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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP OF BANK HANDLOWY W WARSZAWIE S.A. FOR THE FIRST QUARTER 2019

MAY 2019

SELECTED FINANCIAL DATA	PLN '000 First quarter accruals period from 01.01.19 to 31.03.19	PLN '000 First quarter accruals period from 01.01.18 to 31.03.18	EUR '000*** First quarter accruals period from 01.01.19 to 31.03.19	EUR '000*** First quarter accruals period from 01.01.18 to 31.03.18
Data related to the interim condensed consolidated financial statements				
Interest income	338,705	327,982	78,809	78,495
Fee and commission income	155,731	163,515	36,235	39,133
Profit before tax	102,954	196,651	23,955	47,064
Net profit	59,499	145,842	13,844	34,904
Comprehensive income	7,841	232,697	1,824	55,690
Net cash flows	(6,877,857)	3,774	(1,600,320)	903
Total assets*	49,544,310	49,304,714	11,518,450	11,466,213
Amounts due to banks*	3,799,105	1,402,233	883,246	326,101
Amounts due to customers*	35,606,692	38,334,345	8,278,123	8,914,964
Equity	7,064,591	7,096,000	1,642,432	1,686,111
Ordinary shares	522,638	522,638	121,507	124,186
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	54.07	54.31	12.57	12.90
Total capital adequacy ratio (%)*	16.2	16.8	16.2	16.8
Earnings per share (PLN / EUR)	0.46	1.12	0.11	0.27
Diluted earnings per share (PLN / EUR)	0.46	1.12	0.11	0.27
Data related to the interim condensed standalone financial statements				
Interest income	338,424	327,696	78,744	78,426
Fee and commission income	146,423	152,004	34,069	36,379
Profit before tax	102,782	195,206	23,915	46,718
Net profit	59,485	144,837	13,841	34,663
Comprehensive income	7,826	231,677	1,821	55,446
Net cash flows	(6,877,739)	3,768	(1,600,293)	902
Total assets*	49,364,236	49,242,024	11,476,585	11,451,633
Amounts due to banks*	3,798,996	1,402,124	883,220	326,075
Amounts due to customers*	35,646,365	38,395,885	8,287,347	8,929,276
Equity	7,014,878	7,030,715	1,630,874	1,670,599
Ordinary shares	522,638	522,638	121,507	124,186
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	53.69	53.81	12.48	12.79
Total capital adequacy ratio (%)*	15.9	16.5	15.9	16.5
Earnings per share (PLN/EUR)	0.46	1.11	0.11	0.27
Diluted earnings per share (PLN / EUR)	0.46	1.11	0.11	0.27
Declared or paid dividends per share (PLN/EUR)**	3.74	4.11	0.87	0.99

** Comparative balance data according as at 31 December 2018.*
*** The presented ratios relate respectively to dividend declared in 2019 from the distribution of 2018 profit and dividend paid in 2018 from the appropriation of the 2017 profit.*
**** The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 31 March 2019 – 4.3013 (as at 31 December 2018: PLN 4.3000; as at 31 March 2018 – PLN 4.2085); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the first quarter of 2018 - PLN 4.2978 (in the first quarter of 2018: PLN 4.1784).*

Contents

Condensed consolidated income statement

PLN '000	For the period	First quarter accruals period from 01.01.19 to 31.03.19	First quarter accruals period from 01.01.18 to 31.03.18
Interest income		316,274	312,557
Similar income		22,431	15,425
Interest expense and similar charges		(61,357)	(50,816)
Net interest income		**277,348**	**277,166**
Fee and commission income		155,731	163,515
Fee and commission expense		(21,867)	(21,918)
Net fee and commission income		**133,864**	**141,597**
Dividend income		**76**	**58**
Net gain/(loss) on trading financial instruments and revaluation		**91,182**	**97,556**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**29,295**	**36,701**
Net gain/(loss) on equity investments and other at fair value through income statement		**5,922**	**476**
Net gain/(loss) on hedge accounting		**(412)**	**3,682**
Other operating income		6,892	16,599
Other operating expenses		(7,076)	(6,359)
Net other operating income		**(184)**	**10,240**
General administrative expenses		**(363,002)**	**(327,389)**
Depreciation		**(20,967)**	**(18,680)**
Profit on sale of other assets		**1**	**(232)**
Net impairment losses on financial assets and provisions for contingent liabilities		**(28,278)**	**(5,532)**
Operating income		**124,845**	**215,643**
Share in net profits of entities measured using equity method		**-**	**6**
Tax on certain financial institutions		**(21,891)**	**(18,998)**
Profit before tax		**102,954**	**196,651**
Income tax expense		**(43,455)**	**(50,809)**
Net profit		**59,499**	**145,842**
Including:			
Net profit attributable to Bank's shareholders		59,499	145,842
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		0.46	1.12
Diluted net earnings per share (in PLN)		0.46	1.12

Condensed consolidated statement of comprehensive income

PLN '000	First quarter accruals period from 01.01.19 to 31.03.19	First quarter accruals period from 01.01.18 to 31.03.18
Net profit	**59,499**	**145,842**
Other comprehensive income, that might be subsequently reclassified to income statement:		
Net value of financial assets measured at fair value through other comprehensive income	(51,659)	86,808
Currency translation differences from the foreign operations' conversion	1	47
Other comprehensive income net of tax	**(51,658)**	**86,855**
Total comprehensive income	**7,841**	**232,697**

Including:		
Comprehensive income attributable to Bank's shareholders	7,841	232,697

Condensed consolidated statement of financial position

PLN '000 as at	31.03.2019	31.12.2018
ASSETS		
Cash and balances with the Central Bank	425,614	7,272,193
Amounts due from banks	795,835	1,333,977
Financial assets held-for-trading	6,037,245	2,237,076
Hedging derivatives	1,228	-
Debt investment financial assets measured at fair value through other comprehensive income	17,319,003	14,241,363
Equity investments measured using equity method*	-	10,399
Equity investments and other measured at fair value through income statement	54,690	48,768
Amounts due from customers	22,511,571	21,949,014
Tangible fixed assets	500,945	364,261
Intangible assets	1,418,050	1,418,794
Current income tax receivables	2,464	1,744
Deferred tax asset	232,417	204,207
Other assets	245,248	222,918
Total assets	**49,544,310**	**49,304,714**
LIABILITIES		
Amounts due to banks	3,799,105	1,402,233,
Financial liabilities held-for-trading	1,535,281	1,609,382,
Hedging derivatives	99	-
Amounts due to customers	35,606,692	38,334,345
Provisions	28,741	29,984
Current income tax liabilities	80,355	66,297
Other liabilities	1,429,446	805,723
Total liabilities	**42,479,719**	**42,247,964**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	3,003,290	3,003,290
Revaluation reserve	32,713	84,372
Other reserves	2,883,839	2,883,838
Retained earnings	622,111	562,612
Total equity	**7,064,591**	**7,056,750**
Total liabilities and equity	**49,544,310**	**49,304,714**

** From 1 January 2019 Handlowy-Inwestycje Sp. z o.o. is fully consolidated.*

Condensed consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2019	**522,638**	**3,003,290**	**84,372**	**2,883,838**	**562,612**	**-**	**7,056,750**
Total comprehensive income, including:	-	-	(51,659)	1	59,499	-	7,841
Net profit	-	-	-	-	59,499	-	59,499
Currency translation differences from the foreign operations' conversion	-	-	-	1	-	-	1
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	(51,659)	-	-	-	(51,659)
Balance as at 31 March 2019	**522,638**	**3,003,290**	**32,713**	**2,883,839**	**622,111**	**-**	**7,064,591**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2018	**522,638**	**3,003,969**	**(9,118)**	**2,895,598**	**525,796**	**-**	**6,938,883**
Impact of adopting IFRS 9	-	-	(796)	-	(74,784)	-	(75,580)
Restated balance as at 1 January 2018	**522,638**	**3,003,969**	**(9,914)**	**2,895,598**	**451,012**	**-**	**6,863,303**
Total comprehensive income, including:	-	-	86,808	47	145,842	-	232,697
Net profit	-	-	-	-	145,842	-	145,842
Currency translation differences from the foreign operations' conversion	-	-	-	47	-	-	47
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	86,808	-	-	-	86,808
Balance as at 31 March 2018	**522,638**	**3,003,290**	**76,894**	**2,895,645**	**596,854**	-	**7,096,000**

PLN'000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2018	**522,638**	**3,003,969**	**(9,118)**	**2,895,598**	**525,796**	**-**	**6,938,883**
Impact of adopting IFRS 9	-	-	(796)	-	(74,784)	-	(75,580)
Restated balance as at 1 January 2018	**522,638**	**3,003,969**	**(9,914)**	**2,895,598**	**451,012**	**-**	**6,863,303**
Total comprehensive income, including:	-	-	94,286	(2,680)	638,852	-	730,458
Net profit	-	-	-	-	638,852	-	638,852
Currency translation differences from the foreign operations' conversion	-	-	-	162	-	-	162
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	94,286	-	-	-	94,286
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	(2,842)	-	-	(2,842)
Dividends	-	-	-		(537,011)	**-**	(537,011)
Transfer to capital	-	(679)	-	(9,080)	9,759	-	-
As at 31 December 2018	**522,638**	**3,003,290**	**84,372**	**2,883,838**	**562,612**	**-**	**7,056,750**

Condensed consolidated statement of cash flows

PLN '000	**First quarter accruals period from 01.01.19 to 31.03.19**	**First quarter accruals period from 01.01.18 to 31.03.18**
Cash at the beginning of the reporting period	**7,474,978**	**514,585**
Cash flows from operating activities	(6,858,740)	41,806
Cash flows from investing activities	(11,917)	(12,587)
Cash flows from financing activities	(7,200)	(25,445)
Cash at the end of the reporting period	**597,121**	**518,359**
Increase/(decrease) in net cash	**(6,877,857)**	**3,774**

Supplementary notes to the interim condensed consolidated financial statements

1 General information about the Bank and the Capital Group

Bank Handlowy w Warszawie S.A. ("parent company", „the Bank", "Citi Handlowy") Head Office is located in Warsaw at Senatorska 16, 00-923 Warszawa. The Bank was established on the strength of Notarial Deed of 13 April 1870 and was registered and entered into the Register of Companies by the District Court for the capital city of Warsaw, XII Economic Department of the National Court Register.

The Bank was registered under entry No. KRS 0000001538 and was granted a statistical REGON No. 000013037 and tax identification No. (NIP) 526-030-02-91.

The Bank and its subsidiaries are expected to continue the business activity for an unspecified period of time.

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

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

The Bank is a universal bank that offers a wide range of banking services for individuals and corporate customers on the domestic and foreign markets. The Bank is also 100% shareholder of Dom Maklerski Banku Handlowego S.A., conducting the brokerage activity in the range of wide financial instruments portfolio and services for individual and corporate customers.

This interim condensed consolidated financial statements present financial data of the Capital Group of Bank Handlowy w Warszawie S.A. ('the Group'), that is composed of Bank Handlowy w Warszawie S.A. ('the Bank') as the parent company and its subsidiaries entities.

In the first quarter of 2019 there was a change in the structure of Group's comparing to the end of 2018. On 8th of March, the Bank bought 100 shares in Company Bimmer Sp. z o.o., which represents 100% of the capital share and votes at the General Meeting of Shareholders. The object of the Company's activity will be servicing products separated from the Bank activity, which the Bank has historically excluded from its offer. Until the end of the first quarter of 2019, the company did not start any active operations.

From 1 January 2019 Handlowy-Inwestycje Sp. z o.o. is fully consolidated.

The Group consists of the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2019	31.12.2018
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	-
Bimmer Sp. z o.o.	Warsaw	100.00	-
Entities measured using equity method			
Handlowy-Inwestycje Sp. z o.o.	Warsaw	-	100.00

2 Declaration of conformity

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* adopted by European Union and with other applicable regulations.

These interim condensed consolidated 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 2018.

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, No. 757, as amended) the Bank is obliged to publish its financial results for the 3 month period ended 31 March 2019 which is deemed to be the current interim financial reporting period.

3 Significant accounting policies

The interim condensed consolidated financial statement of the Group for the first quarter of 2019 has been prepared in accordance with accounting principles adopted and described in the annual consolidated financial statements of the Group for the financial year ended 31 December 2018, except for accounting principles amendments effective from 1 January 2019 described further resulting from implementation of IFRS 16 "Leasing".

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2019 to 31 March 2019 and for the consolidated statement of financial position as at 31 March 2019. Comparative financial data are presented for the period from 1 January 2018 to 31 March 2018 and for the consolidated statement of financial position as at 31 December 2018.

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

The preparation of interim condensed consolidated financial statements of the Group with accordance to International Financial Reporting Standards requires that the Management should make certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. This financial statement are based on the same estimation rules which were used in the annual consolidated financial statements of the Group for the financial year ended 31 December 2018, including the reasons and sources of uncertainty as at the balance sheet date.

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

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

The most significant estimates made for the 3 month period ended 31 March 2019, concern:
- impairment of financial assets,
- measurement of the fair value of derivatives,
- employee benefits.

Standards and interpretations awaiting European Union's approval:
- IFRS 17 „Insurance" replacing IFRS 4 „Insurance contracts" and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities. Standard eliminates differences in accounting of insurance contracts depending on local jurisdictions, allowed by IFRS 4,
- Changes in the Conceptual Framework introducing comprehensive clarifications in respect of financial reporting, among others regulating the area of measurement and its basis, presentation and disclosures, derecognition of assets and liabilities from balance sheet, and update and explanations of certain definitions,
- IFRS 3 'Business combinations' amendment - introducing a clarification of the definition of a project that helps to distinguish between acquisitions as a group of assets or a project,
- IAS 1 and IAS 8 amendments – changing definition of materiality.

