



2015 SEMI-ANNUAL REPORT
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.

AUGUST 2015

SELECTED FINANCIAL DATA	In PLN '000		In EUR '000***	
	First half of 2015	First half of 2014	First half of 2015	First half of 2014
Condensed Interim Consolidated Financial Statements data				
Interest income	599,668	767,282	145,054	183,631
Fee and commission income	348,776	378,846	84,366	90,668
Profit before tax	459,025	627,486	111,034	150,174
Net profit	367,217	513,899	88,826	122,989
Comprehensive income	144,674	559,928	34,995	134,005
Increase of net cash	3,884,522	247,177	939,629	59,156
Total assets*	51,661,023	49,843,665	12,316,666	11,694,077
Amounts due to banks*	9,452,169	5,122,576	2,253,521	1,201,834
Amounts due to customers*	26,056,387	29,632,598	6,212,185	6,952,255
Equity	6,584,517	6,932,594	1,569,835	1,666,128
Share capital	522,638	522,638	124,604	125,607
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	50.39	53.06	12.01	12.75
Capital adequacy ratio (in %)*	16.6	17.5	16.6	17.5
Earnings per share (PLN/EUR)	2.81	3.93	0.68	0.94
Diluted earnings per share (PLN/EUR)	2.81	3.93	0.68	0.94
Condensed Interim Stand-alone Financial Statements data				
Interest income	597,037	761,104	144,418	182,152
Fee and commission income	323,992	340,612	78,371	81,517
Profit before tax	468,995	655,055	113,445	156,772
Net profit	378,163	544,346	91,474	130,276
Comprehensive income	155,699	590,288	37,662	141,271
Increase of net cash	3,884,344	247,108	939,586	59,139
Total assets*	51,472,022	49,603,377	12,271,605	11,637,702
Amounts due to banks*	9,375,472	5,004,190	2,235,236	1,174,059
Amounts due to customers*	26,189,673	29,803,545	6,243,962	6,992,362
Equity	6,533,483	6,877,294	1,557,668	1,652,838
Share capital	522,638	522,638	124,604	125,607
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	50.00	52.64	11.92	12.65
Capital adequacy ratio (in %)*	16.4	17.2	16.4	17.2
Earnings per share (PLN/EUR)	2.89	4.17	0.70	1.00
Diluted earnings per share (PLN/EUR)	2.89	4.17	0.70	1.00
Declared or paid dividends per share (PLN/EUR)**	7.43	7.15	1.77	1.72

* Comparative data according to balance sheet as at 31 December 2014.

**The presented ratios relate respectively to dividend approved for the distribution of 2014 profit and dividend paid in 2014 from the distribution of 2013 profit.

***The following exchange rates were applied to convert PLN to EUR: for the statement of financial position items- average NBP exchange rate as at 30 June 2015: EUR 1 = PLN 4.1944 (as at 31 December 2014: PLN 4.2623; as at 30 June 2014: PLN 4.1609); for the income statement, the statement of comprehensive income and the cash flow statement items – the rate is calculated as the arithmetic mean of NBP exchange rates prevailing as at the last day of each month of the first half of 2015: EUR 1 = PLN 4.1341 (in the first half of 2014: PLN 4.1784).



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2015

AUGUST 2015

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Condensed consolidated income statement

	For a period	II quarter	I half of the year	II quarter	I half of the year
		01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
PLN'000	Note				
Interest and similar income	6	289,594	599,668	387,824	767,282
Interest expense and similar charges	6	(49,584)	(102,882)	(85,703)	(172,078)
Net interest income	6	240,010	496,786	302,121	595,204
Fee and commission income	7	175,425	348,776	192,838	378,846
Fee and commission expense	7	(16,800)	(38,744)	(25,708)	(54,719)
Net fee and commission income	7	158,625	310,032	167,130	324,127
Dividend income		7,177	7,177	5,682	5,682
Net income on trading financial instruments and revaluation	8	71,953	157,626	105,944	231,325
Net gain on debt investment securities	9	20,342	118,800	65,656	105,288
Net gain on equity investment instruments		-	-	-	2,855
Net gain/(loss) on hedge accounting		910	910	-	(709)
Other operating income	10	7,891	21,216	14,860	30,579
Other operating expense	10	(9,193)	(23,783)	(10,270)	(22,712)
Net other operating income and expense	10	(1,302)	(2,567)	4,590	7,867
General administrative expenses	11	(293,924)	(589,262)	(310,472)	(606,582)
Depreciation and amortization		(17,521)	(35,113)	(17,850)	(36,184)
Profit on sale of other assets		68	72	144	297
Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees	12	(1,977)	(5,484)	(4,377)	(1,997)
Operating income		184,361	458,977	318,568	627,173
Share in net profits of entities valued at equity method		36	48	322	313
Profit before tax		184,397	459,025	318,890	627,486
Income tax expense	13	(34,217)	(91,808)	(52,641)	(113,587)
Net profit		150,180	367,217	266,249	513,899
Including:					
Net profit attributable to Bank's shareholders			367,217		513,899
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			2.81		5.02
Diluted net earnings per share (in PLN)			2.81		5.02

Explanatory notes on pages: 11-44 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of comprehensive income

		II quarter		I half of the year	
		01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
For a period	Note				
<i>PLN'000</i>					
Net profit		150,180	367,217	266,249	513,899
Other comprehensive income, that might be subsequently reclassified to profit or loss					
Changes in value of available-for-sale financial assets	14	(199,353)	(222,455)	74,011	45,927
Currency translation differences		788	(88)	(79)	102
Other comprehensive income net of tax		(198,565)	(222,543)	73,932	46,029
Total comprehensive income		(48,385)	144,674	340,181	559,928

Including:

Comprehensive income attributable to Bank's shareholders		144,674	559,928
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Explanatory notes on pages: 11-44 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of financial position

<i>PLN'000</i>	As at Note	30.06.2015	31.12.2014
ASSETS			
Cash and balances with the Central Bank		5,347,946	1,522,949
Amounts due from banks	15	3,622,715	2,065,685
Financial assets held-for-trading	16	9,645,331	12,721,573
Hedging derivatives		41,311	-
Debt securities available-for-sale	17	13,161,858	14,435,099
Equity investments valued at equity method		7,753	7,765
Equity investments available for sale		8,257	8,211
Amounts due from customers	18	17,429,221	16,770,482
Tangible fixed assets		363,926	366,857
Intangible assets		1,381,209	1,387,745
Current income tax receivables		4,044	13,255
Deferred tax asset	19	222,945	157,319
Other assets		422,579	384,612
Non-current assets held-for-sale		1,928	2,113
Total assets		51,661,023	49,843,665
LIABILITIES			
Amounts due to banks	20	9,452,169	5,122,576
Financial liabilities held-for-trading	16	7,569,403	6,770,922
Hedging derivatives		593	-
Amounts due to customers	21	26,056,387	29,632,598
Provisions		25,295	26,409
Current income tax liabilities		45,978	186
Other liabilities		1,926,681	880,214
Total liabilities		45,076,506	42,432,905
EQUITY			
Ordinary shares		522,638	522,638
Share premium		3,001,525	3,000,298
Revaluation reserve		(169,582)	52,873
Other reserves		2,868,541	2,893,523
Retained earnings		361,395	941,428
Total equity		6,584,517	7,410,760
Total liabilities and equity		51,661,023	49,843,665

Explanatory notes on pages: 11-44 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of changes in equity

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non- controlling interest	Total equity
Balance as at 1 January 2015	522,638	3,000,298	52,873	2,893,523	941,428	-	7,410,760
Total comprehensive income, including:	-	-	(222,455)	(88)	367,217	-	144,674
Net profit	-	-	-	-	367,217	-	367,217
Currency translation differences from the foreign operations' conversion	-	-	-	(88)	-	-	(88)
Net valuation of available-for-sale financial assets	-	-	(222,455)	-	-	-	(222,455)
Dividends to be paid	-	-	-	-	(970,917)	-	(970,917)
Transfer to capital	-	1,227	-	(24,894)	23,667	-	-
Balance as at 30 June 2015	522,638	3,001,525	(169,582)	2,868,541	361,395	-	6,584,517

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non- controlling interest	Total equity
Balance as at 1 January 2014	522,638	2,997,759	(42,963)	2,859,388	970,442	-	7,307,264
Total comprehensive income, including:	-	-	45,927	102	513,899	-	559,928
Net profit	-	-	-	-	513,899	-	513,899
Currency translation differences from the foreign operations' conversion	-	-	-	102	-	-	102
Net valuation of available-for-sale financial assets	-	-	45,927	-	-	-	45,927
Dividends to be paid	-	-	-	-	(934,598)	-	(934,598)
Transfer to capital	-	2,539	-	39,189	(41,728)	-	-
Balance as at 30 June 2014	522,638	3,000,298	2,964	2,898,679	508,015	-	6,932,594

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

Explanatory notes on pages: 11-44 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of cash flows

