments in equity instruments available-for-sale do not have value that is actively priced at the market and their fair value cannot be reliable estimated.

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

In first quarter 2013 the Group disposed off its minority shareholding in Elektromontaż Poznań S.A., which in prior periods, the fair value of investment could not be reliably measured. The balance value of sold Elektromontaż Poznań S.A shares amounted PLN 4,715 thousand and profit on sale amounted PLN 1,844 thousand.

The fair value of deposit portfolio did not change significantly in comparison to December end 2012. Notable decrease of fair value of corporate loans portfolio resulted from margin of credit margin, which was one of the PLN credit valuation element. Margin form December was under valuated due to granted in December individually large credits with low margin in comparison to whole portfolio.

Valuation methods and assumptions used for the purposes of fair value

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

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

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

  – FX forwards – "Bootstrap" or "Newton Raphson" model;

- options – option market-based valuation model;
- interest rate transactions – ”Bootstrap” or “Newton Raphson” model;
- futures – current quotations.

- For valuation securities transactions - currents quotations are used or in case no quotations are available, adequate models based on discount and forward curves including decrease of credit spread if needed.
- The fair value of other assets and financial liabilities (excluding described above) are estimated with accordance to models used for valuation and discounted cash flows analysis and takes into account fluctuations in market interest rates as well as changes in margins during the financial period.

Fair value included in consolidated statement of financial position

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

- Level I: financial assets / liabilities valued directly on the basis of prices quoted in an active market;
- Level II: financial assets / liabilities valued on the basis of a valuation technique based on assumptions using information from an active market or market-based observations;
- Level III: financial assets / liabilities valued on the basis of valuation techniques using relevant parameters not market-based (counterparty credit risk).

The tables below present carrying amounts of assets and financial liabilities presented in the consolidated statement of financial position measured at fair value, arranged according to the above categories:

As at 31 March 2013

PLN '000	Level I	Level II	Total
Financial assets			
Financial assets held-for-trading	5,158,322	4,016,529	9,174,851
derivatives	8	4,016,529	4,016,537
debt securities	5,152,708	-	5,152,708
capital instruments	5,606	-	5,606
Debt securities available-for-sale	5,617,177	6,379,910	11,997,087
Financial liabilities			
Financial liabilities held-for-trading	1,033,960	4,265,124	5,299,084
short sale of securities	1,033,172	-	1,033,172
derivatives	788	4,265,124	4,265,912

Except assets described above tangible assets available-for-sale are shown in consolidated statement of financial position, which fair value decreased by sale cost is higher than its carrying amount. In consequence they are shown in consolidated statement of financial position by carrying amount, which as at 31 March 2013 was PLN 12,554 thousands (31 December 2012: PLN 12,554 thousands).

In first quarter 2013, the Group transferred financial assets available-for-sale from the category valued using relevant parameters not market-based (level III) to the category valued using information from an active market (level II). The change of the category concerns derivatives and results from change of the market-based valuation model. The value of transferred assets was PLN 1,523 thousands..

In the 3 month period of 2013 the Group has not made any changes in principles of financial instruments' classification (presented in the consolidated statement of financial position at fair value) to the separate categories of fair value establishing method used (level I, level II, level III).

The increase of fair value of financial instruments classified as held-for-trading at 31 March 2013 in comparison to the end of 2012 was connected with expected by the Bank changes in economic environment.

The decrease of financial instruments portfolio size classified as available-for-sale (AFS) was influenced by the sale of securities on which in the first quarter 2013 the Bank has realized profit.

In the 3 month period of 2013 the Group has not made any changes in financial assets classification that may result from asset's purpose or usage change.