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 January 2019:
- IFRS 16 "Leasing". Described further.
- IFRS 9 amendment. It clarifies situations in which prepayment of receivable results in repayment of significantly lower amount than outstanding one; in cases when it is reasonable, it does not impact SPPI test – the amendment does not have a significant impact on the financial statements,
- IAS 28 amendment regarding measurement of the long-term share in affiliate companies and joined ventures - the amendment does not have a significant impact on the financial statements,
- IAS 19 amendment stating that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement - the amendment does not have a significant impact on the financial statements,
- IFRIC 23 specifying measurement of uncertainties resulting from solutions applied for use of IAS 12 „Income taxes" when it is not clear if they are appropriate from perspective of tax authorities - the amendment does not have a significant impact on the financial statements.
- standard amendments cycle 2015-2017 including: IFRS 3 'Business combinations' and IFRS 11 'Joint Arrangements' in respect of measurement of interest in case of taking control over joint arrangements, IAS 12 in respect of recognition of tax on dividends in profit and loss, IAS 23 'Borrowing costs' for borrowing costs treatment – the amendments do not have a significant impact on the financial statements.

IFRS 16 Leases

On 1 January 2019 the Group adopted IFRS 16 “Leases” (“IFRS 16”) replacing IAS 17 “Leases”.

The new standard relates to all leases of tangible assets excluding certain items that are in scope of other IFRS. IFRS 16 contains a holistic approach to leases identification, recognition and measurement in the financial statements of lessees and lessors. Particularly impactful changes were introduced to accounting for leases by lessees by assuming a single accounting model and abandoning a distinction between operating and finance leases.

The Group completed the implementation of IFRS 16, which consisted of the following phases:

- phase I - analysis of all service contracts, regardless of the current qualification, aimed at selecting those meeting the criteria for considering leasing in accordance with IFRS 16;
- phase II – development of IFRS 16 methodology and approach as well as a tool dedicated to process leases and determine accounting entries;
- phase III – incorporating relevant changes to the accounting policy and operational procedures.

In order to identify a lease contract, IFRS 16 uses a concept of control over an asset. The standard distinguishes lease contracts from service agreements depending on whether there is a specified asset that is controlled by a lessee. According to IFRS 16 a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement of each lease IFRS 16 requires a lessee to recognize a lease liability (resulting from an obligation to make lease payments) and an asset - right of use of a specified asset over a lease term. A lessee may elect not to apply the requirement to:

- short-term leases that at the commencement date, have a lease term of 12 months or less; and
- leases for which the underlying asset is of low value.

Implementation of IFRS 16 has not changed the classification and measurement of lease contracts where the Group is a lessor.

At the commencement date, the Bank as a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The payments include*, inter alia*:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate.

At the commencement date, right-of-use assets are measured at cost, comprising:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognizes a lease contract as a right-of-use asset and corresponding lease liability at lease commencement date.

The majority of real estate leases is denominated in foreign currency and the corresponding lease liabilities are monetary items re-measured at each reporting date with revaluation gains and losses recognized in the income statement.

The Group presents right-of-use assets within Tangible fixed assets and it includes lease liabilities in Other liabilities line.

Interest expense resulting from a lease liability is recognized in profit and loss during lease using effective interest method, in order to produce a constant periodic rate of interest on the remaining balance of the lease liability.

A right-of-use asset is amortized on linear basis until earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies a short-term exemption to leases with undefined term and short termination periods for which no leasehold improvement was created and there are no significant termination penalties. Low-value exemption on the other hand is used with respect to e.g. office equipment.

The Group elected to apply the following practical expedients:

- the Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment),

- the Group applies an exemption for short-term leases for which the lease term ends within 12 months of the date of initial application,
- the Group elected not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component,
- the Group used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease,
- for operating lease contracts for which the underlying asset is of low value, the Group did not recognize any lease liabilities or related right-of-use assets. Lease payments on this account are recognized as expenses during the leasing period.

Initial application of IFRS 16

In accordance with the transitional provisions included in IFRS 16, when adopting the new standard, the Group as a lessee opted to follow a simplified approach based on which comparative information is not restated and cumulative effect is recognized as an adjustment to the opening balance of retained earnings (however no retained earnings adjustment was recognized because right-of-use asset balance was equal to lease liabilities).

As at initial application of IFRS 16, i.e. 1 January 2019, the Group recognized new assets, mainly related to right-of-use of real estate linked to the Bank's branches as well as perpetual usufruct of land. IFRS 16 initial application resulted in an increase in Group's assets and liabilities by PLN 146.0 million (equivalent of 0.3% of the Group's total assets as at 31 December 2018).

The impact of IFRS 16 first time adoption as at 1 January 2019 is presented below:

in PLN thousand	31 December 2018	IFRS 16 impact	1 January 2019
Tangible fixed assets	364,261	145,964	510,225
Total assets	**364,261**	**145,964**	**510,225**
Other liabilities	805,723	145,964	951,687
Total liabilities	**805,723**	**145,964**	**951,687**

The following table presents the reconciliation between operating lease commitments disclosed applying IAS 17 as at 31 December 2018 and lease liabilities recognized in the statement of financial position at the date of IFRS 16 initial application.

Reconciliation of Lease Liabilities

in PLN thousand	Rights to perpetual usufruct	Real estate and other	Total
Weighted-average Incremental Borrowing Rate	4.3%	1.4%	3,8%
Total non-cancellable operating lease rentals disclosed as at 31 December 2018 in accordance with IAS 37	**-**	**58,719**	**58,719**
Inclusion of Rights to perpetual usufruct and lease term change options	268,695	9,116	277,811
Total Undiscounted Lease Liability	**268,695**	**67,835**	**336,530**
Imputed Interest	186,507	4,059	190,566
Total Discounted Lease Liability as at 1 January 2019	**82,188**	**63,776**	**145,964**

The Group applies its incremental borrowing rates because interest rates implicit in leases are not readily determined. Incremental borrowing rates are determined by the Group taking into account risk-free rate, credit risk spread of the Group and they reflect lease term as well as a currency of a lease contract.

The following rates were applied as at 1 January 2019:
- PLN: 1.6% - 4.3% depending on remaining lease term
- EUR: 0.02% - 2.2% depending on remaining lease term

The Group updates the rate curves on recurring basis and applies new rates to new leases (and with respect to certain modified leases).

IFRS 16 changes the accounting of leases in the income statement by replacing rental costs with depreciation and interest expense and the timing of cost recognition – under IFRS 16 cost recognition will be front-loaded due to effective interest rate method applied to lease liabilities which was not used with respect to operating leases under principles in force before 31 December 2018. The Group estimates that the impact is not significant and will be reversed as leases mature.

Foreign currency

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

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

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

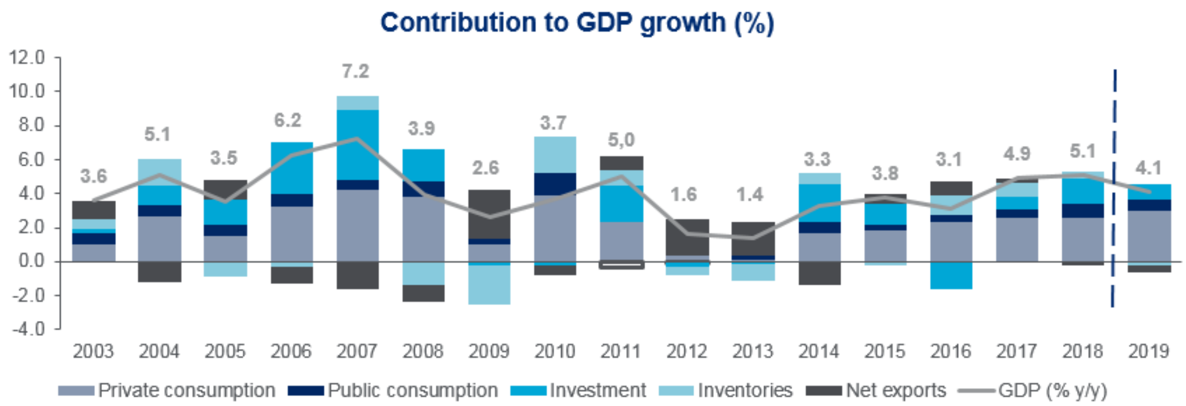
The exchange rates of the major currencies applied in the preparation of these financial statements are:

PLN		31 March 2019	31 December 2018	31 March 2018
1	USD	3.8365	3.7597	3.4139
1	CHF	3.8513	3.8166	3.5812
1	EUR	4.3013	4.3000	4.2085

4 Macroeconomic conditions and the situation in money, foreign exchange and capital markets

1. Macroeconomic conditions and the situation in money and foreign exchange markets

In the first quarter of 2019, GDP growth most probably slowed down from 4.9% recorded in fourth quarter 2018, but was still significantly above 4%. The growth is still driven by domestic demand, including, above all, individual consumption. The sustained high real growth rate of retail sales above 5% YoY is a good reason to claim so. Sustained very good labor market conditions and consumers' high sentiment spur the high consumption rate. The dynamics of domestic demand was probably lower than in the fourth quarter 2018 due to weaker contribution of inventories and slackening investments. This is visible in the slowdown of construction output in the first two months of the year drifted downward to about 10% from 17.2% YoY in the fourth quarter 2018. Also industrial production, which in the time period from January to February grew relatively strongly by 6% against 5.4% in the fourth quarter 2018, implies that the economic growth rate is sustained above 4%. The production growth rate remained high despite of a further slump of the manufacturing PMI index to 48.2 pts in the first quarter of 2019 from 49.2 pts in the fourth quarter 2018 and 54.0 pts in first quarter of 2018.



Source: Chief Statistical Offce, Citi Handlowy forecasts

Registered unemployment rate rose inconsiderably to 5.9% in March 2019 against 5.8% in December 2018, however such growth is usually observable in connection with seasonal trends in the first month of a year. At the same time, the February and March unemployment rate had been the lowest showing in this month in a year since the beginning of transformation. Mounting problems to acquire labor force combined with record low unemployment are resonated in the sustained high dynamics of salaries in the corporate sector. In the first quarter of 2019 salaries rose by 6.9% YoY. At the same time, the hiring rate remained at a very high level and amounted to 3% YoY. The indexes of Polish Central Bank concerning pay pressure and the undersupply of labor force remain close to their highest levels since 2008. The above fact and the sustained high economic growth are harbingers of the sustained increase of salaries by approximately 7.1% as recorded in 2018.

Prices of consumer goods and services rose by 1.2% YoY in the first quarter of 2019, as compared to 1.4% YoY in the fourth quarter 2018. However, in the last quarter 2018, inflation was gradually falling reaching 0.7% in January but in

March 2019 it was on the strong upswing hitting 1.7% YoY. Changes in food prices, residential costs and transport prices mainly, catalyzed the above trends. Inflation in the first quarter turned out to be much lower than expected as household electricity prices were not raised. In the months to come, the Group expects that inflation will rise further to approx. 2.5% at the end of the year, i.e. the inflation target. Next year, inflation is most likely to rise above of 3% as demand pressure will remain in the economy although the scale of growth will depend on regulations concerning energy prices.

The Monetary Policy Council (RPP) did not change interest rates which have been kept at the present levels since March 2015. In its recent communications, the Monetary Policy Council anticipated that despite of good economic performance, growth will likely slow down and inflation will remain under control hovering below the inflation target. Given the above forecasts combined with looming external threats to the growth, the Monetary Policy Council considers that monetary policy parameters do not need adjustments this year or in the next year. Some members of RPP outlined a scenario where interest rates were likely to remain the same until the end of the Council's term, namely to 2022.

The zloty against the euro has exceptionally been stable for more than six months moving within the bound of 4.25-4.35. Apart from positive fundamental factors concerning the Polish economy, such as high economic growth and external sustainability - the stable EUR/USD rate as well as the slowdown of the dollar's appreciation trend can stabilize the zloty rate. The gradual switch of the FED's rhetorics to a more dovish one as visible since December 2018 might also be one of such factors. The EUR/PLN rate ended up at the end of March 2019 at the level of 4.30 thus the rate has not changed since the end of 2018. In turn, the USD/PLN rate increased in the first quarter of 2019 by approximately 2 percent to the level of 3.84 from 3.76 in the same period.

The mild attitude of the Monetary Policy Council and an indication that interest rates may remain unchanged until the end of the term of the Monetary Policy Council resonated in lower swap rates, including notably at the long-end of the swap curve causing that it flattened. At the same time, yields on long-term bonds did not change significantly as compared to levels quoted at the end of 2018 and the yields on 2 years' bonds soared by approx. 35 b.p. Most likely it was in response to a large issue of domestic bonds by the Ministry of Finance in the first quarter of 2019 in anticipation of further large issues in the months to come, reduction of domestic bond portfolios by foreign investors and domestic investors' increased demand for floating-coupon bonds. Changes in yield curves also reflected hiking credit spreads. In addition, long-term yields remained stable despite of falling profitability on underlying debt markets and this manifested itself in extended spreads in respect of German Bunds and American Treasuries. The yield of 2-year bonds increased to 1.69% as at the end of March from 1.34% as at the end of 2018, while the yield of 10-year bonds dropped by 1 bp to 2.84% from 2.85%. On the other hand 3M WIBOR remained at 1.72%.

2. Capital market situation

In the first three months of 2019, equity market conditions improved amid the meagre fourth quarter of the last year. The following factors, among other things, had a positive impact on global sentiment: alleviated trade conflict between the US and China and the FED' pivot to a more dovish rhetoric allowing for putting further interest rate rises on hold. Also the domestic equity market was a beneficiary of such good moods and the considerable limitation of the scale of redemptions in Polish equity funds made the quotations of the companies on the Warsaw Stock Exchange less sensitive to pressure.

Positive moods were reflected in the soaring WIG index which grew by 3.4% as compared to the end of 2018. The WIG20 companies rose insignificantly (+1.6 QoQ). On the other hand the mid-cap index grew by 6.1%. Companies with low capitalization which after their 12.5% growth in the first quarter of 2019 responded boldly and saw an upsurge after their worse showings in the fourth quarter 2018 (in that time, the sWIG80 index plunged 7.9%) were the highlight on the market.

Among sector sub-indexes, companies from the computer games sector were blooming on the market (+43.8% as compared to the end of 2018) as well as entities from the chemical sector (the WIG-Chemia index rose by 23.7%). On the other hand, sectors that drove the market to new highs in the fourth quarter 2018, notably the fuel sector and the energy sector, were the only losers reporting negative returns: -8.6% and -3.1%, respectively.