<i>PLN '000</i>	For a period	01.01. - 30.06. 2015	01.01. - 30.06. 2014
A. Cash flows from operating activities			
I. Net profit		367,217	513,899
II. Adjustments to reconcile net profit or loss to net cash provided by operating activities:		3,139,451	(846,764)
Current and deferred income tax recognized in income statement		91,808	113,587
Share in net profits/(losses) of entities valued at equity method		(48)	(313)
Depreciation expense		35,113	36,184
Net impairment due to financial assets value loss		8,815	3,131
Net provisions (recoveries)		65	917
Net interest income		(496,786)	(595,204)
Profit/loss on sale of investments		(72)	(292)
Net unrealized exchange differences		(15,657)	(7,418)
Other adjustments		(4,648)	(3,366)
Cash flows from operating income before changes in operating assets and liabilities		(381,410)	(452,774)
Change in operating assets (excl. cash and cash equivalents)		1,807,958	239,604
Change in amounts due from banks		(1,500,322)	(1,286,189)
Change in amounts due from customers		(677,852)	(1,768,780)
Change in debt securities available-for-sale		1,012,967	4,836,341
Change in equity investments		(77)	1,537
Change in financial assets held-for-trading		3,047,240	(1,245,521)
Change in derivative securities		(41,311)	-
Change in assets held-for-sale		-	(1,174)
Change in other assets		(32,687)	(296,610)
Change in operating liabilities (excl. cash and cash equivalents)		1,712,903	(633,594)
Change in amounts due to banks		4,408,910	(2,370,925)
Change in amounts due to customers		(3,572,873)	(261,831)
Change in liabilities held-for-trading		798,481	1,578,280
Change in amounts due to hedging derivatives		593	(24,710)
Change in other liabilities		77,792	445,592
Interest received		625,026	751,410
Interest paid		(102,437)	(175,345)
Income tax paid		(53,237)	(27,818)
III. Net cash flows from operating activities		3,976,020	215,382
B. Cash flows from investing activities			
Purchase of tangible fixed assets		(21,138)	(15,734)
Disposal of tangible fixed assets		2,528	2,347
Purchase of intangible assets		(11,666)	(3,461)
Disposal of fixed assets/liabilities held-for-sale		250	147
Net cash flows from investing activities		(30,026)	(16,701)
C. Cash flows from financing activities			
Paid dividends		(116)	(383)
Inflows due to long-term loans from financial sector		-	104,283
Repayment of long-term loans from financial sector		(68,156)	(56,474)
Net cash flows from financing activities		(68,272)	47,426
D. Exchange rates differences resulting from cash and cash equivalent calculation		6,800	1,070
E. Net increase/(decrease) in cash and cash equivalent		3,884,522	247,177
F. Cash and cash equivalent at the beginning of reporting period		1,732,915	1,120,162
G. Cash and cash equivalent at the end of reporting period (see note 25)		5,617,437	1,367,339

Explanatory notes on pages: 11-44 are integral part of the condensed interim consolidated financial statements.

Supplementary notes to the condensed interim consolidated financial statements

1. General information about the Capital Group ("The Group")

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

The Bank and its subsidiaries are expected to continue the business activity in the foreseeable future.

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

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

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

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

These condensed interim consolidated financial statements present financial data of the Capital Group of Bank Handlowy w Warszawie S.A., that is composed of Bank Handlowy w Warszawie S.A. as the parent company and its subsidiaries: Dom Maklerski Banku Handlowego S.A., Handlowy-Leasing Sp. z o.o., Handlowy Investmens S.A., PPH Spomasz Sp. z o.o. w likwidacji and Handlowy Inwestycje Sp. z o.o.

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

2. Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*, adopted by European Union, and other applicable regulations, including additionally statement of Financial Supervision Authority (KNF) dated 12th February 2015 and opinion of the Ministry of Finance provided in letter dated 11th February 2015 regarding accounting for costs paid to Bank Guarantee Fund. These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 December 2014.

In accordance with the Decree of the Ministry of Finance dated 19 February 2009, regarding current and periodic information provided by issuers of securities, and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2014, No. 133) the Bank is obliged to publish its financial results for the six-month period ended 30 June 2015 which is deemed to be the current interim financial reporting period.

These condensed consolidated interim financial statements were approved by the Management Board on 21 August 2015.

3. Significant accounting policies

Condensed interim consolidated financial statements of the Group for the first half of 2015 have been prepared in accordance with accounting policies applied and summarized in the annual consolidated financial statements of the Group for the financial year ended 31 December 2014.

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

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

If Group had recognized Bank Guarantee Fund costs immediately, the costs of operations and general management presented in this condensed interim financial statement for the 1st half of 2015 would increase by 33,672 thousand PLN. As a result, the consolidated net profit of the Group for the 1st half of 2015 would be reduced by 28,613 thousand PLN.

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

The most significant estimates made for the 6 month period ended 30 June 2015, concern:

- Impairment of financial assets,
- Fair value of derivatives,
- Employee benefits.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2015 to 30 June 2015 and from 1 April 2015 to 30 June 2015, and for the consolidated statements of financial situation as at 30 June 2015. Comparable financial data are presented for the period from 1 January 2014 to 30 June 2014 and from 1 April 2014 to 30 June 2014, and for consolidated statement of financial position as at 31 December 2014.

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

4. Segment reporting

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

The Group is managed in two main operating segments – Institutional Banking and Consumer Banking. The valuation of segment's assets and liabilities as well as calculation of its financial results is based on the 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 the Group segments is based on prices derived from market rates. Transfer prices are calculated using the

same rules for both segments and any difference results solely from maturity and currency structure of assets and liabilities. The basis for assessment of the segment performance is gross profit or loss.

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

Institutional Banking

Within the Institutional Banking segment the Group offers products and provides services to commercial entities, municipalities and public sector. Apart from traditional banking services covering credit and deposit activities, the segment provides services in the area of cash management, trade finance, leasing, brokerage and custody services in respect of securities. It also offers treasury products on financial and commodity markets. In addition, the segment offers the investment banking services on the local and international capital markets, including advisory services as well as obtaining and underwriting financing through public and non-public offerings. The activities also comprise proprietary transactions in the equity, debt and derivative instruments' markets.

Consumer Banking

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

Consolidated income statement by business segment

For the period	01.01 – 30.06.2015			01.01 – 30.06.2014		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	216,478	280,308	496,786	268,660	326,544	595,204
Internal interest income, including:	(28,749)	28,749	-	(25,941)	25,941	-
Internal income	-	28,749	28,749	-	25,941	25,941
Internal expenses	(28,749)	-	(28,749)	(25,941)	-	(25,941)
Net fee and commission income	137,556	172,476	310,032	142,020	182,107	324,127
Dividend income	1,462	5,715	7,177	2,114	3,568	5,682
Net income on financial instruments and revaluation	142,329	15,297	157,626	215,920	15,405	231,325
Net gain on debt investment securities	118,800	-	118,800	105,288	-	105,288
Net gain on capital investment instruments	-	-	-	2,855	-	2,855
Net loss on hedge accounting	910	-	910	(709)	-	(709)
Net other operating income	6,821	(9,388)	(2,567)	19,913	(12,046)	7,867
General administrative expenses	(258,811)	(330,451)	(589,262)	(265,517)	(341,065)	(606,582)
Depreciation and amortization	(11,675)	(23,438)	(35,113)	(12,055)	(24,129)	(36,184)
Profit on sale of other assets	7	65	72	296	1	297
Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees	(1,026)	(4,458)	(5,484)	(1,967)	(30)	(1,997)
Operating income	352,851	106,126	458,977	476,818	150,355	627,173
Share in net profits/(losses) of entities valued at equity method	48	-	48	313	-	313
Profit before tax	352,899	106,126	459,025	477,131	150,355	627,486

For the period	01.01 – 30.06.2015			01.01 – 30.06.2014		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Income tax expense			(91,808)			(113,587)
Net profit			367,217			513,899

As at:	30.06.2015			31.12.2014		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets, including:	45,393,371	6,267,652	51,661,023	43,663,564	6,180,101	49,843,665
Equity investments valued at equity method	7,753	-	7,753	7,765	-	7,765
Non-current assets held-for-sale	-	1,928	1,928	-	2,113	2,113
Total liabilities and shareholders equity, including:	40,879,210	10,781,813	51,661,023	40,417,857	9,425,808	49,843,665
Liabilities	35,810,157	9,266,349	45,076,506	34,672,382	7,760,523	42,432,905

5. Risk Management

Credit Risk

The main purpose of risk management in the Group is ensuring both high quality of credit portfolio and business activity stabilization through minimizing the risk of credit losses. Credit risk management is executed based on the policies and procedures that consistently and clearly define and communicate standards for risk identification, measurement, acceptance, control, monitoring and reporting.

The Group manages its exposure by identifying and monitoring of limits, set within the capital limits and liquidity norms, taking into account the constraints of external regulations.

The process of active portfolio quality management includes, depending on client type, assigning appropriate risk ratings and internal classification, monitoring days past due as well as application of the relevant remedial or debt collection actions. The Group has put in place a uniform internal system for classification of receivables based on predetermined criteria. Risk rating assignment and classification system are crucial in defining the level of impairment allowances.

The Group recognizes and manages counterparty credit risk in the transactions of financial instruments, based on internal limits on Pre-Settlement and Settlement Exposures. Credit ratings are also given to these exposures.

In the first half of 2015 there were no significant changes in credit risk management systems and processes.

The tables below present the Group's portfolio grouped by receivables from customers impaired and not impaired. The tables also present the details of impairment write-downs. Within impaired receivables there are a portfolio managed based on individual classification (individual assessment) and a portfolio managed based on the delinquency (portfolio assessment). Exposures without impairment are classified based on the internal risk ratings classified from 1 to 7, where risk category 1 is the best rating.

The internal risk ratings are gained in the complex credit assessment's process, which consists of rating models and methodologies, additional corrections resulting, among others, from the acquired support and collateral, and all the defined processes used in order to get risk ratings.

The risk rating defines the probability of failing to fulfil contract by the debtor from liabilities within 1 year period. Ratings from 1 to 4- inclusive are treated as the equivalent of ratings at investments level of

external credit rating agencies, what implies that they indicate low or medium level of credit risk. Ratings below 4- indicate increased credit risk, wherein the rating 7 means high credit risk and low ability to service debt obligations, even in favorable macroeconomic conditions.

The main indicator of impairment for Global Consumer Banking customers is a delay in payment of: the principal amount and interest; a minimum payable balance; a commission, or an exceeding of credit limit. For the purpose of impairment write-downs, it is assumed that the condition is met when a payment is overdue for at least 90 days at the impairment assessment date.

The maximum Group's credit risk exposure is presented below.