11 Impairment and provisions

PLN '000	As at 1 January 2013	Increases: Write down creation	Increases: Other*	Decreases: Write down release	Decreases: Movement of receivables to write downs	Decreases: Sale fo receivables/other assets	Decreases: Other*	As at 31 March 2013
Impairment of financial assets								
Amounts due from banks	126	845	3	(387)	-	-	-	587
Amounts due from customers	1,130,927	66,929	1,961	(59,988)	(658)	-	(227)	1,138,944
	1,131,053	67,774	1,964	(60,375)	(658)	-	(227)	1,139,531
Provisions for granted financial and guarantee liabilities	11,476	7,860	-	(7,416)	-	-	-	11,920
	1,142,529	75,634	1,964	(67,791)	(658)	-	(227)	1,151,451
Other assets impairment								
Capital investment	26,667	-	-	-	-	(6,037)	-	20,630
Tangible assets available for sale	1,082	-	-	-	-	-	-	1,082
Other assets	5,598	143	-	(209)	-	-	-	5,532
	33,347	143	-	(209)	-	(6,037)	-	27,244
Total impairment of assets and provisions for granted financial and guarantee liabilities	1,175,876	75,777	1,964	(68,000)	(658)	(6,037)	(227)	1,178,695
Other provisions								
Contentious issues	11,145	6,243	18	(4,861)	-	-	-	12,545
Restructuring	3,741	2,040	-	-	-	-	(2,543)	3,238
Other	2,294	924	-	-	-	-	(1,527)	1,691
Total other provisions	17,180	9,207	18	(4,861)	-	-	(4,070)	17,474

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

PLN '000	As at 1 January 2012	Increases: Write down creation	Increases: Other*	Decreases: Write down release	Decreases: Movement of receivables to write downs	Decreases: Sale fo receivables/other assets	Decreases: Other*	As at 31 December 2012
Impairment of financial assets								
Amounts due from banks	63	865	-	(797)	-	-	(5)	126
Amounts due from customers	1,235,789	296,419	2,614	(242,073)	(157,104)	-	(4,718)	1,130,927
	1,235,852	297,284	2,614	(242,870)	(157,104)	-	(4,723)	1,131,053
Provisions for granted financial and guarantee liabilities	11,474	22,768	-	(22,766)	-	-	-	11,476
	1,247,326	320,052	2,614	(265,636)	(157,104)	-	(4,723)	1,142,529
Other assets impairment								
Capital investment	21,575	5,092	-	-	-	-	-	26,667
Tangible assets available for sale	2,615	1,014	-	-	-	(2,547)	-	1,082
Other assets	419	6,042	-	(846)	(17)	-	-	5,598
	24,609	12,148	-	(846)	(17)	(2,547)	-	33,347

PLN '000	As at 1 January 2012	Increases		Decreases				As at 31 December 2012
		Write down creation	Other*	Write down release	Movement of receivables to write downs	Sale fo receivables/other assets	Other*	
Total impairment of assets and provisions for granted financial and guarantee liabilities	1,271,935	332,200	2,614	(266,482)	(157,121)	(2,547)	(4,723)	1,175,876
Other provisions								
Contentious issues	23,440	7,002	-	(6,482)	-	-	(12,815)	11,145
Restructuring	-	42,208	-	-	-	-	(38,467)	3,741
Other	-	2,294	-	-	-	-	-	2,294
Total other provisions	23,440	51,504	-	(6,482)	-	-	(51,282)	17,180

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

In the period 1 January - 31 March 2013 and in 2012 the Group has not made any value actualization write downs due to value loss of tangible assets, intangible assets and write downs reversals involving this subject.

12 Provisions and assets due to differed income tax

PLN '000	31.03.2013	31.12.2012
Assets due to differed income tax	942,562	1,010,549
Provisions due to differed income tax	(709,395)	(791,763)
End of period balance	233,167	218,786

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

13 Purchase and sale transactions of tangible assets

In the period 1 January - 31 March 2013 the value of purchased by the Group components of "fixed assets" equaled PLN 4,527 thousand (in 2012: PLN 32,143 thousand); the value of sold components equals PLN 192 thousand (in 2012: PLN 3,535 thousand).

As at 31 March 2013 the Group does not has significant contract liabilities due to purchase of fixed assets.

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

Between 1 January and 31 March 2013 in the Group has been no occurrence of default or breach due to received credit agreement.