Another quarter in a row, on the main WSE market the number of quoted companies diminished. In the first three months, there were two debuts (two entities moved from NewConnect) and at the same time stocks of six companies were withdrawn from trading. At the end of March, the WSE traded in stocks of 461 companies (of which 51 foreign companies). The total value of IPOs was modest and amounted to not more than PLN 10 million (versus PLN 93 million in the corresponding period in 2018) while the value of secondary public offerings amounts to PLN 192 million (versus PLN 503 million in the preceding year).

In the first quarter of 2019, the total capitalization of companies listed on the WSE increased by 5.4% to PLN 1 190 billion, half of which being domestic companies (PLN 597.7 billion, +3.2 QoQ).

Equity market indices as of 31 March 2019

Index	31 March 2019	31 December 2018	Change (%) QoQ	31 March 2018	Change (%) YoY
WIG	59,668.03	57,690.50	3.4	58,377.42	2.2
WIG-PL	60,917.81	58,889.85	3.4	59,533.04	2.3
WIG-div	1,098.55	1,069.63	2.7	1,095.16	0.3

Index	31 March 2019	31 December 2018	Change (%) QoQ	31 March 2018	Change (%) YoY
WIG20	2,312.09	2,276.63	1.6	2,210.38	4.6
WIG20TR	4,081.40	4,018.80	1.6	3,815.86	7.0
WIG30	2,655.06	2,581.52	2.8	2,556.70	3.8
mWIG40	4,149.50	3,909.37	6.1	4,554.89	(8.9)
sWIG80	11,897.39	10,571.10	12.5	14,179.62	(16.1)
Sector sub-indices					
WIG-Banki	7,586.29	7,453.65	1.8	7,841.44	(3.3)
WIG-Budownictwo	2,197.18	1,915.00	14.7	2,688.22	(18.3)
WIG-Chemia	11,569.40	9,350.86	23.7	13,639.53	(15.2)
WIG-Energia	2,335.91	2,410.68	(3.1)	2,457.61	(5)
WIG-Games	14,380.87	10,000.00	43.8	-	-
WIG-Górnictwo	3,864.41	3,423.39	12.9	3,509.02	10.1
WIG-Informatyka	2,243.23	1,991.93	12.6	1,971.63	13.8
WIG-Leki	5,158.18	5,105.98	1.0	5,102.88	1.1
WIG-Media	4,953.90	4,513.06	9.8	5,031.10	(1.5)
WIG-Motoryzacja	3,720.99	3,540.98	5.1	4,500.85	(17.3)
WIG-Nieruchomości	2,213.04	1,911.66	15.8	2,202.41	0.5
WIG-Odzież	6,513.37	6,021.68	8.2	6,886.73	(5.4)
WIG-Paliwa	7,312.79	7,998.16	(8.6)	5,946.63	23.0
WIG-Spożywczy	3,483.75	3,383.22	3.0	3,792.63	(8.1)

Source: WSE, DMBH.

Equity and bond trading value and derivatives trading volumes on WSE in the first quarter of 2019

	Q1 2019	Q4 2018	Change (%) QoQ	Q1 2018	Change (%) YoY
Shares (PLN million)*	105,161	99,287	5.9	110,406	(4.8)
Bonds (PLN million)	742	531	39.8	770	(3.7)
Futures (in thousand contracts)	3,328	4,276	(22.2)	4,044	(17.7)
Options (in thousand contracts)	99	158	(37.3)	181	(45.3)

**excluding calls*
Source: WSE, DMBH.

5 Banking sector

The data published by the National Bank of Poland show that the loans granted to businesses reached nearly PLN 362 billion as at the end of the first quarter of 2019 (+8.2% YoY). In terms of time to maturity, the highest growth rate was recorded by loans granted for 1 to 5 years (+12.6% YoY). Loans with time to maturity over 5 years were growing at half the rate (+6.7% YoY) and the weakest growth was observed for short-term loans (up to 1 year), which increased by only 3.9% YoY.

By type, the highest rate of growth occurred for current loans (+13.8% YoY). Real property loans were growing significantly slower (+6.1% YoY), while the lowest growth rate was observed for investment loans (+2.4% YoY).
Available loan portfolio quality data show that the majority of loan categories have managed to return to the levels achieved before IFRS 9 was implemented. The NPL ratio (loans with recognised impairment) for loans to businesses was 8.4% as at the end of February (-1.4 p.p. YoY). The best improvement was observed for the large companies loan portfolio, for which the NPL ratio declined by as much as 2.1 p.p. YoY, to 5.2%, while the quality of the SME loan portfolio improved by 0.6 p.p., to 11.0%.

In terms of volumes, loans to households were increasing at a slightly slower pace than loans to businesses. Loans to households reached nearly PLN 716 billion as at the end of March 2019 (+6.8% YoY). It was the next consecutive quarter with consumer loans as growth leader (+8.9% YoY), and slightly ahead of real property loans (+6.8% YoY), which, however, were the unchallenged winner in terms of absolute value (an increase in volume by PLN 28 billion, fueled by PLN-denominated loans with a concurrent slowdown of loans in foreign currencies. In total, household loans for real property reached PLN 437 billion, of which PLN-denominated loans amounted to than PLN 310 billion.

The quality of the household loan portfolio, as measured using the NPL ratio, improved by 0.7 p.p. YoY to 6.0% as at the end of February. In the consumer loan segment, a biggest improvement in portfolio quality was observed (1.2 p.p. YoY to 11.0%). The quality improvement was considerably lower for mortgage loans (decline by -0.4 p.p. YoY to 2.5%).

Corporate deposits increased by +5.7% YoY and amounted to PLN 273 billion as at the end of the first quarter of 2019. Still low interest rates contributed to an increase structure in the deposit base, which grew only in the current deposit segment, which rose by +11.5% YoY, while term deposits declined by -4.2% YoY.

With respect to volumes, household deposits were growing at a rate (+11.4% YoY) equal to nearly twice the rate achieved by corporate deposits. In consequence, the balance of liabilities of banks to households reached the level of PLN 844 billion. As in the case of corporate deposits, current deposits were growing at a considerably higher rate too (+15.1% YoY). The significant growth of time deposits should also be noted (+5.5% YoY).

The first two months of 2019 (January and February) saw significantly lower profits in the banking sector as compared to the same period in 2018 (with net profit going down by -31% YoY, to PLN 1.1 billion). On the side of revenues, positive trends from the previous year were continued. Net interest income increased by 10% YoY, while net fee and commission income declined by 4% YoY and other incomes increased by 21% YoY. The total revenues of the banking sector reached PLN 11 billion, i.e. increased by 8% as compared to the same period last year. This positive view of the profit and loss account was upset by the considerable growth of depreciation and amortisation (+42% YoY), the strong growth of administrative expenses (+11% YoY) and a high increase in net impairment charges (+29%). However, an analysis of net impairment charges reveals that that growth was mainly caused by the base effect – in January and February of 2018 they were considerably lower than the average for the entire 2018. One of the factors that will have the highest impact on the profits of banks in the first quarter of 2019 is a significant increase in contribution to the mandatory restructuring fund of the Bank Guarantee Fund. The contribution is now PLN 2 billion (as compared to prior year, it is higher by 108%, or PLN 1 billion). Another vital factor is the costs of M&A projects being pursued by many banks, as they can expect positive effects of cost synergies only in the long run.

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

1. Consolidated statement of financial position

As of the end of first quarter of 2019 total assets stood at PLN 49.5 billion, up slightly by PLN 240 million (i.e. 0.5%) compared to the end of 2018.

As at the end of first quarter of 2019 the biggest share in the Group's total assets was held by net amounts due from customers. As of the end of March 2019 they accounted for 45.4% of total assets. The value of amounts due from customers as of the end of first quarter of 2019 amounted to PLN 22.5 billion, up by PLN 563 million (i.e. 2.6%) compared to the end of 2018 as a result of increased lending to non-financial sector clients (up by PLN 581 million, i.e. 2.9%). In the non-financial sector, receivables grew on the institutional clients side (up by PLN 670 million, i.e. 5.3%; the increase was mainly visible in the Global Clients segment and in the Commercial Bank). In the non-financial sector, amounts due from retail customers dropped slightly by PLN 89 million (i.e. 1.3%) due to a lower balance of unsecured loans (mainly in credit cards). On the other hand, mortgage loans grew by PLN 37 million (or 2.2%).

Amounts due from customers

PLN '000	31.03.2019	31.12.2018	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	**2,128,609**	**2,146,815**	**(18,206)**	**(0.8)**
Receivables related to reverse repo transactions	194,227	182,613	11,614	6.4
Amounts due from non-financial sector entities, including:	**20,382,962**	**19,802,199**	**580,763**	**2.9**
Institutional clients*	13,314,539	12,644,282	670,257	5.3
Individual clients, including:	7,068,423	7,157,917	(89,494)	(1.3)
unsecured receivables	5,381,660	5,508,151	(126,491)	(2.3)
mortgage loans	1,686,763	1,649,766	36,997	2.2
Total receivables from customers	**22,511,571**	**21,949,014**	**562,557**	**2.6**

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

Amounts due from customers divided into non-impaired/impaired

PLN '000	31.03.2019	31.12.2018	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	**20,698,449**	**20,246,985**	**451,464**	**2.2**
financial institutions	2,129,776	2,148,206	(18,430)	(0.9)
non-financial sector entities	18,568,673	18,098,779	469,894	2.6
institutional clients*	12,319,268	11,752,193	567,075	4.8
individual customers	6,249,405	6,346,586	(97,181)	(1.5)
Receivables not impaired (Stage 2), including	**1,727,377**	**1,642,100**	**85,277**	**5.2**

PLN '000	31.03.2019	31.12.2018	Change	
			PLN '000	%
financial institutions	3	-	3	-
non-financial sector entities	1,727,374	1,642,100	85,274	5.2
institutional clients*	909,554	832,118	77,436	9.3
individual customers	817,820	809,982	7,838	1.0
Receivables impaired (Stage 3), including:	**723,687**	**669,671**	**54,016**	**8.1**
financial institutions	-	-	-	-
non-financial sector entities	723,687	669,671	54,016	8.1
institutional clients*	319,053	291,221	27,832	9.6
individual customers	404,634	378,450	26,184	6.9
Amounts due from matured transactions in derivative instruments (Stage 3)	**56,822**	**56,818**	**4**	**0.0**
Total gross loans to customers, including:	**23,206,335**	**22,615,574**	**590,761**	**2.6**
financial institutions	2,129,779	2,148,206	(18,427)	(0.9)
non-financial sector entities	21,019,734	20,410,550	609,184	3.0
institutional clients*	13,547,875	12,875,532	672,343	5.2
individual customers	7,471,859	7,535,018	(63,159)	(0.8)
Impairment, including:	**(694,764)**	**(666,560)**	**(28,204)**	**4.2**
Amounts due from matured transactions in derivative instruments	(50,817)	(50,859)	42	(0.1)
Total net amounts due from customers	**22,511,571**	**21,949,014**	**562,557**	**2.6**
Impairment provisions coverage ratio**	**89.0%**	**91.9%**		
institutional clients*	75.0%	81.5%		
individual customers	99.7%	99.6%		
Non-performing loans ratio (NPL)	**3.1%**	**3.0%**		

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

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

The gross value of receivables in the first quarter of 2019 did not include contractual interest in the amount of PLN 419 825 thousand accrued from the moment of transferring the exposure to Stage 3. This does not affect the net value of the receivables qualified for Stage 3.

The gross value of receivables at the end of 2018 did not include contractual interest in the amount of PLN 411 529 thousand accrued from the moment of transferring the exposure to Stage 3.

In the first quarter of 2019 total liabilities amounted to PLN 42.5 billion, slightly up by PLN 232 million (i.e. 0.5%) compared to the end of 2018.

In the first quarter of 2019 amounts due to customers were the dominant source of financing of the Group's activity and constituted 71.9% of the Group's liabilities and own funds as at 31 March 2019. Total amounts due to customers as of the end of March 2019 amounted to PLN 35.6 billion, down by PLN 2.7 billion (i.e. 7.1%) compared to the end of 2018. In the non-financial sector, amounts due to the institutional clients dropped (down by PLN 2.5 billion, i.e. 13.0%), which was mainly due to high current account balances as of the end of 2018. On the other hand, in the area of individual clients, deposits continued to grow (up by PLN 0.3 billion, i.e. 2.9%), stemming from increased term deposit balances.

Amounts due to customers

PLN '000	31.03.2019	31.12.2018	Change	
			PLN '000	%
Current accounts, including:	**23,614,728**	**25,692,030**	**(2,077,302)**	**(8.1)**
financial sector entities	883,851	704,512	179,339	25.5
non-financial sector entities, including:	22,730,877	24,987,518	(2,256,641)	(9.0)
institutional clients*, including:	13,258,985	15,607,453	(2,348,468)	(15.0)
budgetary units	2,048,109	3,676,760	(1,628,651)	(44.3)
individual clients	9,471,892	9,380,065	91,827	1.0
Term deposits, including:	**11,751,789**	**12,405,418**	**(653,629)**	**(5.3)**
financial sector entities	5,576,984	6,335,488	(758,504)	(12.0)
non-financial sector entities, including:	6,174,805	6,069,930	104,875	1.7
institutional clients*, including:	3,402,574	3,546,663	(144,089)	(4.1)
budgetary units	67,251	69,706	(2,455)	(3.5)

PLN '000	31.03.2019	31.12.2018	Change	
			PLN '000	%
individual customers	2,772,231	2,523,267	248,964	9.9
Total customers deposits	**35,366,517**	**38,097,448**	**(2,730,931)**	**(7.2)**
Other amounts due to customers	**240,175**	**236,897**	**3,278**	**1.4**
Total amounts due to customers	**35,606,692**	**38,334,345**	**(2,727,653)**	**(7.1)**

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

2. Consolidated income statement

In the first quarter of 2019, the Group delivered a consolidated net profit of PLN 59.5 million, down by PLN 86.3 million (i.e. 59.2%) compared to the first quarter of 2018, mainly due to increased annual resolution fund fee paid to the Bank Guarantee Fund. At the same time the Group' revenues declined by PLN 30.4 million (i.e. 5.4%) to PLN 537.1 million.