<i>PLN '000</i>	Note	30.06.2015	31.12.2014
Gross receivables due from banks	15	3,623,041	2,068,565
Gross receivables due from institutional customers	18	11,840,215	11,289,212
Gross receivables due from individual customers	18	6,382,974	6,280,166
Debt securities held-for-trading	16	4,568,939	7,096,875
Derivative instruments	16	5,052,717	5,624,460
Hedging derivatives		41,311	-
Debt securities available-for-sale	17	13,161,858	14,435,099
Other financial assets		301,664	327,676
Contingent liabilities granted	31	18,288,410	16,636,570
		63,261,129	63,758,623

<i>LN '000</i>	30.06.2015			31.12.2014		
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Receivables from institutional customers	Receivables from individual customers	Receivables from banks
Impaired receivables						
Individual assesment						
Gross amount	383,985	10,884	-	399,482	10,822	-
Impairment write-downs	326,651	4,911	-	336,205	3,696	-
Net amount	57,334	5,973	-	63,277	7,126	-
Portfolio assesment						
Gross amount	60,723	472,426	-	57,087	471,158	-
Impairment write-downs	47,698	347,827	-	45,383	342,305	-
Net amount	13,025	124,599	-	11,704	128,853	-
Not impaired receivables						
By risk rating						
Risk rating 1-4-	7,937,740	-	3,547,068	7,696,261	-	1,877,441
Risk rating +5-6-	3,383,268	-	75,973	2,902,248	-	191,124
Risk rating +7 and greater	74,499	-	-	234,134	-	-
By delinquency						
no delinquency	-	5,642,451	-	-	5,546,235	-
1-30 days	-	205,998	-	-	198,755	-
31-90 days	-	51,215	-	-	53,196	-
Gross amount	11,395,507	5,899,664	3,623,041	10,832,643	5,798,186	2,068,565
Impairment write-downs	18,952	47,929	326	21,990	49,317	2,880
Net amount	11,376,555	5,851,735	3,622,715	10,810,653	5,748,869	2,065,685
Total net value	11,446,914	5,982,307	3,622,715	10,885,634	5,884,848	2,065,685

PLN '000	30.06.2015			31.12.2014		
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Receivables from institutional customers	Receivables from individual customers	Receivables from banks
Impairment write-downs for impaired receivables						
Impairment write- downs for individually assessed receivables	326,651	4,911	-	336,205	3,696	-
Impairment write- downs for portfolio assessed receivables	47,698	347,827	-	45,383	342,305	-
IBNR allowances						
By risk rating						
Risk rating 1-4-	2,507	-	131	2,274	-	347
Risk rating +5-6-	13,763	-	195	10,692	-	2,533
Risk rating +7 and greater	2,682	-	-	9,024	-	-
By delinquency						
No delinquency	-	17,146	-	-	18,545	-
1-30 days	-	12,309	-	-	12,245	-
31-90 days	-	18,474	-	-	18,527	-
	18,952	47,929	326	21,990	49,317	2,880
Total impairment write-downs	393,301	400,667	326	403,578	395,318	2,880

In case of receivables due from individual customers neither impaired nor past due, the Group analyzes the quality of the credit portfolio in terms of delinquency history. From the amount of PLN 5,642,451 thousand on 30 June 2015 (PLN 5,546,235 thousand at the end of 2014), the amount of PLN 312,737 thousand is related to receivables, which from the moment of their arising at least once have exceeded 30 days past due (but have not exceeded 90 days) and the amount of PLN 6,387 thousand is related to receivables, which at least once have exceeded 90 days past due (respectively PLN 288,910 thousand and PLN 6,694 thousand at the end of 2014).

Receivables not impaired by delinquency:

PLN '000	30.06.2015			31.12.2014		
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Receivables from institutional customers	Receivables from individual customers	Receivables from banks
Receivables with incurred but not reported (IBNR) losses						
Regular receivables	11,351,624	5,642,451	3,623,041	10,782,601	5,546,235	2,068,565
Overdue receivables, including:	43,883	257,213	-	50,042	251,951	-
1 – 30 days	41,541	205,998	-	45,468	198,755	-
Gross value	11,395,507	5,899,664	3,623,041	10,832,643	5,798,186	2,068,565

Structure of derivatives in terms of credit risk

<i>PLN '000</i>	30.06.2015			31.12.2015		
	Transactions with institutional customers	Transactions with individual customers	Transactions with to banks	Transactions with institutional customers	Transactions with individual customers	Transactions with to banks
Derivatives by risk rating						
Risk rating 1-4-	109,612	947	4,957,402	108,828	2,287	5,462,464
Risk rating+5-6-	13,747	-	12,149	25,521	-	22,906
Risk rating +7 and greater	171	-	-	2,451	-	3
Total	123,530	947	4,969,551	136,800	2,287	5,485,373

Description below presents the classification of exposures in the portfolio of debt securities held for trading and portfolio of debt securities available for sale, according to Fitch agency ratings.

<i>PLN '000</i>	30.06.2015		31.12.2014	
	Debt securities held-for-trading	Debt securities available-for-sale	Debt securities held-for-trading	Debt securities available-for-sale
Issuer rating by Fitch agency				
A	3,727,378	13,161,858	5,651,492	14,435,099
BBB-	821,441	-	1,310,546	-
BBB	-	-	14,799	-
No rating	20,120	-	120,038	-
Total	4,568,939	13,161,858	7,096,875	14,435,099

Other financial assets in amount of PLN 301,664 thousand on 30 June 2015 (PLN 327,676 thousand in the end of 2014) include receivables with delinquency over 90 days in amount of PLN 980 thousand (PLN 1,278 thousand in the end of 2014).

Structure of contingent liabilities in terms of risk rating:

<i>PLN'000</i>	30.06.2015		31.12.2014	
	Liabilities due to institutional customers	Liabilities due to banks	Liabilities due to institutional customers	Liabilities due to banks
Contingent liabilities granted by risk rating				
Risk rating 1-4-	9,649,431	1,251,154	8,875,154	360,793
Risk rating+5-6-	1,718,548	185,887	1,977,844	41,370
Risk rating +7and greater	90,455	-	110,261	-
Total	11,458,434	1,437,041	10,963,259	402,163

In case of granted contingent liabilities due to individual customers, the Group analyzes the quality of the credit portfolio in terms of delinquency history of these clients. From the amount of PLN 5,392,935 thousand on June 30 2015 (in the end of 2014: PLN 5,271,148 thousand), the amount of PLN 297,554 thousand is related to liabilities which from the moment of their arising at least once have exceeded 30 days of delay in payment (but have not exceeded 90 days) and the amount of PLN 1,641 thousand is related to receivables which at least once have exceeded 90 days of delay in payment (respectively PLN 264,365 thousand and PLN 1,571 thousand in the end of 2014).

The Group's ratio of impairment write-downs to receivables is presented in the table below:

<i>PLN'000</i>	30.06.2015	31.12.2014
Gross amount		
Receivables with recognized impairment, including:	928,018	938,549
Individual assesment	394,869	410,304
Portfolio assesment	533,149	528,245
Receivables without recognized impairment	20,918,212	18,699,394
Total gross amount	21,846,230	19,637,943
Impairment write-downs		
Receivables with recognized impairment, including:	727,087	727,589
Individual assesment	331,562	339,901
Portfolio assesment	395,525	387,688
Receivables without recognized impairment	67,207	74,187
Impairment write-downs in total	794,294	801,776
Net amount		
Receivables with recognized impairment, including:	200,931	210,960
Individual assesment	63,307	70,403
Portfolio assesment	137,624	140,557
Receivables without recognized impairment	20,851,005	18,625,207
Total net amount	21,051,936	18,836,167
Ratio of impairment allowances to impaired receivables	78.3%	77.5%

In addition to general principles of credit risk mitigation, the Group has defined specific rules for corporate and retail for acceptance, assessment, establishment and monitoring of various types of collaterals, including warranties, guarantees and similar instruments of support (hereinafter called jointly: collaterals). These principles are used for reducing residual risk associated with taking collaterals.

As at 30 June 2015 in the Group, the financial effect of collaterals for accepted individually assessed impaired amounts due to customers was PLN 48,997 thousand (as at 30 June 2014: PLN 85,429 thousand). This is the amount by which the level of impairment of the value assigned to this portfolio would be higher if the collaterals in flows were not included in the calculation of impairment.

Forborne exposures are identified in the Group within the credit risk management. The Group takes into account "forborne" exposures according to the reporting requirements under the EBA Technical Standards (...) and document 2012/852 issued by the ESMA.

The Group considers exposures as "forborne" that are in the process of troubled debt restructuring. This is a situation when the debtor is experiencing financial difficulties and BHW grants preferential financing conditions to the debtor that it would not otherwise consider (i.e., off-market terms).

Preferential financing conditions are considered situations in which for example the yield of the modified facility is lower than the contractual yield prior to the restructuring and/or the yield on the modified loan is below a market yield for the relevant tenor and credit risk.

The extent to which the financing conditions are changed is determined individually for each debtor in question.

The process of assigning "forborne" status for exposures is closely related to the credit risk management process, including the impairment recognition process for exposures. According to the implemented process of impairment recognition, exposure status change to "forborne" constitutes an evidence of impairment and such exposure is in the portfolio of impaired loans.

The Group assumes, that expousues will remain in "forborne" status until they are entirely paid off.

Exposure values in "forborne" status as of end of 2015 are insignificant, that is why Group monitors them at total level, without further portfolio splits.

w tys. zł	As at	
	30.06.2015	31.12.2014
Receivables from customers		
Receivables without recognized impairment, including	17,295,171	16,630,827
non-financial sector entities	16,274,413	15,609,377
Corporate customers	10,374,750	9,811,191
Individual customers	5,899,663	5,798,186
Receivables with recognized impairment, including:	928,018	938,551
non-financial sector entities	910,884	919,555
Corporate customers, including:	427,574	437,575
„forborne”	72,803	63,529
Individual customers, including:	483,310	481,980
„forborne”	51,956	61,722
Total gross amount, including:	18,223,189	17,569,378
non-financial sector entities	17,185,297	16,528,932
Corporate customers, including:	10,802,324	10,248,766
„forborne”	72,803	63,529
Individual customers, including:	6,382,973	6,280,166
„forborne”	51,956	61,722
Impairment write-off	(793,968)	(798,896)
On „forborne” receivables	(73,557)	(76,273)
Total net amounts due from customers, including:	17,429,221	16,770,482
„forborne” receivables	51,202	48,978

Liquidity Risk

Liquidity risk is defined as the risk of Group's lack of ability to meet its financial commitments to customers or counterparties when due.