15 Seasonality or periodicity of business activity

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

16 Issue, redemption and repayment of debt and equity securities

In the first quarter of 2013 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid or declared dividends

Dividends paid

At the meeting on 19 March 2013, Supervisory Board of the Bank Handlowy w Warszawie S.A. considered and approved the proposal of the Management of the Bank concerning to profit for 2012 distribution, including the proposal of destination to pay out PLN 756,519,084.00 as a dividend, which will be paid in the form of cash. Above mentioned proposal determined the payout for single share at PLN 5.79.

Simultaneously, the Supervisory Board examined and approved the proposal of the Management Board on the date the dividend on 5 July 2013 and the date of pay out on 30 August 2013.

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

On 22 April 2013 the Management of the Bank received information from Polish Financial Supervisory Authority on meeting the criteria that allows paying dividend from the profit from 2012.

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

As at 31 March 2013 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

19 Changes in granted financial and guarantee commitments

The detailed specification of granted financial and guarantee commitments as at 31 March 2013 and changes in comparison with the end of 2012 are as follows:

PLN '000	State as at		Change	
	31.03.2013	31.12.2012	PLN '000	%
Contingent liabilities granted				
financial	13,512,924	12,449,875	1,063,049	8.5
Import letters of credit issued	145,662	144,855	807	0.6
Credit lines granted	11,779,706	11,092,470	687,236	6.2
Subscription of securities granted to other issuers	1,508,050	1,212,550	295,500	24.4
Reverse repo transactions with future currency date	79,506	-	79,506	-
guarantees	1,730,122	1,804,083	(73,961)	(4.1)
Guarantees granted	1,709,554	1,764,624	(55,070)	(3.1)
Export letters of credit confirmed	8,102	4,273	3,829	89.6
Other	12,466	35,186	(22,720)	(64.6
	15,243,046	14,253,958	989,088	6.9
Contingent liabilities received				
financial (deposits to receive)	1,378,299	122,646	1,255,653	1023.8
guarantees (guarantees received)	4,889,071	4,798,611	90,460	1.9
	6,267,370	4,921,257	1,346,113	27.4
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	2,342,294	2,359,957	(17,663)	(0.7)
Forward **	232,308,023	239,351,697	(7,043,674)	(2.9)
	234,650,317	241,711,654	(7,061,337)	(2.9)

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

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

20 Changes in Group's structure

In the first quarter of 2013 the structure of the Group has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

21 Achievement of 2013 forecast results

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

22 Information about shareholders

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

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

In the period between publishing the interim consolidated financial statements for the third quarter 2012, consolidated financial report for 2012 and publishing this report for the first quarter 2013 the structure of major shareholdings has not undergone any changes.

23 Ownership of issuer's shares by managing and supervising officers

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

Name and surname	Function	Number of shares on day of publishing the Interim Financial Statement for the first quarter 2013	Number of shares on day of publishing the Consolidated Financial Report for the 2012	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2012
Iwona Dudzińska	Member of the Managing Board	600	600	600
Andrzej Olechowski	Chairman of Supervisory Board	1,200	1,200	1,200
Total		1,800	1,800	1,800

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

24 Information on pending proceedings

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

The total value of all legal proceedings regarding receivables or liabilities, with the participation of the Bank and its subsidiaries, in the first quarter 2013 did not exceed 10% of the Bank's equity.

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

In the case of legal proceedings involving the risk of cash outflow due to fulfillment of the obligation created by the Group are adequate reserves.

As at 31 March 2013, the Bank was a party to 32 proceedings regarding derivative transactions: in 23 proceedings it acted as a defendant and in 9 - as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of dispute refers mainly to the validity of the derivative transactions and client's liabilities demanded by the Bank with respect to those derivative transactions as well as potential claims regarding invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they question the validity of the agreements, dispute their liabilities towards the Bank and, in some cases, demand payments from the Bank. As at the day of financial statement preparation, in cases regarding term financial operations, three final and positive settlement regarding the derivative transactions proceedings and one negative to which the Bank is a party was made in the court, no final settlements were made for other cases.