The main determinants of the Group's operating result in the first quarter of 2019 when compared to the first quarter of 2018 were the following:

- Net interest income remained flat compared to the first quarter of 2018 and amounted to PLN 277.3 million as of the end of the first quarter of 2019.
- Interest income in the first quarter of 2019 grew by PLN 10.7 million (i.e. 3.3%), compared to the corresponding period of 2018 and amounted to PLN 338.7 million. Interest from amounts due from customers, constituting the main source of interest income, amounted to PLN 239.7 million, up by PLN 5.7 million (i.e. 2.4%) compared to the first quarter of 2018. It was mainly due to an increase in the average volume of institutional clients' loans and improved credit margins. At the same time interest income from securities (financial assets measured at fair value through other comprehensive income and debt securities held-for-trading) increased by PLN 3.8 million (i.e. 4.4%) YoY due to their higher volumes.

Interest expenses in the first quarter of 2019 grew by PLN 10.5 million (i.e. 20.7%), compared to the corresponding period of 2018. The biggest change was visible in interest expenses on amounts due to banks (up by PLN 8.6 million, i.e. 63.7% YoY). On the other hand, interest expenses on amounts due to clients from non-financial sectors) constituting the main source of interest expenses, grew by PLN 4.9 million (i.e. 25.1%), which was due to a higher margin on institutional clients' deposits.

Net interest income

PLN '000	01.01 - 31.03.2019	01.01 - 31.03.2018	Change	
			PLN '000	%
Interest income	**316,274**	**312,557**	**3,717**	**1.2**
Financial assets measured at amortized cost	**246,250**	**240,676**	**5,574**	**2.3**
Balances with the Central Bank	1,814	1,729	85	4.9
Amounts due from banks	4,693	4,885	(192)	(3.9)
Amounts due from customers, in respect of:	239,743	234,062	5,681	2.4
financial sector	12,787	12,987	(200)	(1.5)
non-financial sector, including:	226,956	221,075	5,881	2.7
credit cards	70,521	70,924	(403)	(0.6)
Financial assets measured at fair value through other comprehensive income	**70,024**	**71,881**	**(1,857)**	**(2.6)**
Debt investment financial assets measured at fair value through other comprehensive income	70,024	71,881	(1,857)	(2.6)
Similar income	**22,431**	**15,425**	**7,006**	**45.4**
Financial assets measured at fair value through the income statement	**19,215**	**13,570**	**5,645**	**41.6**
Debt securities held-for-trading	19,215	13,570	5,645	41.6
Liabilities with negative interest rate	**3,174**	**1,855**	**1,319**	**71.1**
Derivative instruments in hedge accounting	**42**	**-**	**42**	**-**
	338,705	**327,982**	**10,723**	**3.3**
Interest expense and similar charges on				
Financial liabilities measured at amortized cost	**(61,075)**	**(46,963)**	**(14,112)**	**30.0**
Amounts due to banks	(22,100)	(13,504)	(8,596)	63.7

PLN '000	01.01 - 31.03.2019	01.01 - 31.03.2018	Change	
			PLN '000	%
Amounts due from customers, in respect of:	(37,561)	(33,386)	(4,175)	12.5
financial sector entities	(13,130)	(13,857)	727	(5.2)
non-financial sector entities	(24,431)	(19,529)	(4,902)	25.1
Loans and advances received	(345)	(73)	(272)	372.6
Amounts due to Leasing	(1,069)	-	(1,069)	-
Assets with negative interest rate	**(264)**	**(144)**	**(120)**	**83.3**
Derivative instruments in hedge accounting	**(18)**	**(3,709)**	**3,691**	**(99.5)**
	(61,357)	**(50,816)**	**(10,541)**	**20.7**
Net interest income	**277,348**	**277,166**	**182**	**0.1**

- Net fee and commission income of PLN 133.9 million versus PLN 141.6 million in the first quarter of 2018 – down by PLN 7.7 million (i.e. 5.5%). The biggest decrease in value was reported in fee and commission income on insurance and investment products distribution due to bearish sentiment on the capital markets and increased risk aversion among individual clients. On the other hand, fee and commission income on payment and credit cards, which has the biggest share in total net fee and commission income, went up due to higher revenues.

Net fee and commission income

PLN '000	01.01 - 31.03.2019	01.01 - 31.03.2018	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products distribution*	16,696	22,922	(6,226)	(27.2)
Payment and credit cards	38,862	37,811	1,051	2.8
Payment orders	26,110	26,293	(183)	(0.7)
Custody services	22,638	20,262	2,376	11.7
Brokerage activity	9,858	14,365	(4,507)	(31.4)
Clients' cash on account management services	7,487	7,244	243	3.4
Guarantees granted	4,757	4,791	(34)	(0.7)
Financial liabilities granted	1,749	1,827	(78)	(4.3)
Other, including:	27,574	28,000	(426)	(1.5)
installment products in credit card	7,192	6,550	642	9.8
	155,731	**163,515**	**(7,784)**	**(4.8)**
Fee and commission expense				
Payment and credit cards	(7,834)	(8,711)	877	(10.1)
Brokerage activity	(3,460)	(3,365)	(95)	2.8
Fees paid to the National Depository for Securities (KDPW)	(5,279)	(4,655)	(624)	13.4
Brokerage fees	(1,050)	(1,402)	352	(25.1)
Other	(4,244)	(3,785)	(459)	12.1
	(21,867)	**(21,918)**	**51**	**(0.2)**
Net fee and commission income				
Insurance and investment products distribution	16,696	22,922	(6,226)	(27.2)
Payment and credit cards	31,028	29,100	1,928	6.6
Payment orders	26,110	26,293	(183)	(0.7)
Custody services	22,638	20,262	2,376	11.7
Brokerage activity	6,398	11,000	(4,602)	(41.8)
Clients' cash on account management services	7,487	7,244	243	3.4
Guarantees granted	4,757	4,791	(34)	(0.7)
Financial liabilities granted	1,749	1,827	(78)	(4.3)
Fees paid to the National Depository for Securities (KDPW)	(5,279)	(4,655)	(624)	13.4
Brokerage fees	(1,050)	(1,402)	352	(25.1)
Other	23,330	24,215	(885)	(3.7)
Net fee and commission income	**133,864**	**141,597**	**(7,733)**	**(5.5)**

- Other operating income (i.e. non-interest and non-commission income) of PLN 125.9 million versus PLN 148.7 million in the first quarter of 2018 – down by PLN 22.8 million (i.e. 15.4%) was mainly due to the lower Treasury result and the decrease in other operating income and expenses due to a one-off reimbursement of the fine paid by the Bank in the first quarter of 2018. The above-mentioned decreases were partially offset by higher net gain on equity investments and other investments measured at fair value through income statement in connection with the increase in the value of the minority stakes held by the Bank.
- General administrative and depreciation expenses of PLN 384.0 million versus PLN 346.1 million in the corresponding period of the previous year – up by PLN 37.9 million (i.e. 11.0%) stemming from higher general administrative expenses by PLN 41.0 million (i.e. 22.9%) due to the upfront recognition of BFG's compulsory resolution fund charge in the amount of PLN 93.1 million. The Fund is supplied with contributions provided once a year and the fee is fully booked in the first quarter of a given year. Excluding the costs of the BFG fees, the Group's expenses dropped by 2% YoY.

  On the other hand, staff expenses decreased by PLN 5.4 million (i.e. 3.6%) due to a decrease in employment. In the reporting period the headcount in the Group dropped by 230 FTEs.

  Depreciation grew by 12.2% compared to the previous year to PLN 21.0 million, primarily as a result of the depreciation of the leased property components (in connection with the implementation of IFRS 16 – see page 11 for more details). On the other hand, rental and maintenance costs have been reduced as a result of the introduction of IFRS 16.

General administrative expenses and depreciation expense

PLN '000	01.01 - 31.03.2019	01.01 - 31.03.2018	Change	
			PLN '000	%
Staff expenses	**(142,656)**	**(148,049)**	**5,393**	**(3.6)**
Remuneration costs	(100,860)	(102,057)	1,197	(1.2)
Bonuses and rewards	(20,017)	(24,627)	4,610	(18.7)
Social security costs	(21,779)	(21,365)	(414)	1.9
Administrative expenses	**(220,346)**	**(179,340)**	**(41,006)**	**22.9**
Telecommunication fees and hardware purchase costs	(45,065)	(43,452)	(1,613)	3.7
Costs of external services, including advisory, audit, consulting services	(13,242)	(14,693)	1,451	(9.9)
Real estates maintenance and rent costs	(12,029)	(16,313)	4,284	(26.3)
Advertising and marketing costs	(12,436)	(14,995)	2,559	(17.1)
Costs of cash management services, costs of clearing services and other transaction costs	(8,802)	(8,989)	187	(2.1)
Costs of external services related to distribution of banking products	(10,584)	(8,550)	(2,034)	23.8
Postal services, office supplies and printmaking costs	(1,739)	(1,678)	(61)	3.6
Training and education costs	(178)	(351)	173	(49.3)
Banking and capital supervision costs	(5,751)	(3,071)	(2,680)	87.3
Bank Guarantee Funds costs	(95,411)	(51,240)	(44,171)	86.2
Other expenses	(15,109)	(16,008)	899	(5.6)
Depreciation	**(20,967)**	**(18,680)**	**(2,287)**	**12.2**
General administrative expenses and depreciation expense, total	**(383,969)**	**(346,069)**	**(37,900)**	**11.0**

- Net impairment losses on financial assets and provisions for contingent liabilities of PLN -28.3 million versus PLN -5.5 million in the first quarter of 2018. It was due to higher net impairment losses in the Consumer Banking segment in connection with the impact of the one-off positive increase in the effectiveness of the recovery process in the first quarter of 2018.
  On the other hand, in the Institutional banking segment net impairment losses dropped slightly, which was primarily due to a lower balance of loans without impairment (stage 2). The annualized costs of risk amounted to 38 bps as of the end of the first quarter of 2019 and remained flat compared to the corresponding period of the previous year.

Net impairment losses on financial assets and provisions for contingent liabilities

PLN '000	01.01 - 31.03.2019	01.01 - 31.03.2018	Change	
			PLN '000	%
Net impairment on amounts due from banks				
Write-offs creation	(520)	(2,244)	1,724	(76.8)
Write-offs reversals	532	608	(76)	(12.5)

PLN '000	01.01 - 31.03.2019	01.01 - 31.03.2018	Change	
			PLN '000	%
	12	**(1,636)**	**1,648**	**(100.7)**
Net impairment on amounts due from customers				
Write-offs creation and reversals	**(30,145)**	**(3,745)**	**(26,400)**	**704.7**
Write-offs creation	(58,307)	(49,389)	(8,918)	18.1
Net write-offs creation on past due derivatives	(4)	(39)	35	(89.7)
Write-offs reversals	28,219	45,656	(17,437)	(38.2)
Net write-offs creation on receivables on past due derivatives	48	45	3	6.7
Other	(101)	(18)	(83)	461.1
Recoveries from sold debts	**9**	**-**	**9**	**-**
	(30,136)	**(3,745)**	**(26,391)**	**704.5**
Net impairment on debt investment financial assets measured at fair value through other comprehensive income				
Write-offs creation	(778)	-	(778)	-
Write-offs reversals	-	442	(442)	(100.0)
	(778)	**442**	**(1,220)**	**(275.6)**
Net impairment on financial assets	**(30,902)**	**(4,939)**	**(25,963)**	**525.7**
Created provisions for contingent liabilities	(5,864)	(8,954)	3,090	(34.5)
Release of provisions for contingent liabilities	8,488	8,361	127	1.5
Net impairment on provisions for contingent commitments	**2,624**	**(593)**	**3,217**	**(542.5)**
Net impairment on financial assets and provisions for contingent commitments	**(28,278)**	**(5,532)**	**(22,746)**	**411.2**

- The total charge to the income statement of the Group due to the tax on certain financial institutions in the first quarter of 2019 amounted to PLN 21.9 million, up by PLN 2.0 million (i.e. 15.2%).

3. Financial Ratios

In the first quarter of 2019, the key efficiency ratios were as follows:

Total financial ratios	Q1 2019	Q1 2018
ROE*	8.3%	10.0%
ROA**	1.2%	1.4%
Cost/Income	71%	61%
Loans to non-financial sector/Deposits from non-financial sector	71%	72%
Loans to non-financial sector/Total assets	41%	41%
Net interest income/Revenue	52%	47%
Net fee and commission income/Revenue	25%	25%

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

Group employment*

In full time job equivalents (FTE)	01.01 - 31.03.2019	01.01 - 31.03.2018	Change	
			FTEs	%
Average employment in the first quarter	3,245	3,473	(228)	(6.6)
Employment at the end of quarter	3,227	3,457	(230)	(6.7)

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

Capital adequacy*

PLN '000	31.03.2019	31.12.2018
Common Equity Tier I before regulatory adjustments	6,366 065	6,417,720

Capital adequacy*

PLN '000	**31.03.2019**	**31.12.2018**
Total regulatory adjustments to Common Equity Tier I	(1,455,217)	(1,447,617)
Common Equity Tier I	4,910,848	4,970,103
Tier I Capital	4,910,848	4,970,103
Own Funds	4,910,848	4,970,103
The total amount of risk exposure	30,257,965	29,518,145
Common Equity Tier 1 capital ratio	16.2%	16.8%
Tier 1 capital ratio	16.2%	16.8%
Total capital ratio	**16.2%**	**16.8%**

**Capital Adequacy Ratio was calculated according to the rules stated in the Regulation no 575/2013 of the European Parliament and of the Council (EU) of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) no 648/2012 ("CRR").*

Leverage ratio*

PLN '000	**31.03.2019**	**31.12.2018**
Tier I Capital	4,910,848	4,970,103
Total leverage ratio exposures	53,520,349	53,337,796
Leverage ratio	**9.2%**	**9.3%**

**Leverage Ratio was calculated according to the rules stated in the Regulation no 575/2013 of the European Parliament and of the Council (EU) of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) no 648/2012 ("CRR").*