The objective of liquidity risk management is to ensure that the Group can meet all commitments to customers when due and to secure liquidity necessary to clear all money market transactions when due.

In the first half of 2015 the Group has implemented monitoring of the liquidity situation, along with restrictive limits, based on the daily liquidity gap report based on stress test assumptions (S2). The purpose of this change was to adjust approach to real liquidity gap rating in current period with approach used in Basel's indexes, LCR and NSFR, counting methodology.

Except the abovenno changes have been made in liquidity risk management processes, procedures, systems and policies.

The level of modified cash flow gap and the level of liquid assets as at 30 June 2015 and 31 December 2014 are shown below.

The cumulated liquidity gap as at 30 June 2015 in real terms:

<i>PLN '000</i>	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	7,685,603	-	30,003	202,078	43,743,339
Liabilities	10,772,719	585,417	884,130	135,334	39,283,423
Balance-sheet gap in the period	(3,087,116)	(585,417)	(854,127)	66,744	4,459,916
Conditional derivative transactions – inflows	12,753,787	6,210,823	11,568,271	5,857,223	12,691,711
Conditional derivative transactions – outflows	12,804,081	6,255,733	11,487,673	5,869,420	12,756,008
Off-balance-sheet gap in the period	(50,294)	(44,910)	80,598	(12,197)	(64,297)
Cumulative gap	(3,137,410)	(3,767,737)	(4,541,266)	(4,486,719)	(91,100)

The cumulated liquidity gap as at 31 December 2014 in real terms:

<i>PLN'000</i>	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	1,866,988	-	-	-	47,976,677
Liabilities	8,447,582	137,026	1,853,836	177,219	39,228,002
Balance sheet gap in the period	(6,580,594)	(137,026)	(1,853,836)	(177,219)	8,748,675
Conditional derivative transactions – inflows	15,659,087	3,803,944	11,738,178	9,589,527	11,602,589
Conditional derivative transactions – outflows	16,115,268	3,987,651	11,488,710	9,730,060	11,421,057
Off-balance-sheet gap in the period	(456,181)	(183,707)	249,468	(140,533)	181,532
Cumulative gap	(7,036,775)	(7,357,508)	(8,961,876)	(9,279,628)	(349,421)

Liquid assets and cumulated liquidity gap up to 1 year:

<i>PLN'000</i>	30.06.2015	31.12.2014	Change
Liquid assets, including:	22,857,796	22,752,411	105,385
nostro account in NBP and stable part of cash	5,126,999	1,220,437	3,906,562
debt securities held-for-trading	4,568,939	7,096,875	(2,527,936)
debt securities available-for-sale	13,161,858	14,435,099	(1,273,241)
Cumulative liquidity gap up to 1 year	(4,541,266)	(8,961,876)	4,420,610
Coverage of the gap with liquid assets	503%	254%	

Market risk

Market risk is the risk of negative impact on the Group's earnings and equity resulting from changes in market interest rates, foreign exchange rates, equity and commodity prices, as well all volatilities of these rates and prices.

The objective of market risk management is to ensure that the extent of risk accepted within the Bank corresponds to the level acceptable to the shareholders and banking supervision authorities and to ensure that all exposures to market risk are properly reflected in the calculated risk measures, communicated to relevant persons and bodies responsible for the management of the Group.

In the first half of 2015 the Group has not made any changes in market risk management processes, procedures, systems and policies.

In market risk management there are two types of portfolios: trading and bank portfolios.

The following risk measures are applied to bank portfolios:

- Interest rate gap analysis;
- Value-at-Close and Total Return methods;
- Interest Rate Exposure (IRE); and
- Stress testing.

Interest rate gap analysis uses the schedule of maturities or revaluations of balance-sheet positions, and of derivative instruments used in hedge accounting or qualified as economic hedge for the purpose of establishing the differences between positions whose maturity or interest rate revaluation fall within a given time frame.

The general rule in the interest rate gap analysis is that of classifying transactions to respective bank portfolio position revaluation bands by the contracted or assumed transaction interest rate revaluation dates.

It is assumed that:

- transactions with a fixed interest rate (such as term deposits, interbank deposits, portfolio of debt securities available-for-sale with a fixed interest rate, granted loans both repaid in full at maturity and repaid in installments) are classified into appropriate revaluation bands in accordance with their maturity dates;
- transactions with a floating interest rate, updated on the regular basis (primarily, loans granted with interest set based on a specific rate such as, e.g., WIBOR 1M) are classified into appropriate revaluation bands in accordance with the nearest interest rate revaluation date;
- transactions with an administrated floating interest rate (i.e., any changes in the interest rate and its revaluation date are reserved to sole decision of the Bank) or undefined maturity or interest rate revaluation date are classified into appropriate revaluation bands in accordance with historically observed or expert assessed shifts in the moment and scale of change in the interest rate of given positions in relation to change in the market interest rates (model of minimizing product margin variability). This group of transactions / balance-sheet positions includes among others: current accounts, card loans, overdraft facilities. Additionally, early loan repayments are taken into account based on analysis of actual repayments made by customers before the due date and product interest rate revaluation profiles are set on that basis. This pertains particularly to installment loans;
- transactions insensitive to changes of interest rates, including cash, fixed assets, equity, other assets/liabilities, are classified into the longest revaluation band;
- transactions executed directly by the Financial Markets Sub Sector for the purpose of management of interest rate risk and liquidity risk (Financial Markets Sub-Sector's own portfolio) are always classified into appropriate revaluation bands in accordance with the contracted dates.

The Value-at-Close method is an estimation of the economic or "fair" value of positions, equivalent to the market valuation of the trading portfolio. Total return on a portfolio is the sum total of the changes in the value of closing the interest rate gap, accrued interest and gains/losses on sale of assets or cancelling of obligations.

The Interest Rate Exposure (IRE) method is used for estimation of potential impact of a specific parallel shift in the interest rate curves on interest income from the bank portfolio before tax which can be earned in a specific period of time. This is a prospective indicator, equivalent to Factor Sensitivity of trading portfolios. An assumption is made that under standard conditions interest rate shifts are identical for every currency and stand at 100 basis points upwards. IRE measures are calculated separately for positions in each currency in the time horizon of 10 years; however, for the purpose of current monitoring and limiting of interest rate risk positions in bank portfolios, the Bank normally applies IRE measures with one-year and five-year time horizons.

Group's IRE measures as at 30 June 2015 and 31 December 2014 are presented below. The list is shown in the main currencies, i.e. PLN, USD and EUR which jointly account to over 90% of Group's balance sheet.

PLN'000	30.06.2015		31.12.2014	
	IRE 12M	IRE 5L	IRE 12M	IRE 5L
PLN	56,061	253,953	50,057	144,859
USD	12,498	29,629	2,180	(16,129)
EUR	21,001	33,932	19,461	(1,521)

Stress tests measure the potential impact of material changes in the level or directionality of interest rate curves on open interest positions in the bank portfolio.

The Group runs stress tests of predefined interest rate movement scenarios, which represent combinations of market factor movements defined as large moves and stress moves occurring both in Poland and abroad. Values of the assumed market factor movements are revised at least once a year and adjusted as appropriate to changes in the market conditions of the Group's operation.

Activities relating to securities available-for-sale are the responsibility of the Assets and Liabilities Management Department within the Financial Markets Sub-Sector. Three basic goals of activities in the portfolio of securities available-for-sale have been defined as follows:

- management of the liquidity;
- hedging against the risk transferred to the Financial Markets Sub-Sector from other organizational units of the Bank or the Group's entities;
- opening of own interest rate risk positions on the Group's books by the Financial Markets Sub-Sector.

In order to avoid excessive fluctuations in the Bank's capital funds, caused by the revaluation of assets held-for-sale, the maximum limits of DV01 (Dollar Value of 1 basis point), that specify potential change of risk position's value for specific curve of interest rate in its specific node (into which are brought all of cash flows in set time interval), caused by movement of market's interest rate up by one basic point for this kind of portfolio. The limits also concern the open positions in derivatives (i.e. interest rate swap transactions), carried out to hedge the fair value of the portfolio.

The table below presents the risk measured with DV01 for the portfolio of securities available-for-sale, including the economic collateral, broken down by currency:

PLN'000	30.06.2015			Total in the period 01.01.2015 – 30.06.2015		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(559)	(2,826)	2,267	(2,307)	(559)	(3,783)
USD	(69)	(69)	-	(153)	(25)	(460)
EUR	(92)	(92)	-	(209)	(92)	(562)

PLN'000	31.12.2014			Total in the period 01.01.2014 – 31.12.2014		
	Total	Securities	IRS	Average	Maximum	Minimum
PLN	(2,434)	(2,434)	-	(1,907)	(875)	(2,775)
USD	(447)	(447)	-	(355)	(119)	(532)
EUR	(556)	(556)	-	(597)	(460)	(774)

Both base risk and option risk of bank's portfolio were considered as immaterial.

The following methods are applicable in measurement of the risk of the trading portfolios:

- Factor Sensitivity;
- Value at Risk (VaR); and
- Stress testing.

Factor Sensitivity measures the change in the value of positions in an underlying instrument in the case of a specific change in a market risk factor (e.g., change of the interest rate by 1 basis point at a given point on the interest rate curve, change of the currency exchange rate or share price by 1%).

In the case of interest rates, the applicable sensitivity measure is DV01 (Dollar Value of 1 basis point), which determines the potential change in the value of risk positions on a given interest rate curve at a specific nodal point (which brings together all the cash flows in a given time horizon), caused by a shift in the market interest rate by 1 basis point upwards, is established for this kind of portfolio

In the case of exchange rate (FX) risk, the Factor Sensitivity value is equal to the value of the FX position in a given currency.