The Bank is a party to the proceeding initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa Europay payment system operators and banks - issuers of Visa cards and Europay/ Eurocard/ Mastercard.
This procedure applies to practices limiting the competition on payment-cards market in Poland, by consisting in the joint determination of 'interchange fees' for transactions made by cards of Visa and Europay / Eurocard / Mastercard as well as limiting the access to market for operators who do not belong to the unions of card issuers and against whom proceedings have been initiated. On 22 April 2010 the Court of Appeal overturned the verdict of the Court of Competition and Consumer Protection (SOKiK), sending the case back to the court of first instance. As at 30 June 2012 no final settlements were made in the court. In accordance with the decision from 8 May 2012, the SOKiK has stopped the proceeding until the final ending of the proceeding taking place in European Union Court regarding MasterCard's European Commission Decision complainment (Act T 111/08). For the SOKiK decision from 8 May 2012 was made a complainment to the Court of Appeal, which as at 30 June 2012 is awaiting recognition. As at the day of signing the statement no further decisions in the Court of Appeal were made.

In the first quarter 2013 no significant settlements due to court case had place. .

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

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

26 Information about guarantee agreements

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

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

A major relaxation of the monetary policy by the Bank of Japan may significantly boost the risk appetite on global financial markets. These changes may lead, inter alia, to a further growth of foreign investors' interest in Polish assets and thus contribute to greater changes in prices of Polish bonds, shares and the zloty exchange rate. If capital continues flowing to Poland, this may also increase the pressure for the zloty to appreciate, thus reducing the competitiveness of Polish companies on international markets.

Regardless of the improved sentiment on financial markets, the possibility of a deeper economic slow-down in the euro zone and a worsening of the debt crisis there remain serious risk factors. If they materialize, they could prolong the economic slow-down in Poland, and hence cause the financial standing of Bank customers to deteriorate. Uncertainty about future demand may also contribute to scaling down private sector investments, thus reducing Bank customers' demand for funding. Weak economic growth could also create the conditions for the Monetary Policy Council to significantly cut interest rates further.

In the longer term, excess liquidity in international financial markets caused by asset purchase programs launched by central banks to stimulate economic growth and alleviate anxiety in the financial markets may result in a major increase in commodity prices and continued high inflation. A potential dynamic price increase could lead to a reduction of real household income and consumption.

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

Condensed interim financial statements of the Bank for the first quarter 2013

Condensed income statement

PLN '000	First quarter accruals period from 01.01.13 to 31.03.13	First quarter accruals period from 01.01.12 to 31.03.12
Interest and similar income	437,061	527,818
Interest expense and similar charges	(115,534)	(137,690)
Net interest income	321,527	390,128
Fee and commission income	162,107	165,312
Fee and commission expense	(23,490)	(23,690)
Net fee and commission income	138,617	141,622
Net income on trade financial instruments and revaluation	120,874	114,544
Net gain on debt investment securities	171,964	72,929
Net gain on investments in capital instruments	1,844	-
Other operating income	20,237	12,957
Other operating expenses	(10,512)	(14,406)
Net other operating income	9,725	(1,449)
General administrative expenses	(321,280)	(390,882)
Depreciation of fixed and intangible assets	(11,442)	(14,498)
Profit/(loss) on sale of non-financial assets	68	49
Result on write-off due to impairment of financial assets and provisions for off-balance sheet liabilities	(11,814)	(13,435)
Profit before tax	420,083	299,008
Income tax expense	(80,048)	(62,807)
Net profit	340,035	236,201
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net earnings per share (in PLN)	2.60	1.81
Diluted net earnings per share (in PLN)	2.60	1.81

Condensed statement of comprehensive income

PLN '000	First quarter accruals period from 01.01.13 to 31.03.13	First quarter accruals period from 01.01.12 to 31.03.12
Net income	340,035	236,201
Other comprehensive income:		
Valuation of financial assets available-for-sale (net)	(185,696)	114,566
Total comprehensive income	154,339	350,767