Overview of RWAs

PLN '000			**RWA**		**Minimum capital requirements**
CRR			**31.03.2019**	**31.12.2018**	**31.03.2019**
	1	**Credit risk (excluding CCR)**	**23,714,763**	**22,767,938**	**1,897,181**
Article 438 (c) (d)	2	Of which the standardised approach	23,714,763	22,767,938	1,897,181
Article 438 (c) (d)	3	Of which the foundation IRB (FIRB) approach	-	-	-
Article 438 (c) (d)	4	Of which the advanced IRB (AIRB) approach	-	-	-
Article 438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
Article 107 Article 438 (c) (d)	**6**	**CCR**	**1,106,301**	**990,138**	**88,504**
Article 438 (c) (d)	7	Of which mark to market	778,663	634,313	62,293
Article 438 (c) (d)	8	Of which original exposure	-	-	-
	9	Of which the standardised approach	-	-	-
	10	Of which internal model method (IMM)	-	-	-
Article 438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Article 438 (c) (d)	12	Of which CVA	327,638	355,825	26,211
Article 438 (e)	**13**	**Settlement risk**	**-**	**-**	**-**
Article 449 (o) (i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**808,225**	**905,475**	**64,658**
	15	Of which IRB approach	-	-	-
	16	Of which IRB supervisory formula approach (SFA)	-	-	-
	17	Of which internal assessment approach (IAA)	-	-	-
	18	Of which standardised approach	808,225	905,475	64,658
Article 438 (e)	**19**	**Market risk**	**1,061,288**	**1,192,387**	**84,903**
	20	Of which the standardised approach	1,061,288	1,192,387	84,903
	21	Of which IMA	-	-	-
Article 438 (e)	22	Large exposures	-	155,742	-
Article 438 (f)	**23**	**Operational risk**	**3,567,388**	**3,506,465**	**285,391**
	24	Of which basic indicator approach	-	-	-
	25	Of which standardised approach	3,567,388	3,506,465	285,391
	26	Of which advanced measurement approach	-	-	-
Article 437 (2), Article 48 and	27	Amounts below the thresholds for deduction (subject to 250%	581,038	536,513	46,483

PLN '000			RWA		Minimum capital requirements
CRR			**31.03.2019**	**31.12.2018**	**31.03.2019**
Article 60		risk weight)			
Article 500	28	Floor adjustment	-	-	-
	29	**Total**	**30,257,965**	**29,518,145**	**2,420,637**

7 Segment reporting

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

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

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

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

Institutional Banking

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

Consumer Banking

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

Consolidated income statement of the Group by business segment

For the period	01.01. – 31.03.2019			01.01. – 31.03.2018		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	118,865	158,483	277,348	128,945	148,221	277,166
Internal interest income, including:	(15,956)	15,956	-	(7,140)	7,140	-
Internal income	-	15,956	15,956	-	7,140	7,140
Internal expenses	(15,956)	-	(15,956)	(7,140)	-	(7,140)
Net fee and commission income	72,860	61,004	133,864	73,246	68,351	141,597
Dividend income	22	54	76	17	41	58
Net gain/(loss) on trading financial instruments and revaluation	84 702	6,480	91,182	90,716	6,840	97,556
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	29,295	-	29,295	36,701	-	36,701
Net gain/(loss) on equity investments and other measured at fair value through income statement	5,922	-	5,922	476	-	476
Net gain/(loss) on hedge accounting	(412)	-	(412)	3,682	-	3,682
Net other operating income	3,198	(3,382)	(184)	3,660	6,580	10,240
General administrative expenses	(202,494)	(160,508)	(363,002)	(162,821)	(164,568)	(327,389)
Depreciation	(4,949)	(16,018)	(20,967)	(4,720)	(13,960)	(18,680)

For the period	01.01. – 31.03.2019			01.01. – 31.03.2018		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Profit on sale of other assets	1	-	1	(232)	-	(232)
Net impairment losses on financial assets and provisions for contingent liabilities	(4,657)	(23,621)	(28,278)	(6,240)	708	(5,532)
Operating income	**102,353**	**22,492**	**124 845**	**163,430**	**52,213**	**215,643**
Share in net profits of entities measured using equity method	-	-	-	6	-	6
Tax on certain financial institutions	(16,055)	(5,836)	(21,891)	(13,856)	(5,142)	(18,998)
Profit before tax	**86,298**	**16,656**	**102,954**	**149,580**	**47,071**	**196 651**
Income tax expense			(43,455)			(50,809)
Net profit			**59,499**			**145,842**

State as at	31.03.2019			31.12.2018		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**42,142,658**	**7,401,652**	**49,544,310**	**41,778,812**	**7,525,902**	**49,304,714**
Total liabilities and equity, including:	**34,486,851**	**15,057,459**	**49,544,310**	**34,822,272**	**14,482,442**	**49,304,714**
Liabilities	29,138,339	13,341,380	42,479,719	29,342,859	12,905,105	42,247,964

8 Activities of the Group

1. Institutional Banking

1.1. Summary of segment results

PLN '000	Q1 2019	Q1 2018	Change	
			PLN '000	%
Net interest income	118,865	128,945	(10,080)	(7.8)
Net fee and commission income	72,860	73,246	(386)	(0.5)
Net income on dividends	22	17	5	29.4
Net gain/(loss) on trading financial instruments and revaluation	84,702	90,716	(6,014)	(6.6)
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	29,295	36,701	(7,406)	(20.2)
Net gain/(loss) on equity investments and other measured at fair value through income statement	5,922	476	5,446	1,144.1
Net gain/(loss) on hedge accounting	(412)	3,682	(4,094)	(111.2)
Net other operating income	3,198	3,660	(462)	(12.6)
Total income	**314,452**	**337,443**	**(22,991)**	**(6.8)**
General administrative expenses and depreciation	(207,443)	(167,541)	(39,902)	23.8
Profit on sale of other assets	1	(232)	233	(100.4)
Net impairment losses on financial assets and provisions for contingent liabilities	(4,657)	(6,240)	**1,583**	**(25.4)**
Share in net profits of entities measured using equity method	-	6	(6)	(100.0)
Tax on certain financial institutions	(16,055)	(13,856)	(2,199)	15.9
Profit before tax	**86,298**	**149,580**	**(63,282)**	**(42.3)**
Cost/Income	**66%**	**50%**		

The key highlights that impacted the gross profit of the Institutional Banking segment for the first quarter of 2019 compared to the corresponding period of the previous year were as follows:

- a decrease in net interest income due to higher interest expenses on amounts due to banks, partially offset by higher interest income from debt securities;
- net fee and commission income remained flat, a decrease in fee and commission income on brokerage activity was offset by higher fee and commission income from custody services and transactional banking;

- increase in general administrative expenses and depreciation due to the recognition of the BFG's resolution fund fee.

1.2. Institutional Bank and the Capital Markets

Institutional Bank

In the area of institutional banking, the Group provides comprehensive financial services to the largest Polish companies and strategic companies with a large potential of growth, and also to the largest financial institutions and to companies from the public sector.

As at the end of the first quarter of 2019, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) was 5,600 i.e. declined by 3% as compared to the end of 2018, when their number was 5,800. Through its commercial bank segment (small and medium-sized companies, large companies and the public sector) the Group cooperated with 3,200 of clients as at the end of the first quarter of 2019 (which means similar level as compared to December 2018).

A shared characteristic of the institutional banking clients is that they need advanced financing products and advice relating to financial services. In this area, the Group ensures a coordinated offer of investment banking, treasury and cash management products and prepares loan proposals that cover differentiated forms of financing. The innovativeness and competitiveness of offered modern financing structures is achieved by combining the knowledge and experience of the Group and thanks to cooperation within the global structure of Citigroup.

The table below presents the balances of assets and liabilities in individual segments according to the management reporting.

Assets

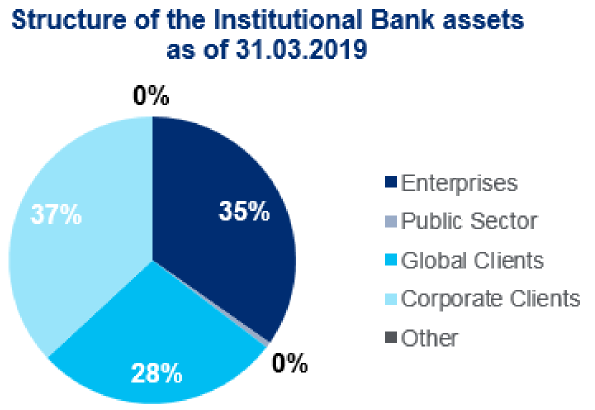
PLN million	1.03.2019	31.12.2018	31.03.2018	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises*, including:	5,127	4,774	4,845	353	7	282	6
SMEs	1,588	1,582	1,615	6	0	(27)	(2)
MMEs	3,539	3,192	3,230	347	11	309	10
Public Sector	87	50	56	37	74	31	55
Global Clients	4,096	3,782	3,223	314	8	873	27
Corporate Clients	5,440	5,592	4,993	(152)	(3)	447	9
Other**	0	0	1	0	(0)	(1)	(100)
Total Institutional Banking	**14 750**	**14,198**	**13,118**	**552**	**4**	**1,632**	**12**

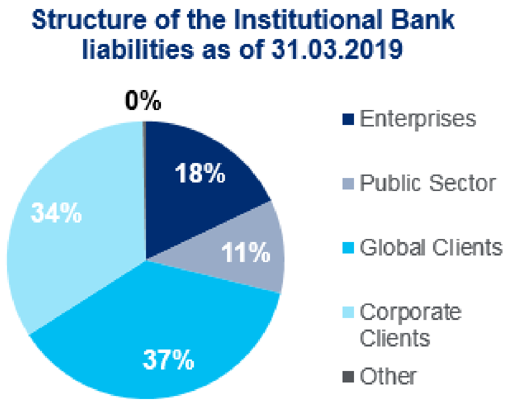
Liabilities

PLN million	31.03.2019	31.12.2018	31.03.2018	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises*, including:	4,002	4,376	3,506	(374)	(9)	496	14
SMEs	2,259	2,209	2,034	50	2	225	11
MMEs	1,743	2,167	1,472	(424)	(20)	271	18
Public Sector	2,427	4,083	2,163	(1,656)	(41)	264	12
Global Clients	8,277	8,484	6,973	(207)	(2)	1,304	19
Corporate Clients	7,517	8,645	7,202	(1,128)	(13)	315	4
Other**	70	69	67	1	1	3	4
Total Institutional Banking	**22,293**	**25,657**	**19,911**	**(3,364)**	**(13)**	**2,382**	**12**

** Enterprises are classified as clients, whose annual turnover is between PLN 8 million and PLN 150 million (SMEs) or PLN 150 million and PLN 1.5 billion (MMEs).*

*** 'Other' include, among others, clients subject to restructuring and clients of Handlowy-Leasing Sp. z o.o.*





Key transactions and achievements in Institutional Banking in the first quarter of 2019:

1. Increased presence in the area of banking services:
   - Winning the mandate for escrow account services for the amount of PLN 50 million;
   - Winning the mandate for custody account services for one of the largest companies listed on the WSE;
   - Opening an account for a newly established company from the top group operating in the manufacture of cells.
2. Active support to clients in the area of lending activities:
   - Granting financing in the amount of EUR 50 million for the leading manufacturer of cells in Europe;
   - Granting working capital financing for a logistic company being a part of a leading international group in the electronic, chemical and telecommunications industries;
   - Winning the mandate for granting a 3 year revolving loan in the amount of PLN 300 million for a leading manufacturer in the low alcohol beverages;
   - Granting 5 long-term loans for PLN 91.9 million to clients from the commercial banking segment;
   - Granting 4 revolving loans, 5 overdrafts and 3 promissory notes in the aggregate amount of PLN 173.5 million to clients from the commercial banking segment;
3. Increasing presence in transactional banking by:
   - Winning the mandate for transactional banking services for a company belonging to leading global providers of water and energy management solutions;
   - Commencing cooperation in transactional banking with a leading West European group from the energy industry;
   - Granting supplier financing for PLN 30 million to clients from the commercial banking segment;
   - Increasing reverse factoring in the amount of PLN 13 million to PLN 42 million for a client from the metals and metal ores wholesale industry;
4. Client acquisition: in the Commercial Bank segment the Bank attracted 88 new clients in the first quarter of 2019, including 18 Large Companies, 68 Small and Medium-Sized Companies and 2 Public Sector entities. In the strategic and global client segments, the Bank established 10 new client relationships.

Activity and business achievements of the Treasury Division

In the first quarter of 2019, the Bank was named once again the Leader of Treasury BondSpot Poland Market regarding turnover on the spot market in 2018.

The CitiFx Pulse platform incessantly enjoys enormous confidence among our clients. About 80% of all FX transactions are executed via that platform. On the platform, clients may execute transactions on their own at times that are convenient for them and can conclude up to 300 transactions with various dates with only one click. The platform ensures that our clients have 24/7 access to quotations and continuous access to market information. It also enables them to manage their currency exposures, create useful reports and confirm transactions online. It is an innovative and convenient tool that provides automated FX solutions.

The Bank keeps on rolling over electronic sales channels for foreign currency instruments ("eSolution"). The Bank is developing solutions that can connect financial systems of Clients (ERP) with systems of the Bank. Such solutions enable Clients to increase their operation efficiency by offering instant and automatic access to FX products of the Bank and create a shared data exchange platform.

In the first quarter of 2019, the Bank was active in the market of debt securities and syndicated loans by participating in the following transactions:

- Syndicated issue of PLN 1.25 billion worth of 6-year bonds for the European Investment Bank;
- Syndicated issue of PLN 2 billion worth of 4-year bonds for a domestic bank.

Transactional banking

Citi Handlowy is a leading provider of transactional banking services. For the five year in a row, the transactional services provided by Citi Handlowy won the "Euromoney" ranking as the best services in Poland. This award is granted on the basis of assessments of clients, who chose the leader of the financial sector yet again.

At present, the transactional banking product range includes:

- Electronic banking;
- Deposits and current accounts;
- Card products;
- Liquidity management products;
- Cross border (international) transfers;
- Payments and receivables: Direct Debit, SpeedCollect;
- EU-funding advisory services;
- Trade finance products.

Electronic banking

In an attempt to meet requirements imposed by advanced technology trends in the banking sector and in response to complex needs of clients that use electronic and mobile solutions, works were continued to revamp offered solutions and to simplify the payment services process. The CitiDirect BE system featured new functionalities and the system's existing functions were made more users friendly. In addition, the electronic documentation exchange platform - eWnioski was further commercialized. The plans for 2019 assume that next solutions will be launched to make the everyday use of accounts and products easier. Among other novelties, a pilot implementation of CitiDirect BE App, a new mobile application, is planned to ultimately replace the mobile solutions offered so far and to enable biometric user identification.