In the case of positions held in equities, the Factor Sensitivity value is equal to the net value of the positions held in the respective instruments (shares, indices, participation units).

Value at Risk (VaR) is the integrated measure of the market risk of trading portfolios which combines the impact of positions in respective risk factors and accounts for the effect of correlation between the fluctuations of different factors. VaR is applied for the purpose of measuring the potential decrease in the value of a position or portfolio under normal market conditions, at a specific confidence level and within a specific time period. In the case of positions opened in the Group's trading portfolio, VaR is calculated at a 99% confidence level and a one-day holding period.

DV01 as well as VaR for the trading portfolio are calculated net of the economic hedge of the portfolio of securities available-for-sale, i.e., net of derivative instruments intended to hedge the fair value of the portfolio. The exposures to the risk of such transactions are mitigated through the application of relevant risk measurement methods and by the bank portfolio risk limits.

Each day, the Group runs stress tests on the assumption that the risk factors change by more than expected in the Value at Risk scenario, ignoring historical correlations of these factors.

The Group keeps records of exposures of the bank portfolios to market risk in over twenty currencies both for currency positions and exposures to interest rates risk. These exposures are significant only for a few currencies. For a large group of currencies, the exposures are the consequence of a gap between transactions executed on the customer's orders and closing transactions with other wholesale market counterparties. Significant exposures to market risk are opened for PLN, currencies of well-developed markets (predominantly USD and EUR with a lesser focus on GBP, CHF and JPY) and Central European currencies.

The values of significant exposures of the bank portfolios to the interest rates risk in terms of DV01 in the first half of 2015 are listed in the table below:

PLN '000	30.06.2015	31.12.2014	in the period 01.01.2015 - 30.06.2015		
			Average	Maximum	Minimum
PLN	(102)	(27)	(152)	625	(875)
EUR	20	(250)	(49)	145	(411)
USD	(4)	(36)	(41)	24	(233)

The currency structure of the positions in the first half of 2015 has not changed in comparison with the year 2014, as positions in LCY, USD and EUR were still the majority. The average exposure to interest rates risk PLN remained on a higher level to 2014, whereas EUR positions were lower. The average risk tendency for instruments denominated in PLN amounted to PLN (152) thousand and in EUR it was PLN (49) thousand. The highest exposures were taken in PLN and EUR and were respectively PLN (875) thousand and PLN (411) thousand.

The table below shows the level of risk measured using VaR (excluding exposures resulting from available-for-sale portfolio's economic securities), divided into currency risk and interest rate risk positions in the first half of 2015:

PLN'000	30.06.2015	31.12.2014	In the period 1.01.2015 – 30.06.2015		
			Average	Maximum	Minimum
FX risk	281	471	1,182	4,267	123
Interest rate risk	6,373	5,962	9,248	16,962	1,998
Spread risk	1,838	8,910	6,470	10,042	1,838
Overall risk	7,034	10,763	11,730	18,375	4,189

The overall average price risk of trade portfolios in the first half of 2015 increased by 7.5% comparing to the average price risk in 2014 and reached the level of PLN 11.7 million, mainly because of increase in interest rate risk exposure. Considering maximum risk levels, in case of interest rate risk and price risk of the whole trading portfolio they also increased in comparison with the previous year. Maximum price risk amounted to PLN 18.4 million while in 2014 it settled at PLN 15.5 million.

Capital instruments risk

Dom Maklerski Banku Handlowego S.A. (DMBH) is the Group's key entity transacting capital instruments. In order to run its core business, DMBH has been authorized to run the price risk of trade portfolio of shares, share rights, traded or likely to be traded on Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange or WSE), BondSpot, WIG20 futures and the Indexed Participation Units, as well as shares on the international stock exchanges of companies listed on the WSE. DMBH portfolio's price risk has volume limits for each kind of financial instruments and concentration-warning thresholds for each issuer. For DMBH the potential loss warning thresholds are also applied to stress testing and cumulated loss on the trade portfolio.

Currency exposure

Currency exposure of Group's assets and liabilities is presented in main currencies in the following table:

30 June 2015

PLN '000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	2,426,461	5,357,683	20 123 134	17 086 705	105 207
USD	1,368,559	6,258,039	13 370 727	8 521 149	(39 902)
GBP	24,515	208,567	187 535	5 032	(1 549)
CHF	332,032	99,240	949 304	1 192 609	(10 513)
Other currencies	863,101	291,586	2 406 131	2 973 146	4 500
	5,014,668	12,215,115	37 036 831	29 778 641	57 743

31 December 2014

PLN'000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	3,949,647	6,057,309	8,849,494	6,632,396	109,436
USD	2,573,782	2,096,467	2,660,851	3,188,933	(50,767)
GBP	130,366	155,204	28,289	3,907	(456)
CHF	664,911	86,988	22,648	599,256	1,315
Other currencies	1,082,488	71,961	1,002,056	2,014,879	(2,296)
	8,401,194	8,467,929	12,563,338	12,439,371	57,232

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, technical systems or from external events.

Operational risk includes reputation and franchise risk associated with operational risk events and business practices or market conduct. It also includes legal risk and compliance risk.

Operational risk does not cover strategic risk or the risk of loss resulting solely from authorized judgments made with respect to taking credit, market, liquidity or insurance risk.

In the first half of 2015 the Group has not made any changes in control environment.

Capital adequacy

In the first half of 2015 the Group fulfilled the capital adequacy requirements. Capital adequacy ratio is calculated according to respective regulations.

6. Interest income

PLN '000	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015	II quarter 01.04. - 30.06. 2014	I half of the year 01.01. - 30.06. 2014
Interest and similar income from:				
Balances with the Central Bank	3,712	8,335	6,675	13,120
Amounts due from banks	12,444	21,922	16,155	29,081
Amounts due from customers, in respect of:	184,616	387,532	247,290	486,271
financial sector	4,446	12,877	4,504	10,891
non-financial sector	180,170	374,655	242,786	475,380
Debt securities available-for-sale	69,889	130,670	91,657	198,534
Debt securities held-for-trading	18,933	51,209	26,047	40,276
	289,594	599,668	387,824	767,282
Interest expense and similar charges for				
Amounts due to banks	(7,185)	(14,501)	(11,151)	(20,051)
Amounts due to financial sector entities	(11,302)	(24,877)	(22,901)	(46,185)
Amounts due to non-financial sector entities	(26,748)	(58,576)	(50,666)	(101,429)
Loans and advances acquired	(399)	(978)	(985)	(1,771)
Derivatives in hedge accounting	(3,950)	(3,950)	-	(2,642)
	(49,584)	(102,882)	(85,703)	(172,078)
Net interest income	240,010	496,786	302,121	595,204

Net interest income for the first half of 2015 includes interest on impaired loans of PLN 4,923 thousand (for the first half of 2014: PLN 3,720 thousand).

7. Net fee and commission income

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
Fee and commission income				
Insurance and investment products distribution	33,009	65,239	35,409	68,926
Payment and credit cards	43,030	88,133	61,354	121,024
Payment services	28,700	56,432	28,059	54,874
Custody services	29,807	61,625	28,411	54,306
Cash loans fees	366	1,044	909	1,990
Brokerage activity	11,244	24,799	19,137	38,257
Clients' cash on account management services	6,395	13,691	6,334	13,081
Guarantees granted	3,771	7,385	3,457	7,540
Financial liabilities granted	1,390	2,937	1,439	2,932
Other	17,713	27,491	8,329	15,916
	175,425	348,776	192,838	378,846
Fee and commission expense				
Payment and credit cards	(2,981)	(12,102)	(11,814)	(25,928)
Brokerage activity	(4,154)	(8,250)	(5,448)	(11,492)
Fees paid to the National Depository for Securities (KDPW)	(4,881)	(9,754)	(5,027)	(10,190)
Brokerage fees	(1,242)	(2,533)	(836)	(1,999)
Other	(3,542)	(6,105)	(2,583)	(5,110)
	(16,800)	(38,744)	(25,708)	(54,719)
Net fee and commission expense	158,625	310,032	167,130	324,127

The net commission result for the first half of 2015 comprises commission and similar income (other than income covered by the calculation of the effective interest rate), which are related to financial assets and liabilities not valued at fair value through profit or loss in the amount of PLN 96,737 thousand (for the first half of 2014: PLN 124,123 thousand) and commission expenses in the amount of PLN 12,102 thousand (for the first half of 2014: PLN 25,928 thousand).

8. Net income on financial instruments and revaluation

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
Net income on financial instruments valued at fair value through profit or loss				
Debt instruments	(53,467)	(14,390)	47,433	66,430
Equity instruments	(2,100)	(1,064)	32	469
Derivative instruments, including:	66,621	48,316	(4,635)	19,945
Interest rate derivatives	61,523	46,263	(4,611)	19,749
	11,054	32,862	42,830	86,844
Net income on FX operations				
Operations on FX derivative instruments	200,930	157,704	78,434	174,145

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
FX gains and losses (revaluation)	(140,031)	(32,940)	(15,320)	(29,664)
	60,899	124,764	63,114	144,481
Net income on financial instruments and revaluation	71,953	157,626	105,944	231,325

Net income on financial instruments and revaluation for the first half of 2015 includes increase/decrease in net write-downs regarding pricing adjustments of counterparty's credit risk on derivative transactions in the amount of PLN 4,893 thousand (net reversal in the first half of 2014: PLN 4,579 thousand).

Net income on debt instruments includes the net result on trading in: government securities, corporate debt securities and monetary market instruments held-for-trading.

Net income on derivative instruments comprises net income on transactions regarding interest rate swaps, options, futures and other derivatives.

Net profit on foreign exchange includes profit and losses on valuation of assets and liabilities denominated in foreign currency and foreign currency derivatives, such as: forward, CIRS and option contracts. It additionally contains a margin realized on spot and forward currency transactions.