Condensed statement of financial position

PLN '000 State as at	31.03.2013	31.12.2012
ASSETS		
Cash and balances with the Central Bank	1,023,879	1,357,308
Amounts due from banks	1,439,226	1,451,370
Financial assets held-for-trading	9,169,245	6,838,483
Debt securities available-for-sale	11,997,087	15,003,003
Capital investments	253,579	258,441
Amounts due from customers	15,753,912	15,768,922
Tangible fixed assets	364,976	370,483
Intangible assets	1,384,211	1,377,632
Income tax assets	235,556	220,804
deferred	235,556	220,804
Other assets	228,800	214,788
Fixed assets held-for-sale	12,554	12,554
Total assets	41,863,025	42,873,788
LIABILITIES		
Amounts due to banks	5,417,477	2,097,033
Financial liabilities held-for-trading	5,299,084	5,846,404
Amounts due to customers	22,809,212	26,882,179
Provisions	27,293	28,596
Income tax liabilties	50,372	54,774
current	50,372	54,774
Other liabilities	761,520	621,074
Total liabilities	34,364,958	35,530,060
EQUITY		
Share capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	71,883	257,579
Other reserves	2,610,228	2,610,228
Retained earnings	1,348,733	1,008,698
Total equity	7,498,067	7,343,728
Total liabilities and equity	41,863,025	42,873 788

Condensed statement of changes in equity

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2013	522,638	2,944,585	257,579	2,610,228	1,008,698	7,343,728
Total comprehensive income	-	-	(185,696)	-	340,035	154,339
Balance as at 31 March 2013	522,638	2,944,585	71,883	2,610,228	1,348,733	7,498,067

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2012	522,638	2,944,585	(82,485)	2,249,555	721,294	6,355,587
Total comprehensive income	-	-	114,566	-	236,201	350,767
Balance as at 31 March 2012	522,638	2,944,585	32,081	2,249,555	957,495	6,706,354

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

Condensed summary statement of cash flows

PLN '000	First quarter accruals period from 01.01.13 to 31.03.13	First quarter accruals period from 01.01.12 to 31.03.12
Cash at the beginning of the reporting period	1,533,791	1,044,107
Cash flows from operating activities	(265,737)	1,165,316
Cash flows from investing activities	(12,942)	(15,397)
Cash flows from financing activities	(11,798)	(17,344)
Cash at the end of the reporting period	1,243,314	2,176,682
Increase / Decrease in net cash	(290,477)	1,132,575

Condensed additional information

1. Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting, adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2012 and condensed interim consolidated financial statement of the Group for the first quarter 2013.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is obliged to publish its financial results for the 3 month period ended 31 March 2013 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

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

Principles adopted in the preparation process of these condensed interim consolidated financial statement are consistent with the principles, described in the annual unconsolidated financial statements of the Bank as at 31 December 2012.

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

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

Bank's financial results

In the first quarters of 2013 the Bank has generated profit before tax of PLN 420 million, which is an increase from PLN 299 million comparing to the corresponding period of 2012, while the net profit in the first quarter of 2013 amounted PLN 340 million, which is an increase by PLN 104 million comparing to the corresponding period of previous year.

The accrued (period from January to September) net profit was PLN 745 million, which is an increase of PLN 236 million comparing to the corresponding period of pervious year, while the net profit in the third quarter was PLN 247 million comparing to the PLN 178 million of net profit in the corresponding period of 2011.

The significant impact on the Bank net profit in the first period of 2013 had the increase of financial instruments result (trade financial instruments and revaluation, debt securities and capital securities) by total of PLN 107 million (57.2%), decrease in banking activity costs and general administrative costs and depreciation by PLN 73 million (17.9%), decrease in interest and commission income by PLN 72 million (13.5%), increase of financial result on other operating income and expenses as well as income on sale of non-financial assets by PLN 11 million and higher income tax burden by PLN 17 million (27.5%).

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

Signature of the Director of
Financial Reporting and Control Department

Date and signature

08.05.2013
....

Signature of the President of
Management Board

Date and signature

08.05.2013
....