In the first quarter of 2019, the Bank processed approximately 7 million transactions via electronic channels.

Deposits and current accounts

One of the most important elements of the Bank's strategy is concentration on the acquisition and maintenance of operating accounts. A current account gives access to all products of Citi Handlowy. Funds accumulated by the client that are not used to finance ongoing activities can be moved to term deposits or stay on a current account with a higher interest rate.
The Bank also offers, among other things, negotiable deposits, automatic deposits and blocked deposits.

Card products

In the first quarter of 2019, the Bank made the eWnioski platform available for placing business card requests wholly online (if a business card is requested for one employee only) or by means of a special file sent to the Bank (if a business card is requested for several or several dozen employees at a firm). Another novelty is card activation by its holder alone on the CitiManager card platform without contacting CitiPhone team. In addition, on the CitiManager platform it is possible to view the card PIN code and manage card details, such as limits of transactions by card or the employee's contact data. At the same time, to meet the clients' needs, the Bank launched a service allowing for distributing business card statements directly to the holders' e-mail box.

Liquidity management products

Liquidity management solutions reduce debt and decrease the costs of its servicing, while maintaining ability to pay liabilities. Liquidity management instruments enable the optimization of cash flows at the level of a single client or a single group of companies. The Bank provides solutions for the optimized management of liquidity surplus in companies and business with higher capital needs. Liquidity management products include:

- Consolidated account;
- Real cash pooling;
- Net balance.

Cross border (international) transfers

The Bank has a comprehensive and very broad range of settlements in over 130 currencies worldwide. Responding to client needs, the Bank promoted a multi-currency account dedicated to business that develop their commercial, import and export operations. Cross border payments in exotic currencies such as: Chinese yuan, Mexican peso, Indian rupee or Brazilian real are a unique solution in Poland's market.

Payments and receivables: Direct Debit, SpeedCollect;

The Bank offers convenient and effective payment and receivable processing tools. These advanced solutions are designed for companies and institutions that have mass customers that buy their products and services.

- Direct debit

This tool enables the effective collection of receivables from payers, while reducing collection costs. Citi Handlowy is the leader of the direct debit segment (it processes the highest transaction volumes in the market) and, moreover, as the only bank in Poland, it has a text messaging option for payers (Comfort Direct Debit).

- SpeedCollect

SpeedCollect is a service for automated booking of receivables, dedicated to creditors – recipients of mass payments. The virtual account functionality makes it possible to include in the account number some details considered important by creditors, such as the contractor number or the number of the creditor's sales unit that settles its proceeds. The volume of SpeedCollect transactions processed by Citi Handlowy is continuously at a very high level in that market segment.

EU-funding advisory services

In the first quarter of 2019, clients of the Bank actively used an EU-funding advisory program and related credit products.

Among the clients, the most popular were sub-activities dedicated to businesses under Smart Growth Operational program 2014-2020.

Trade finance products

The Bank is one of the leading financial institutions in the area of supplies and procurement financing. The assets relating to this area of operations increased by 42% in the first quarter of 2019 as compared to the level achieved in the same period of 2018. Based on the data disclosed by Polski Związek Faktorów (Polish Factors Association, an institution which associates almost all entities offering factoring services on the Polish market), the Bank's market share in financing procurements amounted to 23%, meaning that the Bank was ranked second in that institution's ranking regarding entities which offer factoring services.

The Bank supports its clients in digitalization processes. As one of the pioneering banks on the market, the Bank engineered eGwarancje (electronic guarantees) for its clients and embarked on Qualified Electronic Signature in concluding agreements under Supplier Financing Program. An outcome of the development of the above areas is the digitalization index attained for eGwarancje at the level of 48% (data for the first quarter of 2019).

The Bank as one of the scarce number of entities on the market offers a complex solution regarding the use of Split Payment mechanism. All the activities taken by the employees of the Bank regarding the improvement of client satisfaction with solutions offered to the client are aided by periodical surveys to receive clients' feedback regarding their satisfaction and good ranks are a hint that the Bank's efforts are well perceived by the clients.

Custody services

The Bank is the leader in Poland's market of custody institutions. The Bank offers custody services to both foreign institutional investors and local financial institutions, and in particular insurers. The Bank provides depositary services to pension funds and investment funds.

As at 31 March 2019, the Bank maintained over 14,000 securities accounts and collective accounts.

At the same time, the Bank was the custodian for open-end pension funds: Aviva OFE Aviva Santander, Nationale - Nederlanden OFE (Open Pension Funds), voluntary pension funds: Nationale - Nederlanden DFE, Generali DFE, and the employee pension fund PFE Orange Polska.

The Bank was also the depository of investment funds managed by the following investment fund companies: Santander TFI S.A., PKO TFI S.A., ESALIENS TFI S.A., Aviva Investors Poland TFI S.A., Templeton Asset Management (Poland) TFI S.A. and Skarbiec TFI S.A.

Brokerage activities

The Group runs brokerage activities in the capital market via Dom Maklerski Banku Handlowego S.A., a wholly-owned subsidiary of the Bank.

As at the end of the first quarter of 2019, DMBH was the market maker for 64 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 14% of the shares listed in its main equity market.

In the first quarter of 2019, DMBH was the intermediary in in-session transactions accounting for 7.7% of equity turnover in the secondary market. The value of the in-session transactions concluded via DMBH in the equity market on the WSE was PLN 7.9 billion and declined by 17% as compared to the same period last year, with a turnover on the WSE lower by 5%. In the period in question, the structure of in-session turnovers on the WSE changed – the share of turnovers on the client's account in total turnovers declined and the share of turnovers on DMBH's own account in total turnovers increased. On the other hand in the first quarter of 2019, the value of in-session transactions executed by DMBH increased by 17% from the previous quarter, while the change in turnovers on the WSE was +5% in the same period.

The number of investment accounts maintained by DMBH was 13,300 thousand as at the end of the first quarter of 2019,
and decreased by 4.1% as compared to the same period in 2018. The drop in accounts resulted mainly from the fact that inactive accounts were closed.

Dom Maklerski Banku Handlowego was awarded for the highest share of a local Stock Exchange Member in session trading in shares on the WSE's Main Market in 2018.

Summary Income Statement and Statement of financial position

Company's Name	Headquarter	% of authorized capital held by the Bank	Total assets 31.03.2019	Total equity 31.03.2019	Net financial result for the period of 01.01–31.03.2019
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	469,451	99,025	251

Leasing activities

Leasing products continue to be offered by the Bank's Group and are made available as part of the "open architecture", i.e. the Bank's partnership with organizations from outside its Group.

Summary Income Statement and Statement of financial position

Company's Name	Headquarters	% of authorized capital held by the Bank	Total assets 31.03.2019	Total equity 31.03.2019	Net financial result for the period of 01.01–31.03.2019
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	22,113	21,795	(111)

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q1 2019	Q1 2018	Change	
			PLN '000	%
Net interest income	158,483	148,221	10,262	6.9
Net fee and commission income	61,004	68,351	(7,347)	(10.8)
Dividend income	54	41	13	31.7
Net gain/(loss) on trading financial instruments and revaluation	6,480	6,840	(360)	(5.3)
Net other operating income	(3,382)	6,580	(9,962)	(151.4)
Total income	**222,639**	**230,033**	**(7,394)**	**(3.2)**
General administrative expenses and depreciation	(176,526)	(178,528)	2,002	(1.1)
Net impairment losses on financial assets and provisions for contingent liabilities	(23,621)	708	(24,329)	(3,436.3)
Tax on certain financial institutions	(5,836)	(5,142)	(694)	13.5
Profit before tax	**16,656**	**47,071**	**(30,415)**	**(64.6)**
Cost/Income	**79%**	**78%**		

The key highlights that impacted the gross profit of the Consumer Banking Segment in first quarter of 2019 when compared to the corresponding period of 2018 were as follows:

- an increase in interest income as a result of the credit portfolio growth (+5% YoY) partially offset by higher interest expenses, resulting from the substantial increase in the deposit balances (+15% YoY), partially due to the promotion of new client acquisition in the affluent segment (an increase in the amount of clients +12% YoY);
- a decrease in net fee and commission income due to decrease of investment products sale as a result of weaker market sentiment;
- a decrease in operating expenses as a result of costs base optimization initiatives, partially reinvested in technology.

2.2. Selected business data

PLN '000	Q1 2019	Q4 2018	Q1 2018	Change QoQ	Change YoY
Number of individual customers	685.1	687.4	692.2	(2.3)	(7.0)
Number of current accounts, including:	460.3	460.6	461.7	(0.3)	(1.4)

PLN '000	Q1 2019	Q4 2018	Q1 2018	Change QoQ	Change YoY
number of operating accounts	100.6	101.6	101.9	(1.0)	(1.3)
Number of saving accounts	139,8	140.8	142.9	(1.0)	(3.1)
Number of credit cards	673.1	679.9	696.3	(6.7)	(23.2)
Number of debit cards	245.0	245.8	249.8	(0.8)	(4.8)

Net amounts due from individual clients – management view

PLN '000	31.03.2019 (1)	31.12.2018 (2)	31.03.2018 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	5,381,660	5,508,151	5,271,378	(126,491)	(2.3)	110,282	2.1
Credit cards	2,616,645	2,721,397	2,524,258	(104,752)	(3.8)	92,387	3.7
Cash loans	2,713,813	2,723,192	2,678,586	(9,379)	(0.3)	35,227	1.3
Other unsecured receivables	51,202	63,562	68,534	(12,360)	(19.4)	(17,332)	(25.3)
Mortgage loans	1,686,763	1,649,766	1,488,359	36,997	2.2	198,404	13.3
Net client receivables	**7,068,423**	**7,157,917**	**6,759,737**	**(89,494)**	**(1.3)**	**308,686**	**4.6**

2.3. Key Business Highlights

Bank accounts

Current accounts

The number of personal accounts was above 460,000 as at the end of the first quarter of 2019 (as at the end of the first quarter of 2018 it was 461,000), of which 259,000 PLN-denominated accounts and 200,000 foreign currency accounts. As at the end of the first quarter of 2019, the total balance on the current accounts was over PLN 6.4 billion, i.e. increased by 11% as compared to the same period last year. This increase was achieved thanks to the Bank's strategy, focused on the acquisition of clients with medium and high income and on the enhancement of relationships with existing clients.

Savings accounts

The number of savings accounts was over 139,000 as at the end of the first quarter of 2019. The total balance of funds accumulated on those accounts amounted to over PLN 2.9 billion, as compared to 142,000 savings accounts with the total balance of PLN 2.7 billion in the same period last year.

Changes in the offering

In the area of individual clients, the Bank continues to reward new Citi Priority, Citigold and Citigold Private Client accounts with:

- Promotional interest rates on term deposits;
- Promotional interest rates on savings accounts;
- Special offer for new Citi Priority Clients holding a balance in their accounts above PLN 100 000;
- Return of 100% of the fee charged for currency conversions of transfer orders throughout 12 months, both for new clients and clients who change their account type to a higher one;
- Citi Priority promotional online account, where clients who use the account on the Internet have access to all primary functionalities without charge;
- Recommendation program for Citigold and Citigold Private Client segments.

Awards and honors

In February 2019, the prestigious British financial magazine Euromoney once again distinguished the Bank for its Citigold and Citigold Private Client accounts. In the 16th edition of the yearly private banking market survey, the Bank was named the best in three categories: asset management, advisory in asset allocation and Family Office Services. In the annual Euromoney ranking, banks from the top world finance select the best, in their opinion, competitors. The rankings signed with the Euromoney brand enjoy international recognition and are considered to be a reliable barometer of the condition of the industry and a reliable certificate of quality obtained from clients. Private banking from Citi Handlowy was also rewarded, for the fourth time in a row, with the highest prize, i.e. 5 stars, in the private banking ranking of Forbes magazine. The awards show that the Bank is well established as an effective and efficient player in the area of best quality private banking solutions.

Credit cards

As at the end of the first quarter of 2019, the number of credit cards was 673,000.

A high level of activation and transactions was maintained for newly-acquired clients. In the first quarter of 2019, the acquisition structure of credit cards was dominated by the Citi Simplicity card, with a share in acquisition exceeding 90%.

The total debt on the credit cards was PLN 2.7 billion as at the end of the first quarter of 2019, which means that the Bank was still the leader in the credit card market, in terms of the credits granted on the credit cards, with a market share of 24.4%, according to data as at the end of March of 2019.

Cash loans and cash loans associated with credit card accounts

The balance of unsecured loans (cash loans and loans on credit card accounts) amounted to PLN 2.8 billion as at the end of the first quarter of 2019 and was higher by 2.3% as compared to the same period in 2018.

Total sales of unsecured loans, including cash loans for credit card holders amounted to PLN 294 million in the first quarter of 2019 and increased by 4.3% versus the corresponding prior year period.

Mortgage products

In the first quarter of 2019, the Bank was still selling mortgage loans via its own sales channels and credit agencies, rolling out its sales also in the internet channel. The mortgage loans were constantly dedicated to selected client segments, i.e. Citigold Private Client, CitiGold and Citi Priority - all the newly-originated mortgage and home equity loans were granted in those client segments.

The mortgage products sold in the first quarter of 2019 reached PLN 83 million. As at the end of that period, the mortgage portfolio amounted to PLN 1.7 billion.

Insurance and investment products

As at the end of the first quarter of 2019, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were 4% higher than as at the fourth quarter 2018.

In the first quarter of 2019 the Bank executed 14 subscriptions of structured notes. Those notes were denominated in PLN (10 subscriptions), USD (3 subscriptions) and EUR (1 subscription).

Development of distribution channels

Online banking

The online platform of the Bank for retail clients is built in a responsive technology, i.e. it aligns itself with a device used by the client. Modern design was inspired by comments of clients and extended functionality makes traditional channels unnecessary. One of the improvements is for credit card holders, which can manage their card limit, convert transactions into instalments or buy insurance products by themselves. In addition, an investment profile can be created and updated in accordance with the MIFID II regulation and in the coming quarter a transactional module for investment funds is going to be accessible.

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was 398,000 as at the end of the first quarter of 2019. The share of active Citibank Online users in the entire client portfolio of the Bank was 59% as at the end of the first quarter of 2019, i.e. it increased by 0.9 p.p. as compared to the first quarter of 2018.