9. Net gain on debt investment securities

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
Profits realized on debt securities available-for-sale	20,342	118,800	65,656	105,288

10. Net other operating income and expense

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
Other operating income				
Income from provision of services for related parties	1,441	4,017	3,103	5,401
Income from office rental	2,390	4,772	2,241	4,460
Other	4,060	12,427	9,516	20,718
	7,891	21,216	14,860	30,579
Other operating expenses				
Amicable procedure and vindication expenses	(3,745)	(8,225)	(6,186)	(11,147)
Fixed assets held-for-sale valuation	-	-	-	(369)
Fixed assets held-for-sale maintenance cost	(60)	(121)	(162)	(320)
Net provision for litigation	341	(4,095)	1,701	(275)
Other	(5,729)	(11,342)	(5,623)	(10,601)
	(9,193)	(23,783)	(10,270)	(22,712)
Net other operating income	(1,302)	(2,567)	4,590	7,867

11. General administrative expenses

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2015	01.01. - 30.06. 2015	01.04. - 30.06. 2014	01.01. - 30.06. 2014
Staff expenses				
Remuneration costs, including:	(102,396)	(205,959)	(103,627)	(212,936)
Costs of retirement benefits	(6,151)	(12,590)	(5,582)	(13,006)
Bonuses and rewards including:	(24,636)	(49,430)	(32,593)	(52,409)
Payments related to own equity instruments	(5,820)	(9,025)	(5,863)	(7,568)
Social security costs	(16,828)	(38,798)	(18,039)	(39,725)
	(143,860)	(294,187)	(154,259)	(305,070)
Administrative expenses				
Telecommunication fees and hardware purchase costs	(54,141)	(99,758)	(45,351)	(87,970)
Costs of external services, including advisory, audit, consulting services	(17,888)	(36,158)	(17,495)	(34,670)
Building maintenance and rent costs	(20,546)	(39,610)	(23,556)	(45,919)
Marketing costs	(4,882)	(8,921)	(7,671)	(12,559)
Costs of cash management services, costs of cleaning services and other transaction costs	(10,538)	(21,196)	(11,388)	(23,199)
Costs of external services related to distribution of banking products	(1,932)	(6,894)	(14,402)	(26,256)
Postal services, office supplies and printmaking costs	(2,686)	(5,778)	(3,450)	(7,037)
Training and education costs	(532)	(1,295)	(880)	(1,909)
Banking supervision costs	(2,464)	(5,069)	(2,476)	(4,838)
Other expenses	(34,455)	(70,396)	(29,544)	(57,155)
	(150,064)	(295,075)	(156,213)	(301,512)
General administrative expenses, total	(293,924)	(589,262)	(310,472)	(606,582)

Staff expenses in the first half of 2015 include remuneration and bonuses paid and payable to current and former members of the Bank's Management Board in the amount of PLN 12,715 thousand (in first half of 2014: PLN 8,915 thousand).

Change due to restructuring provision

Table below presents a change of restructuring provisions set on costs of restructuring of workforce and the consumer bank branch network, which started in 2013.

000' PLN	01.01. – 30.06.2015		01.01. – 30.06.2014	
	Employment restructuring provisions	Branch network restructuring provisions	Employment restructuring provisions	Branch network restructuring provisions
Balance on January 1	158	3,379	53,787	7,034
Increases:				
Provisions created	-	-	-	1,777
Decreases:				
Provisions utilised	(158)	(988)	(22,763)	(5,290)
Provisions release	-	(700)	-	-
Balance at the end of period	-	1,691	31,024	3,521

<i>w tys. zł</i>	01.01. – 31.12.2014	
	Employment restructuring provisions	Branch network restructuring provisions
Balance on January 1	53,787	7,034
Increases:		
Provisions created	158	6,773
Decreases:		
Provisions utilised	(49,291)	(9,793)
Reversal of provisions	(4,496)	(635)
Balance at the end of period	158	3,379

12. Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees

<i>PLN'000</i>	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015	II quarter 01.04. - 30.06. 2014	I half of the year 01.01. - 30.06. 2014
Impairment allowances for financial assets				
Amounts due from banks	(500)	(1,026)	(588)	(1,176)
Amounts due from customers	(47,168)	(99,983)	(53,578)	(109,547)
Receivables from matured derivative transactions	(72)	(442)	(279)	(284)
Other	274	-	(1,303)	(3,721)
	(47,466)	(101,451)	(55,748)	(114,728)
Reversals of impairment allowances for financial assets				
Amounts due from banks	583	3 530	347	1 696
Amounts due from customers	41 463	88 263	49 482	108 967
Receivables from matured derivative transactions	62	75	7	521
Recoveries from sold debts	61	161	143	412
Other	608	608	-	-
	42,777	92,637	49,979	111,596
Net impairment allowances financial assets	(4,689)	(8,814)	(5,769)	(3,132)
Created provisions for granted financial and guarantee commitments	(7,287)	(14,955)	(6,497)	(13,750)
Release of provisions for granted financial and guarantee commitments	9,999	18,285	7,889	14,885
Net impairment allowances provisions for granted financial and guarantee commitments	2,712	3,330	1,392	1,135
Net impairment allowances financial assets and provisions for granted financial and guarantees liabilities	(1,977)	(5,484)	(4,377)	(1,997)

13. Income tax expense

Recognized in the income statement

PLN '000	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015	II quarter 01.04. - 30.06. 2014	I half of the year 01.01. - 30.06. 2014
Current tax				
Current year CIT	(15,913)	(105,061)	(53,378)	(121,034)
Adjustments for prior years	-	(193)	9,637	8,922
	(15,913)	(105,254)	(43,741)	(112,112)
Deferred tax				
Net changes on temporary differences	(18,304)	13,446	(8,900)	(1,475)
	(18,304)	13,446	(8,900)	(1,475)
Income tax expense	(34,217)	(91,808)	(52,641)	(113,587)

Reconciliation of effective tax rate

PLN '000	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015	II quarter 01.04. - 30.06. 2014	I half of the year 01.01. - 30.06. 2014
Profit before tax	184,397	459,025	318,890	627,486
Income tax at the tax rate of 19%	(35,035)	(87,215)	(60,589)	(119,222)
Allowances for impairment losses not deductible for income	(369)	(1,755)	(1,256)	(793)
Taxable income not recognized in the income statement	(136)	(235)	(27)	(267)
Deductible expenses not recognized in the income statement	(34)	(194)	4	1,242
Non-taxable income	1,521	1,656	917	1,331
Technological relief	-	-	9,637	9,637
Other permanent differences, including other expenses not deductible for income	(164)	(4,065)	(1,327)	(5,515)
Income tax expense	(34,217)	(91,808)	(52,641)	(113,587)
Effective tax rate	18.56%	20.00%	16.51%	18.10%

Deferred tax recognized directly in equity

Deferred tax recognised directly in equity as at 30 June 2015 is related to debt and equity instruments available-for-sale and equals PLN 39,778 thousand (30 June 2014: PLN (695) thousand).

14. Statement of changes in other comprehensive income

Deferred income tax and reclassifications recognized in other comprehensive income relate to the valuation of financial assets available-for-sale (AFS) related to revaluation reserve.

PLN '000	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2015	65,275	(12,402)	52,873
Change in valuation of AFS	(155,835)	29,608	(126,227)
Valuation of AFS sold, recognised to income statement	(118,800)	22,572	(96,228)
Balance as at 30 June 2015	(209,360)	39,778	(169,582)

<i>PLN '000</i>	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2014	(53,041)	10,078	(42,963)
Change in valuation of AFS	161,988	(30,778)	131,210
Valuation of AFS sold, recognised to income statement	(105,288)	20,005	(85,283)
Balance as at 30 June 2014	3,659	(695)	2,964

15. Amounts due from banks

<i>PLN '000</i>	30.06.2015	31.12.2014
Current accounts	269,847	210,424
Deposits	60,069	406,948
Credits and loans	6,379	359,072
Unlisted debt securities	28,959	28,456
Receivables due to purchased securities with repurchase agreement	3,128,534	681,694
Deposits pledged as collateral for derivative transactions and stock exchange transactions	129,253	381,971
Total gross value	3,623,041	2,068,565
Impairment write- downs	(326)	(2,880)
Total net value	3,622,715	2,065,685

Movement in amounts due from banks presents as follows:

<i>PLN '000</i>	01.01. – 30.06. 2015	01.01. – 30.06. 2014
As at 1 January	(2,880)	(1,173)
Increases (due to):		
Write- downs increase	(1,026)	(1,176)
Other	-	(24)
Decreases (due to):		
Write-downs release	3,530	1,696
Others	50	-
As at the end of period	(326)	(677)

As at 30 June 2015 and 31 December 2014 recognized impairment write-downs on amounts due from banks concerned incurred but not reported (IBNR) write-downs.

16. Financial assets and liabilities held-for-trading

Financial assets held-for-trading

<i>PLN '000</i>	30.06.2015	31.12.2014
Debt securities held-for-trading		
Bonds and notes issued by:		
Banks*	71,364	137,770
Other financial units	37,052	-
Non-financial units	-	14,799
Government	4,460,523	6,944,306
	4,568,939	7,096,875
Including:		
Listed	4,510,230	6,284,719

PLN '000	30.06.2015	31.12.2014
Unlisted	58,709	812,156
Equity instruments held-for-trading	23,675	238
Including:		
Listed	23,675	238
Derivatives	5,052,717	5,624,460
Financial assets held-for-trading, total	9,645,331	12,721,573

* As at 30 June 2015 part of the securities (bonds) issued by banks in amount PLN 1,011 thousand are covered by guarantee of State Treasury (31 December 2014: PLN 2 thousand).

Financial liabilities held-for-trading

PLN '000	30.06.2015	31.12.2014
Liabilities related to short-sale of securities	2,611,459	1,005,545
Derivatives	4,957,944	5,765,377
Financial liabilities held-for-trading, total	7,569,403	6,770,922

As at 30 June 2015 and 31 December 2014 the Group did not hold any financial assets and liabilities designed at fair value through profit or loss initial recognition.

As at 30 June 2015 derivative financial assets were not adjusted due to counterparty credit risk (as at 31 December 2014: PLN 4,526 thousand).

Derivative financial instruments as at 30 June 2015

PLN '000	Notional value of derivatives with remaining life of				Total	Fair value	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	39,898,146	71,761,784	136,374,546	34,900,801	282,935,277	4,543,833	4,549,067
Currency instruments	16,931,279	9,821,274	5,425,860	56,407	32,234,820	486,106	383,760
Securities transactions	1,926,137	4,701	-	-	1,930,838	5,414	7,747
Commodity transactions	212,927	312,206	305,236	-	830,369	17,364	17,370
Derivative instruments total	58,968,489	81,899,965	142,105,642	34,957,208	317,931,304	5,052,717	4,957,944

Derivative financial instruments as at 31 December 2014

PLN '000	Notional value of derivatives with remaining life of				Total	Fair value	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	40,543,483	72,737,320	137,373,801	26,354,969	277,009,573	5,225,862	5,298,847
Currency instruments	17,589,669	8,563,334	3,827,361	62,766	30,043,130	367,745	434,964
Securities transactions	889,035	-	-	-	889,035	1,234	1,978
Commodity transactions	259,056	227,009	-	-	486,065	29,619	29,588
Derivative instruments total	59,281,243	81,527,663	141,201,162	26,417,735	308,427,803	5,624,460	5,765,377

17. Debt securities available-for-sale

<i>PLN '000</i>	30.06.2015	31.12.2014
Bonds and notes issued by:		
Central Banks	2,999,742	4,499,750
Other banks*	1,207,362	1,182,039
Government, including:	8,954,754	8,753,310
Covered bonds in fair value hedge accounting	4,685,763	-
Debt securities available-for-sale, total	13,161,858	14,435,099
Including:		
Listed instruments	9,769,575	7,606,151
Unlisted instruments	3,392,283	6,828,948

*As at 30 June 2015 part of securities (bonds) issued by other banks in the amount of PLN 299,085 thousand is covered by guarantee of State Treasury (31 December 2014: PLN 266,542 thousand)

18. Amounts due from customers

<i>PLN '000</i>	30.06.2015	31.12.2014
Amounts due from financial sector entities		
Loans, placements and advances	343,490	340,841
Receivables related to reverse repo transactions	565,294	599,899
Guarantee funds and deposits pledged as collateral	117,648	98,011
Other receivables	11,460	1,695
Total gross value	1,037,892	1,040,446
Impairment write-downs	(17,250)	(19,082)
Total net value	1,020,642	1,021,364
Amounts due from non-financial sector entities		
Loans and advances	14,954,852	14,142,915
Unlisted debt securities	1,090,910	1,118,225
Purchased receivables	968,226	1,006,797
Realized guarantees	1,676	1,824
Other receivables*	169,633	259,171
Total gross value	17,185,297	16,528,932
Impairment write-downs	(776,718)	(779,814)
Total net value	16,408,579	15,749,118
Total net value of receivables from customers	17,429,221	16,770,482

*As at 30 June 2015 position "Other receivables" contains leasing receivables in amount PLN 164,380 thousand (31 December 2014: PLN 231,591 thousand)

<i>PLN'000</i>	30.06.2015	31.12.2014
Portfolio impairment loss	(395,525)	(387,688)
Individual impairment loss	(331,562)	(339,901)
Incurred but not reported (IBNR)	(66,881)	(71,307)
Impairment allowances, total	(793,968)	(798,896)

Movement in value loss due to receivables from customers consisted of following categories:

<i>PLN '000</i>	01.01. – 30.06. 2015	01.01. – 30.06. 2014
As at 1 January	(798,896)	(984,033)
Increases (due to):		
Increase of write downs	(99,983)	(109,547)
Net write-offs on receivables from matured derivative transactions	(367)	-
Other	(3,060)	(208)
Decreases (due to):		
Release of net write-downs in the period for receivables in respect of matured derivative instrument transactions	-	236
Receivables derecognition	19,874	53,477
Write-downs release	88,263	108,967
Other	201	1,221
As at the end of period	(793,968)	(929,887)

Finance lease receivables

The Group operates on the leasing market through its subordinated entity Handlowy-Leasing Sp. z o.o. The Group provides finance leases of vehicles, machines and technical equipment.

Amounts due from customers include the following amounts concerning finance lease receivables from non-financial sector entities:

<i>PLN '000</i>	30.06.2015	31.12.2014
Gross finance lease receivables	167,499	238,625
Unrealized finance income	(3,119)	(7,034)
Net finance lease receivables	164,380	231,591

As at 30 June 2015 impairment for finance lease receivables amounted to PLN 61,954 thousand (as at 31 December 2014 amounted PLN 62,258 thousand).

Finance lease income is presented in the 'interest income'.

19. Deferred income tax asset

<i>PLN'000</i>	30.06.2015	31.12.2014
Deferred income tax asset	1,030,012	1,155,827
Deferred income tax liability	(807,067)	(998,508)
Deferred income tax net asset	222,945	157,319

Deferred income tax asset and liabilities are presented in the statement of financial position after compensation.

20. Amounts due to banks

PLN '000	30.06.2015	31.12.2014
Current accounts	2,369,274	663,831
Time deposits	6,579,102	2,370,212
Credits and loans received	272,417	351,533
Liabilities due to sold securities under repurchase agreements	231,365	1,726,049
Other liabilities	11	10,951
Total amounts due to banks	9,452,169	5,122,576

21. Amounts due to customers

PLN '000	30.06.2015	31.12.2014
Deposits from financial sector entities		
Current accounts	277,656	238,351
Deposits	3,151,757	2,877,084
	3,429,413	3,115,435
Deposits from non-financial sector entities		
Current accounts, including:	15,692,642	19,299,093
institutional customers	8,269,706	8,594,113
individual customers	6,751,547	6,372,762
budgetary units	671,389	4,332,218
Time deposits, including:	6,594,647	7,085,420
institutional customers	4,612,524	5,668,835
individual customers	1,216,258	1,289,231
budgetary units	765,865	127,354
	22,287,289	26,384,513
Total deposits	25,716,702	29,499,948
Other liabilities		
Securities sold under repurchase agreements	237,726	-
Other liabilities, including:	101,959	132,650
cash collateral	69,928	78,153
Total other liabilities	339,685	132,650
Total amounts due to customers	26,056,387	29,632,598

22. Financial assets and liabilities by maturity date

As at 30 June 2015

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Amounts due from banks (Gross)	15	3,623,041	3,360,892	-	32,089	230,060	-
Financial assets held-for-trading							
Debt securities held-for-trading	16	4,568,939	372,601	227,186	1,016,947	2,138,305	813,900
Financial assets available-for-sale							
Debt securities available-for-sale	17	13,161,858	2,999,742	-	-	5,735,076	4,427,040

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Amounts due from customers (gross)							
Amounts due from financial sector entities	18	1,037,892	660,077	-	297,815	80,000	-
Amounts due from non-financial sector entities	18	17,185,297	8,066,070	978,076	1,610,690	5,015,366	1,515,095
Amounts due to banks	20	9,452,169	7,828,220	439,440	943,968	205,723	34,818
Amounts due to customers							
Amounts due to financial sector entities:	21	3,667,139	3,546,045	115,426	5,022	629	17
Amounts due to non-financial sector entities	21	22,389,248	21,304,438	818,622	249,773	16,352	63

As at 31 December 2014

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Amounts due from banks (Gross)	15	2,068,565	1,508,644	216	354,470	205,235	-
Financial assets held-for-trading							
Debt securities held-for-trading	16	7,096,875	162	179,636	759,557	4,611,917	1,545,603
Financial assets available-for-sale							
Debt securities available-for-sale	17	14,435,099	4,499,750	111,492	-	6,598,749	3,225,108
Amounts due from customers (gross)							
Amounts due from financial sector entities	18	1,040,446	689,652	70,000	240,794	40,000	-
Amounts due from non-financial sector entities	18	16,528,932	7,712,220	1,433,757	1,533,266	4,498,125	1,351,564
Amounts due to banks	20	5,122,576	2,821,022	72,758	1,967,676	228,679	32,441
Amounts due to customers							
Amounts due to financial sector entities:	21	3,115,435	3,068,882	42,988	2,912	639	14
Amounts due to non-financial sector entities	21	26,517,163	25,756,115	445,186	303,973	11,826	63

23. Financial instruments disclosures

Fair value of financial assets and liabilities

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

PLN '000	Note	30.06.2015		31.12.2014	
		Balance value	Fair value	Balance value	Fair value
Assets					
Amounts due from banks	15	3,622,715	3,622,718	2,065,685	2,070,670
Amounts due from customers	18	17,429,221	17,473,185	16,770,482	16,770,482
Liabilities					
Amounts due to banks	20	9,452,169	9,451,019	5,122,576	5,120,810
Amounts due to customers	21	26,056,387	26,055,691	29,632,598	29,632,598

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

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

According to the Group's strategy, presented equity investments will be gradually reduced except for selected strategic investments in "infrastructure companies" that provide services to the financial sector.

Particular entities will be sold at the most suitable time under market conditions.

In the first half on 2015 the Group did not sell any equity investments, the fair value of which could not be established earlier.

Valuation methods and assumptions used for the purposes of fair value

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

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

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

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

Since 1 June 2015 there was new calculation model implemented, for derivative transactions and trade transactions regarding change of system's infrastructure.

Fair value included in consolidated statement of financial position

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

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

- Level III: financial assets / liabilities valued on the basis of valuation techniques using relevant, non-market parameters.