At the same time, digital users accounted for 81.1% of all transactionally active clients at the end of the first quarter of 2019, which is an 0.9 p.p. increase as compared to the first quarter of 2018.

In the first quarter of 2019, the share of the credit cards sold via the online channel was about 42% of the whole credit card acquisition at the Bank.

Mobile banking

Responsive technology gives the client access to all functionalities in Citibank Online on any device they may use. In addition, clients have access to the mobile application which features such functions as viewing account balances without signing in (Snapshot), free Push notifications, which keep the client updated of changes on the account or card, and login activation with the use of a fingerprint or face recognition, which makes access to the application easier, which is highly appreciated by clients. Also a new module was launched specially dedicated to Citi credit card holders. The Clients will benefit from, among other features, simplified and intuitive navigation as well as such functions as prompt splitting transactions into instalments to make day-to-day banking more nimble. It is the first phase of the implementation of the Bank's new mobile app planned this year.

As at the end of the first quarter of 2019, the number of active users of mobile banking, i.e. those who used mobile banking at least once in every 90-day period via the application or Citibank online in responsive technology, exceeded 197,000, i.e. increased by about 8% as compared to the first quarter of 2018.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was 29%, i.e. increased by 2.85 p.p. as compared to the same period in 2018.

Indirect and Direct Customer Acquisition

Smart Ecosystem

In the area of branch network, Citi Handlowy continues its client-reaching strategy that is based on different types and formats of points of contact, aligned with a target client group. The acquisition and service of clients from the Citigold Private Client and Citigold segment are carried out by Personal Assistants in CPC and Citigold Centers, situated in the 9 largest cities in Poland. Simultaneously, the Bank is still developing remote service processes, which enable it to offer its clients more and more transactions that can be executed without the need to visit a brick and mortar branch.

In the first quarter of 2019, the Bank stuck to its strategy using the structure of the retail distribution channel Universal Bankers and the Bank was present at places and sites popular to potential clients, operating stands and mobile selling points at such locations as shopping malls, cinemas and industrial fairs. Account managers also meet clients at firms being the Bank's partners as part of the Citibank@Work program and also during attractive cultural and sport events. The last quarter also brought about more intensive partnership with financial intermediaries and other firms handling sales and services. These efforts pave the way to a larger group of clients as potential addressees of the Bank's credit offer. In addition, cooperation with new or existing business partners is expanding thanks to regular contests or joint participation in events.

Citigold and Citigold Private Client outlets

As at the end of the first quarter of 2019, there were 23 outlets dedicated to client service. The structure encompasses 12 Smart branches, 8 Hub Gold branches and 1 Smart Hub Gold branch, Investment Centre and Corporate Branch.

In January 2019, the Hub Gold was relocated to a new site at a modern office complex KTW in Katowice. That relocation fitted into the continued transformation strategy for the network of branches dedicated to affluent clients, lifting the service quality by providing a modern and prestigious space ensuring highest service standards, privacy and comfort.

In February 2019, a branch of Smart type was reopened at Galeria Mokotów shopping mall in Warsaw. That Smart branch, operating since 2013 at Galeria Mokotów was relocated to a larger space in the very same shopping mall. That change ushered in a new standard for Smart branches in response to retail clients' feedback. The present space enables the Bank to increase direct sales, ensure more privacy while banking and to provide a foreign currency ATM with a deposit option available 24/7 as well as single internet banking stands.

In March 2019 the branch in Gdańsk was redesigned from a Smart Hub Gold branch into a Hub Gold branch. That operation fitted into the adopted Smart Ecosystem strategy, according to which the Bank focuses on services addressed to mass customers at commercial points with the highest turnout in the city. Following the optimization of branch space, the Hub Gold branch in Gdańsk remains one of the largest branches dedicated to Polish client services.

Changes to the network of outlets

Number of branches and other Points of Sale/touch points

	31.03.2019 (1)	31.12.2018 (2)	31.03.2018 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**23**	**23**	**24**	**0**	**(1)**
Hub Gold	8	7	7	1	1
Smart Hub Gold	1	2	2	**(1)**	(1)
Investment Center	1	1	1	0	0
Smart branch	12	12	13	0	(1)
Corporate branch	1	1	1	0	0
Other POS:					
Smart Mini	0	3	3	(3)	(3)

** Branches classified according to a type of provided services into: Hub Gold (branches with separate Citigold customer service zones), Investment Center and Smart.*

9 Rating

As of end of the first quarter of 2019, the Bank had full ratings awarded by Fitch Ratings ("Fitch").

On October 12, 2018 Fitch as part of the annual review, affirmed all ratings of the Bank in the following levels:

Long-term entity ranking *Long-term rating outlook*	A- *stable*
Short-term entity ranking	F1
Viability rating*	a-
Support rating	1
National long-term rating	AA+ (pol)
National short-term rating	F1+ (pol)

** Viability rating is the view of the intrinsic creditworthiness of an institution, independent of external factors.*

In its justification the Fitch has stated that the Bank's ratings reflect a stable business model, conservative approach to credit risk, strong capital position, sound asset quality, solid profitability and robust funding and liquidity. At the same time Handlowy's rating also reflects its higher capital buffer than required by the regulator and prudential business model.

10 Financial instruments disclosure

Fair value of financial assets and liabilities

The table below presents the fair value of financial assets and liabilities valued at amortized cost in consolidated statement of financial position.

PLN '000	31.03.2019		31.12.2018	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Cash and balances with the Central Bank	425,614	425,614	7,272,193	7,272,193
Amounts due from banks	795,835	795,842	1,333,977	1,333,896
Amounts due from customers	22,511,571	22,510,020	21,949,014	21,897,248
Financial liabilities				
Amounts due to banks	3,799,105	3,799,184	1,402,233	1,402,326
Amounts due to customers	35,606,692	35,603,305	38,334,345	38,332,779

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 in active markets is determined using valuation techniques. If valuation techniques are used to determine the fair values, these methods are periodically assessed and verified. All the models are tested and approved before application. As far as possible, only observable data are used in the models, although in some areas, the Bank's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.
  The Group applies the following methods of measurement of particular types of derivative instruments:
  - FX forwards – discounted cash flows model;
  - options – option market-based valuation model;
  - interest rate transactions – discounted cash flow model;
  - futures – current quotations.
- For valuation of securities' transactions current quotations are used. In case of lack of quotations, adequate models based on discount and forward curves, including decrease of credit spread, if needed, are used for valuation.
- The fair value of other assets and financial liabilities (excluding described above) are estimated in accordance to commonly accepted models of valuation based on discounted cash flow analysis, taking into account fluctuations in market interest rates and changes in margins during the financial period.

Fair value included in consolidated statement of financial position

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

- Level I: financial assets/liabilities valued directly on the basis of prices from an active market where the regular quotations and turnover are available.

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

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

As at 31 March 2019

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	4,576,894	1,460 351	-	6,037,245
derivatives	172	1,460 350	-	1,460,522
debt securities	4,548,870	1	-	4,548,871
capital instruments	27,852	-	-	27,852
Hedging derivatives	-	1,228	-	1,228
Debt investment financial assets measured at fair value through other comprehensive income	17,199,018	119,985	-	17,319,003
Equity investments and other measured at fair value through income statement	1,092	-	53,598	54,690
Financial liabilities				
Financial liabilities held-for-trading	116,842	1,418,439	-	1,535,281
short sale of securities	116,779	-	-	116,779
derivatives	63	1,418,439	-	1,418,502
Hedging derivatives	-	99	-	99

As at 31 December 2018

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	955,120	1,281,956	-	2,237,076
derivatives	722	1,281,955	-	1,282,677
debt securities	931,171	1	-	931,172
equity instruments	23,227	-	-	23,227
Debt investment financial assets measured at fair value through other comprehensive income	14,241,363	-	-	14,241,363
Equity investments and other measured at fair value through income statement	1,027	-	47,741	48,768
Financial liabilities				
Financial liabilities held-for-trading	351,323	1,258,059	-	1,609,382
short sale of securities	351,323	-	-	351,323
derivatives	-	1,258,059	-	1,258,059

On the 31th of March 2019 the amount of financial assets classified to the Level III includes the share of PLN 34,376 thousand in Visa Inc. and the share of PLN 19,222 thousand in other minority shareholding. On the 31st of December 2018 that amount includes the share of PLN 28,520 thousand in Visa Inc. and the share of PLN 19,222 thousand in other minority shareholding.

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

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

	01.01.-31.03.2019
PLN '000	Equity investments and other measured at fair value through income statement
As at 1 January 2019	**47,741**
Revaluation	5,857
As at the end of period	**53,598**

PLN '000	01.01.-31.12.2018 Equity investments and other measured at fair value through income statement
As at 1 January 2018	**41,248**
Revaluation	6,493
As at December	**47,741**

In the three month period of 2019 the Group has made no transfers between levels of instruments fair value due to changes in method of estimating fair value.

In the three month period of 2019 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 three month period of 2019 the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

In the three month period 2019 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.

As at 31 March 2019 there was change in fair value of financial instruments classified as financial assets held for trading in relation to the end of 2018 as a result of increase in the size of the securities portfolio.

The increase in the size of the portfolio of financial instruments classified as financial assets held for trading as compared to the end of 2018 was mainly determined by the purchase of Polish securities denominated in PLN.

11 Impairment and provisions

PLN '000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from banks				
Loss allowance as at 1 January 2019	**(3,910)**	**-**	**-**	**(3,910)**
Transfer among stages	-	-	-	-
Creations/Releases in the period through the income statement	12	-	-	12
Foreign exchange and other movements	(31)	-	-	(31)
Loss allowance as at 31 March 2019	**(3,929)**	**-**	**-**	**(3,929)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from customers				
Loss allowance as at 1 January 2019	**(56,110)**	**(74,776)**	**(535,674)**	**(666,560)**
Transfer among stages	135	994	(1,129)	-
Creations/Releases in the period through the income statement	1,430	(3,211)	(27,817)	(29,598)
Changes due to modification without derecognition (net)	-	-	(547)	(547)
Amounts written off	-	-	2,392	2,392
Foreign exchange and other movements	(48)	(9)	(394)	(451)
Loss allowance as at 31 March 2018	**(54,593)**	**(77,002)**	**(563,169)**	**(694,764)**

As at 31 March 2019, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

In the period from 1 January to 31 March 2019, as well as in 2018, the Group did not create write-offs for impairment of tangible fixed assets, intangible assets and reversals of write-offs of that title.

PLN '000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due from banks				
Loss allowance as at 1 January 2018	**(2,223)**	**(124)**	**-**	**(2,347)**
Transfer among stages	(179)	179	-	-
Creations/Releases in the period through the income statement	(1,581)	(55)	-	(1,636)
Foreign exchange and other movements	(10)	-	-	(10)
Loss allowance as at 31 March 2018	**(3,993)**	**-**	**-**	**(3,993)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Loss allowance - amounts due to customers				
Loss allowance as at 1 January 2018	**(54,767)**	**(76,847)**	**(537,115)**	**(668,729)**
Transfer among stages	525	(426)	(99)	-
Creations/Releases in the period through the income statement	(450)	1 366	(4,661)	(3,745)
Amounts written off	-	-	34,698	34,698
Foreign exchange and other movements	(14)	(33)	(422)	(469)
Loss allowance as at 31 March 2018	**(54,706)**	**(75,940)**	**(507,599)**	**(638,245)**

As at 31 March 2018, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

12 Deferred tax asset and provision

PLN '000	31.03.2019	31.12.2018
Deferred tax asset	597,293	540,524
Deferred tax provision	364,876	336,317
Net asset due to deferred income tax	**232,417**	**204,207**

Deferred tax asset and provision are presented in the consolidated statement of financial position after compensation.

13 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 31 March 2019 the value of purchased by the Group components of "tangible fixed assets" equaled PLN 1,655 thousand (in 2018: PLN 17,813 thousand). In the first quarter of 2019 there were no disposals of "tangible fixed assets" (in 2018: PLN 38 thousand).

As at 31 March 2019 the Group has no significant commitments to purchase of tangible fixed assets.

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

Between 1 January and 31 March 2019 in the Group has been no occurrence of default or breach due to received credit agreement.

15 Seasonality or periodicity of business activity

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

16 Issue, redemption and repayment of debt and equity securities

In the three month period of 2019 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid (or declared) dividends

Dividends declared

On March 21, 2019, the Supervisory Board of Bank Handlowy w Warszawa S.A. adopted a resolution and endorsed the submission of the motion of the Management Board on the distribution of net profit for 2018 to the Annual General Meeting of Shareholders, including the recommendation on a dividend payout in the amount of PLN 488,666,904.00, constituting 74.82% of the stand-alone net profit. The dividend will be paid in the form of cash. According to the above, the proposed dividend per one ordinary share would amount to PLN 3.74.

At the same time, the Supervisory Board considered and endorsed the motion of the Management Board concerning the dividend date to be June 13, 2019 and the date of dividend payout to be June 24, 2019.

The proposal of the Management Board along with the opinion of the Supervisory Board will be submitted to the Annual General Meeting of Shareholders for approval by resolution.

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

After 31 March 2019 there were no major events not included in the financial statement that could have a significant influence on the net result of the Group.

19 Changes in granted financial and guarantee commitments

The detailed specification of granted financial and guarantee commitments as at 31 March 2019 and changes in comparison with the end of 2018 are as follows:

PLN '000	State as at		Change	
	31.03.2019	31.12.2018	PLN '000	%
Contingent liabilities granted				
Financial	14,890,822	14,160,726	730,096	5.2
Import letters of credit issued	151,760	137,669	14,091	10.2
Credit lines granted	14,739,062	14,023,057	716,005	5.1
Guarantees	2,507,366	2,636,600	(129,234)	(4.9)
Guarantees granted	2,449,846	2,589,013	(139,167)	(5.4)
Export letters of credit confirmed	-	-	-	-
Other	57,520	47,587	9,933	20.9
	17,398,188	**16,797,326**	**600,862**	**3.6**
Contingent liabilities received				
Guarantees (guarantees received)	19,238,731	19,278,757	(40,026)	(0.2)
	19,238,731	**19,278,757**	**(40,026)**	**(0.2)**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	3,572,280	1,433,082	2,139,198	149.3
Forward**	253,085,570	271,738,853	(18,653,283)	(6.9)
	256,657,850	**273,171,935**	**(16,514,085)**	**(6.0)**

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

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

20 Changes in Group's structure

In the first quarter of 2019 there was a change in the structure of Group's entities comparing to the end of 2018. On 8th of March Bank bought 100 shares in Company Bummer Sp. z o. o., which represents 100% of the capital share and votes at the General Meeting of Shareholders. The object of the Company's activity will be providing products separated from the Bank activity, which the Bank has historically excluded from its offer. Until the end of the first quarter of 2019, the company did not start any active operations.

21 Fulfillment of 2019 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2019.

22 Information about shareholders

As at the day of publishing the Interim Statement for the first quarter of 2019 the list of shareholders who held directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

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

In the period between publishing the annual consolidated financial report for the year 2018 and publishing this report for the first quarter of 2019 the structure of major shareholdings has not undergone any changes.

23 Ownership of issuer's shares by members of the Management Board and Supervisory Board

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

Name and surname	Function	Number of shares on day of publishing the	Number of shares on day of publishing the	Number of shares on day of publishing the

		Interim Financial Statement for the first quarter 2019	Consolidated Financial Report for 2018	Interim Financial Statement for the first quarter 2018
Andrzej Olechowski	Chairman of Supervisory Board	2,200	2,200	2,200
Total		**2,200**	**2,200**	**2,200**

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

24 Information on pending court proceedings

In the first quarter of 2019 there was no single proceeding regarding receivables and liabilities of the Bank or its subsidiary pending in court, public administration authority or an arbitration authority, the value of which would be significant.

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

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

As at 31 March 2019, the Bank was, among others, a party to 18 court proceedings associated directly with derivative transactions that have not been legally terminated: in 11 proceedings the Bank acted as a defendant and in 7 as a plaintiff. In addition, one cassation proceeding ended legally binding in favor of the Bank (in the case against the Bank) at that time were pending. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.

The Bank was a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The Bank was one of the addressees of the President of UOKiK's decision in the case. The proceedings have concerned alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/Eurocard/Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. The President of UOKiK's decision was the subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK, gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. On October 6, 2015 the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. The verdict is binding and enforceable. Due to the Banks submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict and the case has been returned to the Appeal Court for a second review. The appeals proceedings have begun again. In the first quarter of 2018, the Bank received the reimbursed of the fine which was recognized in the profit and loss. In the first quarter of 2019 no settlements were made.

Arteria S.A. in its current report No. 1/2019 dated January 2, 2019 informed, that Rigel Management Sp. z.o.o. spółka komandytowa with its registered office in Warsaw, which is a part of the Capital Group Arteria S.A. submitted on 31 December 2018. a statement of claim for the payment of PLN 386,139,180.89 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 50,017,463.89 including statutory interest for delay from the date of filing the claim to the date of payment. The agency agreement with, to which Arteria S.A. refers in its current report, covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and the agreement was terminated in 2014. The payment claims raised so far by Rigall Management Sp. z. o. o. spółka komandytowa were deemed by the Bank as groundless. As of 31 March 2019 the Bank has not received the statement of claim.

In the first quarter of 2019 the Group did not make any significant settlement due to court ended with the final judgment.

25 Information about significant transactions with related entities on non-market terms

In the first quarter of 2019, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

26 Information about significant guarantee agreements

In the first quarter of 2019 Bank and its subsidiaries did not grant guarantee – jointly to one entity or a subsidiary of that entity, which total value would be significant.

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

Intensifying international trade conflicts pose the major risk for the global economy. Already in the past year, tariffs imposed by the US on China visibly hurdled the global trade in commodities. Such protectionist measures may hurt the global economy by approx. 0.5 p.p., indirectly weakening demand for Polish exports.

Brexit remains one of the main sources of uncertainty, which can negatively affect volatility in financial markets and economic activity in the European Union. The permission whereby Great Britain is allowed to negotiate until the end of October 2019 does not eliminate that limpness. Numerous scenarios are still possible, including for instance Great Britain's exit on softer conditions as compared to those negotiated hitherto or a snap general election with the second referendum. On the other hand, the exit without a deal could reduce British GDP path by approx. 5 p.p. in the time period of 2 - 3 years, with its effects reverberating in the whole European Union. One of the consequences of Brexit may be a decrease in EU funds available to Poland and other countries from Central Europe in the next EU financial framework.

If in the following months primary central banks return to tightening monetary policy schemes, this may impact risk appetite on international financial markets. In the scenario of next interest rate hikes in the US and the rising yields of US Treasury bonds, foreign capital may decide to exit emerging markets. In addition, a possible rapid decline in the balance sheet of the ECB could also have a negative impact on demand for assets in the region. Such events could lead to accelerated sales of domestic bonds by foreign investors. As a result, the national's currency would grow weaker and the interest rates on Treasury and corporate debts would increase.

The stability of financial markets and the inflow of foreign capital to Poland may also suffer in case of deterioration of geopolitical tensions. Intensified conflicts in Syria, Ukraine and deterioration in relationships between the US and North Korea, Russia and Iran could lead to an increase in risk aversion and a depreciation of the Polish zloty, and could adversely affect foreign investments in Poland and global economic growth.

The uncertainty relating to changes in economic policy in Poland, and in particular future changes of the tax system, can impel Polish companies to postpone investment projects. And declining investments could have a negative impact on the potential of Poland's economy, leading to a lower growth rate over the next few years.

The above factors may affect the financial performance of the Group in the future.

Poland economic indicators (%)	2012	2013	2014	2015	2016	2017	2018F	2019F
GDP growth, yoy	1.6	1.4	3.3	3.8	3.1	4.9	5.1	4.1
Private consumption growth, yoy	0.8	0.3	2.6	3.0	3.9	4.5	4.5	5.2
Investment growth, yoy	(1.8)	(1.1)	10.0	6.1	(8.2)	4.0	8.7	4.7
CPI (eop)	2.4	0.7	(1.0)	(0.5)	0.8	2.1	1.1	2.5
Policy interest rate (eop)	4.25	2.50	2.00	1.50	1.50	1.50	1.50	1.50

Source: Citi Handlowy's estimates as of April 26, 2019.

Interim condensed standalone financial statements of the Bank for the first quarter of 2019

Condensed income statement

PLN '000	For the period	First quarter accruals period from 01.01.19 to 31.03.19	First quarter accruals period from 01.01.18 to 31.03.18
Interest income		315,993	312,271
Similar income		22,431	15,425
Interest expense and similar charges		(61,594)	(51,120)
Net interest income		**276,830**	**276,576**
Fee and commission income		146,423	152,004
Fee and commission expense		(18,407)	(18,553)
Net fee and commission income		**128,016**	**133,451**
Dividend income		**76**	**58**
Net gain/(loss) on trading financial instruments and revaluation		**90,336**	**96,730**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**29,295**	**36,701**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**5,906**	**476**
Net gain/(loss) on hedge accounting		**(412)**	**3,682**
Other operating income		7,322	17,608
Other operating expenses		(7,061)	(6,327)
Net other operating income		**261**	**11,281**
General administrative expenses		**(356,501)**	**(320,433)**
Depreciation		**(20,774)**	**(18,524)**
Profit on sale of other assets		**1**	**(254)**
Net impairment losses on financial assets and provisions for contingent liabilities		**(28,361)**	**(5,540)**
Tax on certain financial institutions		**(21,891)**	**(18,998)**
Profit before tax		**102,782**	**195,206**
Income tax expense		**(43,297)**	**(50,369)**
Net profit		**59,485**	**144,837**
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Earnings per share (in PLN)		0.46	1.11
Diluted net earnings per share (in PLN)		0.46	1.11

Condensed statement of comprehensive income

PLN '000	First quarter accruals period from 01.01.19 to 31.03.19	First quarter accruals period from 01.01.18 to 31.03.18
Net profit	**59,485**	**144,837**
Other comprehensive income, that might be subsequently reclassified to profit or loss		
Net changes in value of financial assets measured at fair value through other comprehensive income	(51,659)	86,840
Total comprehensive income	**7,826**	**231,677**

Condensed statement of financial position

PLN '000 as at	31.03.2019	31.12.2018
ASSETS		
Cash and balances with the Central Bank	425,614	7,272,193
Amounts due from banks	795,798	1,333,816
Financial assets held-for-trading	6,009,393	2,213,849
Derivative hedging instruments	1,228	-
Debt investment financial assets measured at fair value through other comprehensive income	17,319,003	14,241,363
Shares in subsidiaries	106,032	106,075
Equity investments and other measured at fair value through income statement	54,417	48,511
Amounts due from customers	22,337,937	21,853,349
Tangible fixed assets	499,763	363,002
Intangible assets	1,416,878	1,417,506
Deferred tax asset	233,462	205,165
Other assets	164,711	187,195
Total assets	**49,364,236**	**49,242,024**
LIABILITIES		
Amounts due to banks	3,798,996	1,402,124
Financial liabilities held-for-trading	1,527,104	1,606,189
Hedging derivatives	99	-
Amounts due to customers	35,646,365	38,395,885
Provisions	28,741	29,984
Current income tax liabilities	80,355	66,297
Other liabilities	1,267,698	734,493
Total liabilities	**42,349,358**	**42,234,972**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	32,713	84,372
Other reserves	2,877,122	2,877,122
Retained earnings	637,820	578,335
Total equity	**7,014,878**	**7,007,052**
Total liabilities and equity	**49,364,236**	**49,242,024**

Condensed statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Restated balance as at 1 January 2019	**522,638**	**2,944,585**	**84,372**	**2,877,122**	**578,335**	**7,007,052**
Total comprehensive income, including:	-	-	(51,659)	-	59,485	7,826
Net profit	-	-	-	-	59,485	59,485
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	(51,659)	-	-	(51,659)
Balance as at 31 March 2019	**522,638**	**2,944,585**	**32,713**	**2,877,122**	**637,820**	**7,014 878**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2018	**522,638**	**2,944,585**	**(9,376)**	**2,879,669**	**537,102**	**6,874,618**
Impact of adopting IFRS 9	-	-	(796)	-	(74,784)	(75,580)
Restated balance as at 1 January 2018	522,638	2,944,585	(10,172)	2,879,669	462,318	6,799,038
Total comprehensive income, including:	-	-	86,840	-	144,837	231,677
Net profit	-	-	-	-	144,837	144,837
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	86,840	-	-	86,840
Balance as at 31 March 2018	**522,638**	**2,944,585**	**76,668**	**2,879,669**	**607,155**	**7,030,715**

PLN'000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2018	**522,638**	**2,944,585**	**(9,376)**	**2,879,669**	**537,102**	**6,874,618**
Impact of adopting IFRS 9	-	-	(796)	-	(74,784)	(75,580)
Restated balance as at 1 January 2018	**522,638**	**2,944,585**	**(10,172)**	**2,879,669**	**462,318**	**6,799,038**
Total comprehensive income, including:	-	-	94,544	(2,638)	653,119	745,025
net profit	-	-	-	-	653,119	653,119
net valuation of financial assets measured at fair value through other comprehensive income	-	-	94,544	-	-	94,544
net actuarial profits/(losses) on specific services program valuation	-	-	-	(2,638)	-	(2,638)
Dividends	-	-	-	-	(537,011)	(537,011)
Transfer to capital	-	-	-	91	(91)	-
As at 31 December 2018	**522,638**	**2,944,585**	**84,372**	**2,877,122**	**578,335**	**7,007,052**

TRANSLATION

Condensed summary statement of cash flows

PLN '000	First quarter accruals period from 01.01.19 to 31.03.19	First quarter accruals period from 01.01.18 to 31.03.18
Cash at the beginning of the reporting period	**7,474,817**	**514,477**
Cash flows from operating activities	(6,858,592)	41,822
Cash flows from investing activities	(11,947)	(12,609)
Cash flows from financing activities	(7,200)	(25,445)
Cash at the end of the reporting period	**597,078**	**518,245**
Increase/(decrease) in net cash	**(6,877,739)**	**3,768**

Condensed additional information

1. Declaration of conformity

These interim condensed standalone financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*, adopted by European Union and with other applicable regulations.

These interim condensed standalone financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the standalone financial statements of the Bank for the financial year ended 31 December 2018 and interim condensed consolidated financial statement of the Group for the first quarter of 2018.

In accordance with Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, item 757, as amended) the Bank is obliged to publish its financial results for the 3 month period ended 31 March 2019 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Interim condensed standalone financial statements of the Bank for the first quarter of 2019 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide interim separate financial statements, on condition that it includes in the interim consolidated financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the interim condensed financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements including changes described in condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie SA for the first quarter of 2019

Principles adopted in the preparation process of these interim condensed standalone financial statement are consistent with the principles, described in the annual standalone financial statements of the Bank for the financial year ended 31 December 2018 taking into account the changes described in the interim condensed consolidated financial statement of the Group for the first quarter of 2019.

Other information and explanations presented in interim condensed consolidated financial statements for the first quarter of 2019 contain also all information and explanatory data essential for these interim condensed standalone financial statements.

The summary of Bank's financial results for the first quarter of 2019 is presented below.

Bank's financial results

For first quarter of 2019 the Bank has generated profit before tax of PLN 102.8 million, in comparison to PLN 195.2 million in the corresponding period of 2018, down by 47.3% YoY.

Net profit accruals (for January-March, 2019 period) was PLN 59.5 million in comparison to PLN 144.8 million of net profit in the corresponding period of 2018 (i.e. down by 58.9% YoY).

The net profit of the Bank in the first quarter of 2019 was impacted by lower result on financial instruments (trading financial instruments and revaluation, debt investment financial assets, equity investments and other) by PLN 8.3 million (i.e. 6.2% YoY) and lower net fee and commission income by PLN 5.4 million (i.e. 4.0% YoY). At the same time, the Bank's general administrative and depreciation expenses grew by PLN 38.2 million (or 11.3% YoY) and net impairment losses on financial assets and provisions on contingent liabilities went up by PLN 22.8 million.

The interim condensed consolidated financial statements for the first quarter of 2019 will be available on the website of Bank Handlowy w Warszawie S.A. at **www.citihandlowy.pl**

Signature of the Director of Financial Reporting, Control and Tax Department	Signature of the Vice-President of Management Board
Date and signature	Date and signature
06.05.2019	06.05.2019