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

As at 30 June 2015

PLN '000	Note	Level I	Level II	Total
Financial assets				
Financial assets held-for-trading	16	4,484,356	5,160,975	9,645,331
Derivatives		158	5,052,559	5,052,717
Debt securities		4,460,523	108,416	4,568,939
Equity instruments		23,675	-	23,675
Hedge derivatives		-	41,311	41,311
Debt securities available-for-sale	17	8,954,755	4,207,103	13,161,858
Financial liabilities				
Financial liabilities held-for-trading	16	2,611,459	4,957,944	7,569,403
Short sale of securities		2,611,459	-	2,611,459
Derivatives		-	4,957,944	4,957,944
Hedge derivatives		-	593	593

As at 31 December 2014

PLN '000	Note	Level I	Level II	Total
Financial assets				
Financial assets held-for-trading	16	6,944,544	5,777,029	12,721,573
Derivatives		-	5,624,460	5,624,460
Debt securities		6,944,306	152,569	7,096,875
Equity instruments		238	-	238
Debt securities available-for-sale	17	8,753,310	5,681,789	14,435,099
Financial liabilities				
Financial liabilities held-for-trading	16	1,005,737	5,765,185	6,770,922
Short sale of securities		1,005,545	-	1,005,545
Derivatives		192	5,765,185	5,765,377

In the consolidated statement of financial position, except for assets described above, there are assets available-for-sale, whose fair value decreased by sale cost is smaller than its carrying amount. In consequence, they are positioned in the consolidated statement of financial position at fair value, which as at 30 June 2015 was PLN 1,928 thousands (31 December 2014: PLN 1,928 thousands).

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

In the first 6 month period of 2015, the Group has not made any changes in classification criteria of financial instruments' (presented in the consolidated statement of financial position at fair value) to each category reflecting the fair value (level I, level II, level III).

In the first 6 month period of 2015, the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

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

24. Hedge accounting

The Group hedges against the risk of change in fair value of fixed interest rate debt securities available for sale. The hedged risk results from changes in interest rates.

IRS is the hedging instrument swapping the fixed interest rate for a variable interest rate.

The gain or loss on the hedged item attributable to the hedged risk is recognized in result on hedge accounting in the income statement. The remainder of the change in the fair value valuation of debt securities available for sale is recognized in other comprehensive income. Interest income on debt securities are recognized in net interest income.

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognized in result on hedge accounting in the income statement. Interest income and interest expenses related to the interest measurement component of derivatives concluded as hedging instruments under fair value hedge are presented in the interest result.

Fair value of instruments within fair value hedge accounting of securities

PLN'000	30.06.2015		31.12.2014	
	Nominal value	Fair value	Nominal value	Fair value
Hedged instruments				
Debt securities available-for-sale				
Treasury bonds	4,269,050	4,685,763	-	-
Hedging instruments				
Derivative instruments				
Interest rate swaps – positive valuation	3,889,050	41,311	-	-
Interest rate swaps – negative valuation	380,000	593	-	-

25. Funds

PLN'000	30.06.2015	31.12.2014
Cash related items:		
Cash in hand	427,995	495,408
Nostro current account in Central Bank	4,919,951	1,027,541
Current accounts in other banks (nostro, overdrafts on loro accounts)	269,491	209,966
	5,617,437	1,732,915

26. Seasonality or periodicity of business activity

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

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

In the first half of the year 2015 no issue, pay back or repurchase of debt or equity securities took place.

28. Paid or declared dividends

Dividends declared

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

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

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

29. Changes in Group's structure

In the first half of 2015 the structure of the Group has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

30. Significant events after the balance sheet date not included in the financial statements

After 30 June 2015, there were no major events, undisclosed in these financial statements, that could have a significant influence on the net result of the Group.

31. Changes in granted and received financial and guarantee commitments

The detailed specification of granted and received financial and guarantee commitments as at 30 June 2015 and changes in comparison with the end of 2014 are as follows:

PLN '000	As at		Change	
	30.06.2015	31.12.2014	PLN '000	%
Contingent liabilities				
financial	16,240,634	14,822,644	1,417,990	9.6%
Import letters of credit issued	136,437	207,208	(70,771)	(34.2%)
Lines of credit granted	13,444,217	13,161,336	282,881	2.1%
Underwriting	1,123,050	1,264,450	(141,400)	(11.2%)
Reverse repo transactions with future currency date	1,536,930	189,650	1,347,280	710.4%
guarantees	2,047,776	1,813,926	233,850	12.9%
Guarantees granted	2,026,026	1,779,425	246,601	13.9%
Export letters of credit confirmed	-	918	(918)	(100.0%)
Other	21,750	33,583	(11,833)	(35.2%)
	18,288,410	16,636,570	1,651,840	9.9%
Contingent liabilities received				
financial (deposits to receive)	391,337	708,148	(316,811)	(44.7%)
guarantees (guarantees received)	14,402,889	6,199,449	8,203,440	132.3%
	14,794,226	6,907,597	7,886,629	114.2%
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	2,998,809	3,267,226	(268,417)	(8.2%)

PLN '000	As at		Change	
	30.06.2015	31.12.2014	PLN '000	%
Forward **	319,201,545	305,118,052	14,083,493	4.6%
	322,200,354	308,385,278	13,815,076	4.5%

*Foreign exchange and securities transactions with current value date

** Derivatives: FX, interest rate transactions and options

32. Information about shareholders

The table below present the list of shareholders that hold, at both 30 June 2015 and the day of publishing this consolidated financial statement for the first half of 2015, directly or indirectly by dependent units, at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital:

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

In the first half of 2015 or during the period from publishing last interim report for the first quarter 2015 to publishing this consolidated financial statement for the first half of 2015, the structure of major shareholdings of the Bank has not undergone any changes.

33. Information on pending proceedings

In the first half of 2015 there was no single proceeding regarding Group's receivables or liabilities, the value of which would equal to at least 10% of Bank's equity, pending in court, public administration authority or an arbitration authority.

In the first half of 2015 the total value of all legal proceedings regarding receivables with the participation of the Bank and its subsidiaries did not exceed 10% of Bank's equity.

In the first half of 2015 the total value of all legal proceedings regarding liabilities with the participation of the Bank and its subsidiaries did not exceed 10% of 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, the Group recognized adequate provisions.

As at 30 June 2015, the Bank was among others a party to 17 proceedings regarding derivative transactions: in 10 proceedings it acted as a defendant and in 7 - as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of 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. In the first half of 2015 5 cases ended legally binding and in favour of the Bank, regarding term financial transactions, where the Bank was defendant. In 3 cases, where the Bank was defendant, agreement has been reached and cases were discontinued. 1 case, in which the Bank was plaintiff ended in favour of the Bank

In the first half of 2015 the Group has made significant settlement due to court case. As the result of dispute's final settlement, the Bank has made a sentenced payment to plaintiff in amount of PLN 6,063 thousand, there was provision made within first half of 2015 for most part of this amount.

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.

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

34. Related parties

Transactions with related parties

The Group is a member of Citigroup Inc. Citibank Overseas Investment Corporation, a subsidiary of Citibank N.A., which is the ultimate parent entity for the Bank.

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

The transactions with related entities result from current activity of the Group, and mainly include loans, deposits, guarantees and derivatives transactions.

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

Transactions with Citigroup Inc. entities

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

<i>PLN '000</i>	30.06.2015	31.12.2014
Receivables, including:	318,868	277,201
Placements	-	104,914
Liabilities, including:	6,789,109	2,695,589
Deposits	6,200,227	2,081,553
Loans received	76,605	118,285
Derivative		
Assets held-for-trading	4,164,860	4,632,733
Assets due to hedge derivative instruments	37,540	-
Liabilities held-for-trading	3,893,845	4,514,920
Liabilities due to hedge derivatives	528	-
Contingent liabilities granted	237,675	235,286
Contingent liabilities received	349,192	869,933
Contingent derivative transactions (liabilities granted/received), including:	241,753,621	235,984,565
Interest rate instruments	222,073,406	214,744,922
Currency instruments	18,928,662	20,708,532
Securities transactions	336,368	288,079
Commodity transactions	415,185	243,032

<i>PLN '000</i>	01.01. – 30.06. 2015	01.01. – 30.06. 2014
Interest and commission income	24,933	26,474
Interest and commission expense	7,227	6,421

The Group receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge market risk. These are back to back derivative transactions, opposite to transactions with Group's other clients, and closing Group's own position. On 30 June 2015 net balance valuation of transactions on derivatives amounted to PLN 308,027 thousand (31 December 2014: PLN 117,813 thousand).

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

In the first half of 2015, the costs incurred and accrued (including VAT reflected in the Group's costs) from the agreements were connected, in particular, with costs of services regarding the maintenance of Group's information systems and advisory support, and are presented in the General administrative expenses and other operating expenses; income was related to data processing and other services rendered by the Group and is presented in the Other operating income.

<i>PLN '000</i>	01.01. – 30.06. 2015	01.01. – 30.06. 2014
General administrative expenses	101,296	82,129
Other operating income	5,302	3,103

In first half of 2015 there was a capitalization of investments regarding effort over modification of functionality of IT Bank's systems'. Total value of payments to Citigroup Inc. units amounted to PLN 7,782 thousand (in 2014: PLN 1,070 thousand)

35. Transactions with the key management personnel

PLN '000	30.06.2015		31.12.2014	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted	2,710	-	2,771	-
Deposits				
Current accounts	3,334	7,990	3,344	6,143
Term deposits	9,796	124	2,632	123
	13,130	8,114	5,976	6,266

As at 30 June 2015 and 31 December 2014 no loans, guarantee and warranty transactions with members of the Management Board and Supervisory Board were made.

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

From a range of work relation, among contracts of employment concluded between Bank and Members of Management Board, only in case of one of the members of the Management Board, there is an employment contract conducted with the Bank that include a provision on the financial compensation, in case of its termination upon notice.

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

36. Other significant information

Personal changes in the Bank's bodies.

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

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

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

Members of Management Board signatures

21.08.2015	Sławomir S. Sikora	The President of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
21.08.2015	Maciej Kropidłowski	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
21.08.2015	David Mouillé	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
21.08.2015	Barbara Sobala	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
21.08.2015	Witold Zieliński	Vice-president of Management Board, Chief Financial Officer	
..... Date	..... Name	..... Position/Function	..... Signature
21.08.2015	Czesław Piasek	Member of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature