



CONDENSED INTERIM STAND-ALONE FINANCIAL STATEMENTS
OF BANK HANDLOWY W WARSZAWIE S.A.
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2016

AUGUST 2016

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Condensed income statement

For a period		II quarter	I half of the year	II quarter	I half of the year
		01.04. - 30.06.	01.01. - 30.06.	01.04. - 30.06.	01.01. - 30.06.
		2016	2016	2015	2015
PLN'000	Note				
Interest and similar income		316,097	622,721	288,559	597,037
Interest expense and similar charges		(64,849)	(125,283)	(50,162)	(103,879)
Net interest income		251,248	497,438	238,397	493,158
Fee and commission income		149,007	300,443	164,189	323,992
Fee and commission expense		(17,576)	(33,082)	(12,646)	(30,494)
Net fee and commission income		131,431	267,361	151,543	293,498
Dividend income		28,926	28,926	22,957	22,957
Net income on trading financial instruments and revaluation		106,656	144,524	72,310	156,987
Net gain on debt investment securities available-for-sale		14,301	20,925	20,342	118,800
Net gain on equity investment instruments available-for-sale		93,907	93,907	-	-
Net gain/(loss) on hedge accounting		3,404	7,561	910	910
Other operating income		9,101	22,055	8,462	23,258
Other operating expense		(6,131)	(13,611)	(9,143)	(23,349)
Net other operating income and expense		2,970	8,444	(681)	(91)
General administrative expense		(278,536)	(566,659)	(287,608)	(577,666)
Depreciation and amortization		(17,154)	(35,434)	(16,908)	(33,769)
Profit on sale of other assets		78	87	68	72
Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees	5	(21,212)	(16,006)	(2,239)	(5,861)
Tax on some financial institutions		(18,375)	(31,512)	-	-
Profit before tax		297,644	419,562	199,091	468,995
Income tax expense		(57,540)	(81,306)	(34,107)	(90,832)
Net profit		240,104	338,256	164,984	378,163
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			2.59		2.89
Diluted net earnings per share (in PLN)			2.59		2.89

Explanatory notes on pages 7-16 are integral part of the condensed interim standalone financial statements.

Condensed statement of comprehensive income

For a period	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2016	01.01. - 30.06. 2016	01.04. - 30.06. 2015	01.01. - 30.06. 2015
<i>PLN'000</i>				
Net profit	240,104	338,256	164,984	378,163
Other comprehensive income, that might be subsequently reclassified to profit or loss				
Changes in value of available-for-sale financial assets	(102,023)	(7,428)	(199,346)	(222,464)
Total comprehensive income	138,081	330,828	(34,362)	155,699

Explanatory notes on pages 7-16 are integral part of the condensed interim standalone financial statements.

Condensed statement of financial position

PLN '000	State as at	Note	30.06.2016	31.12.2015
ASSETS				
Cash and balances with the Central Bank			823,965	2,170,237
Amounts due from banks			773,567	756,859
Financial assets held-for-trading			2,261,478	6,959,692
Hedging derivatives			-	1,795
Debt securities available-for-sale			19,754,061	18,351,259
Equity investments			123,931	299,946
Amounts due from customers		6	17,778,679	18,847,968
Tangible fixed assets			333,820	342,941
Intangible assets			1,365,412	1,370,392
Current income tax receivables			16,364	14,351
Deferred tax asset			167,013	162,059
Other assets			207,457	162,873
Non-current assets held-for-sale			1,928	1,928
Total assets			43,607,675	49,442,300
LIABILITIES				
Amounts due to banks			2,334,988	6,922,125
Financial liabilities held-for-trading			1,618,492	3,247,523
Hedging derivatives			97,405	112,383
Amounts due to customers			31,572,696	31,764,349
Provisions			11,301	22,814
Other liabilities			1,470,986	590,640
Total liabilities			37,105,868	42,659,834
EQUITY				
Ordinary shares			522,638	522,638
Share premium			2,944,585	2,944,585
Revaluation reserve			(171,237)	(163,809)
Other reserves			2,867,565	2,858,825
Retained earnings			338,256	620,227
Total equity			6,501,807	6,782,466
Total liabilities and equity			43,607,675	49,442,300

Explanatory notes on pages 7-16 are integral part of the condensed interim standalone financial statements.

Condensed statement of changes in equity

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2016	522,638	2,944,585	(163,809)	2,858,825	620,227	6,782,466
Total comprehensive income, including:	-	-	(7,428)	-	338,256	330,828
Net profit	-	-	-	-	338,256	338,256
Net valuation of available-for-sale financial assets	-	-	(7,428)	-	-	(7,428)
Dividends to be paid	-	-	-	-	(611,487)	(611,487)
Transfer to capital	-	-	-	8,740	(8,740)	-
Balance as at 30 June 2016	522,638	2,944,585	(171,237)	2,867,565	338,256	6,501,807

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2015	522,638	2,944,585	52,622	2,857,317	971,423	7,348,585
Total comprehensive income, including:	-	-	(222,464)	-	378,163	155,699
Net profit	-	-	-	-	378,163	378,163
Net valuation of available-for-sale financial assets	-	-	(222,464)	-	-	(222,464)
Dividends to be paid	-	-	-	-	(970,801)	(970,801)
Transfer to capital	-	-	-	622	(622)	-
Balance as at 30 June 2015	522,638	2,944,585	(169,842)	2,857,939	378,163	6,533,483

<i>PLN '000</i>	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2015	522,638	2,944,585	52,622	2,857,317	971,423	7,348,585
Total comprehensive income, including:	-	-	(216,431)	886	620,227	404,682
Net profit	-	-	-	-	620,227	620,227
Net valuation of available-for-sale financial assets	-	-	(216,431)	-	-	(216,431)
Net actuarial profit on specific services program valuation	-	-	-	886	-	886
Dividends paid	-	-	-	-	(970,801)	(970,801)
Transfer to capital	-	-	-	622	(622)	-
Balance as at 31 December 2015	522,638	2,944,585	(163,809)	2,858,825	620,227	6,782,466

Explanatory notes on pages 7-16 are integral part of the condensed interim standalone financial statements.

Condensed statement of cash flows

	For a period	01.01. – 30.06. 2016	01.01. – 30.06. 2015
<i>PLN '000</i>			
A. Cash flows from operating activities			
I. Net profit		338,256	378,163
II. Adjustments to reconcile net profit or loss to net cash provided by operating activities:		(2,156,804)	3,090,396
Current and deferred income tax recognized in income statement		81,306	90,832
Depreciation expense		35,434	33,769
Net impairment due to financial assets value loss		18,935	9,192
Net provisions (recoveries)		(7,336)	(154)
Net interest income		(497,438)	(493,158)
Dividend income from subsidiaries		(21,724)	(15,955)
Profit/loss on investing activities		(74)	(72)
Net unrealized exchange differences		2,003	(10,399)
Other adjustments		(21,677)	(4,762)
Cash flows from operating income before changes in operating assets and liabilities		(410,571)	(390,707)
Change in operating assets (excl. cash and cash equivalents)		4,382,917	1,772,790
Change in amounts due from banks		64,968	(1,500,322)
Change in amounts due from customers		1,049,678	(714,515)
Change in assets available-for-sale		(1,341,118)	1,012,967
Change in equity investments		213	(77)
Change in financial assets held-for-trading		4,627,439	3,070,807
Change in derivative hedging instruments		1,795	(41,311)
Change in other assets		(20,058)	(54,759)
Change in operating liabilities (excl. cash and cash equivalents)		(6,129,150)	1,708,313
Change in amounts due to banks		(4,557,267)	4,408,903
Change in amounts due to customers		(192,556)	(3,610,521)
Change in liabilities held-for-trading		(1,629,031)	798,481
Change in amounts due to hedging derivatives		(14,978)	593
Change in other liabilities		264,682	110,857
Interest received		686,369	622,328
Interest paid		(128,766)	(103,426)
Income tax paid		(86,835)	(48,065)
III. Net cash flows from operating activities		(1,347,780)	3,939,396
B. Cash flows from investing activities			
Purchase of tangible fixed assets		(11,175)	(21,066)
Disposal of tangible fixed assets		1	7
Purchase of intangible assets		(12,105)	(11,620)
Disposal of fixed assets held-for-sale		73	250
Dividends received		3,828	4,451
Reduction of the share capital of subsidiaries		129,626	-
Net cash flows from investing activities		110,248	(27,978)
C. Cash flows from financing activities			
Repayment of long-term loans from financial sector		(30,220)	(33,874)
Net cash flows from financing activities		(30,220)	(33,874)
D. Exchange rates differences resulting from cash and cash equivalent calculation		2,733	6,800
E. Net increase/(decrease) in cash and cash equivalent		(1,265,019)	3,884,344
F. Cash and cash equivalent at the beginning of reporting period		2,354,108	1,732,844
G. Cash and cash equivalent at the end of reporting period (see note 8)		1,089,089	5,617,188

Explanatory notes on pages 7-16 are integral part of the condensed interim standalone financial statements.

Supplementary notes to the condensed interim standalone financial statements

1. General information about the Bank

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

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

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

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

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

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

2. Declaration of conformity

These condensed standalone interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' adopted by European Union and other applicable regulations. These 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 year ended 31 December 2015 and condensed interim consolidated financial statement of the Capital Group of Bank Handlowy w Warszawie S.A. for the period of 6 months ended 30 June 2016.

In accordance with the Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2014 No 133, as amended) the Bank is obliged to publish its financial results for the six-month period ended 30 June 2016 which is deemed to be the current interim financial reporting period.

These condensed standalone interim financial statements were approved by the Board of Directors on 23 August 2016.

3. Significant accounting policies

Condensed interim standalone financial statements of the Bank for the first half of 2016 have been prepared in accordance with accounting policies applied and summarized in the annual standalone financial statements of the Bank for the financial year ended 31 December 2015. The condensed interim standalone financial statement of the Bank have been prepared in accordance with the same accounting policies used in the annual standalone financial statements for the financial year ended 31 December 2015, except for income tax expense that was calculated in accordance with International Accounting Standard IAS 34.30c, and new standards, taking into account the situation described below.

Standards listed below were applied for the first time in 2016 and its implementation has no material impact on the financial statements:

- amendments to IAS 1 – regards the materiality and decomposition of presentation of the financial statements,
- amendments to IFRS 11 – regards the requirement to apply the accounting rules for joint operations during acquisition of an interest in a joint operation,
- amendments to IAS 16 – excludes the possibility of depreciation of tangible assets based on revenues under this measure,
- IAS 19 – regards the change in determining the discount rate for valuation of employee benefits,
- amendments to IAS 38 – excludes the possibility of amortization and depreciation of intangible assets based on revenues under this measure,
- amendments to IAS 27- enables using the ownership rights method in an entity's separate financial statements,
- annual improvements to IFRS cycle 2010-2012 and 2012-2014 – regards changes in the number of standards.that have no significant effect on the Bank.

For periods beginning from 1st January 2015 and 1st January 2016, the Bank has complied with the new interpretations and standards published. Only one of them has a significant impact on the Bank, which is the interpretation IFRIC 21 "Levies".

In 2015 according to the opinion of the Ministry of Finance and the statement of Financial Supervision Authority mentioned above, in order to ensure compliance with the recommended approach and comparability of the financial statements across the

banking sector in respect to accounting for Bank Guarantee Fund costs, the Bank decided to amortize those costs over 2015, the same way as in previous years.

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

In 2016, the amendment of the Act on Bank Guarantee Fund of 14 December 1994 changed the way and dates of calculating payments for Bank Guarantee Fund from annual to quarterly. Tax expenses in both periods are comparable.

The preparation of condensed interim standalone financial statements of the Bank with accordance to International Financial Reporting Standards requires from the Management to make certain estimates and adopt the related assumptions that affect the amounts reported in the financial statements. This financial statement is based on the same estimation rules, which were used in the annual financial statements of the Bank for the financial year ended 31 December 2015, including the reasons and sources of uncertainty as at the balance sheet date.

The most significant estimates made for the 6 month period ended 30 June 2016, concern:

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

The condensed interim standalone financial statements of the Bank have been prepared for the period from 1 January 2016 to 30 June 2016 and from 1 April 2016 to 30 June 2016, and for statements of financial situation as at 30 June 2016. Comparable financial data are presented for the period from 1 January 2015 to 30 June 2015 and from 1 April 2015 to 30 June 2015 and for statement of financial position as at 31 December 2015.

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

4. Segment reporting

Information on operating segments is presented in the Condensed interim consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the 6 month period ended 30 June 2016.

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

PLN'000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Impairment allowances for financial assets				
Equity investments	(19)	(90)	(76)	(74)
Amounts due from banks	(361)	(2,421)	(500)	(1,026)
Amounts due from customers	(46,976)	(87,038)	(46,611)	(98,590)
Receivables from matured derivative transactions	(8)	(15)	(72)	(442)
Other	-	-	274	-
	(47,364)	(89,564)	(46,985)	(100,132)
Reversals of impairment allowances for financial assets				
Amounts due from banks	608	3,552	583	3,530
Amounts due from customers	20,939	55,791	40,720	86,567
Receivables from matured derivative transactions	36	790	62	75
Recoveries from sold debts	37	8,162	61	161
Others	1,182	2,335	608	608
	22,802	70,630	42,034	90,941
Net impairment allowances financial assets	(24,562)	(18,934)	(4,951)	(9,191)
Created of provisions for granted financial and guarantee commitments	(2,569)	(7,980)	(7,287)	(14,955)
Release of provisions for granted financial and guarantee commitments	5,919	10,908	9,999	18,285
Net impairment allowances provisions for granted financial and guarantee commitments	3,350	2,928	2,712	3,330
Net impairment allowances financial assets and provisions for granted financial and guarantees liabilities	(21,212)	(16,006)	(2,239)	(5,861)

6. Amounts due from customers

PLN '000	30.06.2016	31.12.2015
Amounts due from financial sector entities		
Loans, placements and advances	305,860	307,402
Debt securities unlisted	200,303	199,724
Receivables related to reverse repo transactions	12,823	1,356,247
Guarantee funds and deposits pledged as collateral	105,115	119,047
Total gross value	624,101	1,982,420
Impairment write-downs	(17,265)	(17,270)
Total net value	606,836	1,965,150
Amounts due from non-financial sector entities		
Loans and advances	15,747,976	15,254,953
Unlisted debt securities	922,453	1,075,891
Purchased receivables	1,060,405	1,102,720
Realized guarantees	1,056	1,577
Other receivables	7,402	7,803
Total gross value	17,739,292	17,442,944
Impairment write-downs	(567,449)	(560,126)
Total net value	17,171,843	16,882,818
Total net value of receivables from customers	17,778,679	18,847,968

The closing balance of impairment recognized on loans and advances to customers consisted of:

PLN '000	30.06.2016	31.12.2015
Portfolio receivables impairment loss	(246 774)	(222,876)
Individual receivables impairment loss	(264 453)	(289,855)
Incurred but not reported (IBNR)	(73 487)	(64,665)
Impairment allowances, total	(584,714)	(577,396)

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

PLN '000	01.01. – 30.06. 2016	01.01. – 30.06. 2015
As at 1 January	(577,396)	(736,638)
Increases (due to):		
Increase of write downs	(87,038)	(98,590)
Net write-offs on receivables from matured derivative transactions	-	(367)
Other	(10,933)	(3,061)
Decreases (due to):		
Release of net write-offs on receivables on made derivatives transactions	775	-
Receivables derocognition	19,034	19,874
Write-downs release	55,791	86,567
Sale of receivables	15,053	-
Other	-	201
As at the end of period	(584,714)	(732,014)

7. Financial instruments disclosures

Fair value of financial assets and liabilities

The summary below provides statement of financial position (by category) and fair value information

for each category of financial assets and liabilities.

PLN '000	30.06.2016		31.12.2015	
	Balance value	Fair value	Balance value	Fair value
Assets				
Amounts due from banks	773,567	773,567	756,859	756,861
Amounts due from customers	17,778,679	17,785,572	18,847,968	18,923,782
Liabilities				
Amounts due to banks	2,334,988	2,335,093	6,922,125	6,922,089
Amounts due to customers	31,572,696	31,572,564	31,764,349	31,763,549

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

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

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

In the first half of 2016, among all equity investments, where fair value could not be established, the Bank sold Shares in Odlewnie Polskie S.A., representing 1.72% in capital and 1.72% of votes at the General Meeting. The balance value of sold shares amounted to PLN 212 thousand and the profit on sales to PLN 932 thousand.

In the first half of 2016 the Bank did not sell any capital investments, the fair value of which could not have been estimated earlier.

Valuation methods and assumptions used for the purposes of fair value

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

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

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

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

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

Fair value included in stand-alone statement of financial position

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

- Level I: financial assets / liabilities valued directly on the basis of prices quoted in an active market, where regular quotations are available and turnover is sufficient. The active market includes stock and brokerage quotes and quotes in pricing services type systems, such as Reuters and Bloomberg, which represent the actual market transactions concluded on the market conditions. Level I mainly include debt securities held-for-trading or 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 assets and liabilities in the standalone statement of financial position, in accordance with a fair value, classified by above levels.

As at 30 June 2016

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	636,225	1,625,253	-	2,261,478
derivatives	-	1,597,743	-	1,597,743
debt securities	636,225	27,510	-	663,735
Debt securities available-for-sale	19,583,451	170,610	-	19,754,061
Equity investments available-for-sale	693	-	17,355	18,048
Financial liabilities				
Financial liabilities held-for-trading	14,029	1,604,463	-	1,618,492
short sale of securities	14,029	-	-	14,029
derivatives	-	1,604,463	-	1,604,463
Derivative hedge instruments	-	97,405	-	97,405

As at 31 December 2015

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	4,279,794	2,679,898	-	6,959,692
derivatives	154	2,266,978	-	2,267,132
debt securities	4,279,640	412,920	-	4,692,560
Hedging derivatives	-	1,795	-	1,795
Debt securities available-for-sale	16,842,252	1,509,007	-	18,351,259
Equity investments available-for-sale	755	-	63,323	64,078
Financial liabilities				
Financial liabilities held-for-trading	988,485	2,259,038	-	3,247,523
short sale of securities	988,102	-	-	988,102
derivatives	383	2,259,038	-	2,259,421
Hedging derivatives	-	112,383	-	112,383

On the 30th of June 2016 the amount of financial assets classified to the Level III includes the share of PLN 17,355 thousand in Visa Inc. On the 31st of December 2015 that amount includes the share of PLN 63,323 thousand in Visa Europe Limited.

In the first half of 2016 The Management Board of Bank Handlowy w Warszawie S.A. has received the information regarding the final allocation of settlement of the Visa Europe Limited takeover by Visa Inc. As a result of the settlement, the Bank sold share owned by Visa Europe Limited and received:

- (a) EUR 15,838,604.03 in cash,
- (b) 5,751 Visa Inc. Series C preferred shares,
- (c) deferred payment settled after 3 years since the day of completing the transaction.

The deferred cash payment for the Bank is settled attributably to the Bank's share in the total payment when completing the transaction which includes 0.1220725995% and equals: EUR 1,220,726.00 (capital part of the deferred payment) and EUR 152,424.73 (interest part of the deferred payment).

On the 30th of June 2016 the net value of the shares including the discount amounted to PLN 17,355 thousand.

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

PLN '000	01.01.-30.06.2016	01.01.-31.12.2015
	Financial assets available-for-sale	Financial assets available-for-sale
	Equity investments	Equity investments
As at 1 January	63,323	-
Derecognition of valuation of shares	63,323	-
Recognition of valuation of shares	17,355	63,323
As at the end of period	17,355	63,323

As a result of the final allocation of settlement of the Visa Europe Limited takeover by Visa Inc. in the first half of 2016 the Bank recognized the profit on sale of shares and minority interest (AFS) in the amount of PLN 92,975 thousand, including received cash, deferred payment payable after 3 years since the date of the transaction and the valuation of Visa Inc. preferred shares.

In the standalone statement of financial position, except for assets described above, there are assets available-for-sale, whose fair value decreased by sale cost is smaller than its carrying amount. In consequence, they are positioned in the standalone statement of financial position at fair value, which as at 30 June 2016 was PLN 1,928 thousand (31 December 2015: PLN 1,928 thousand).

In first half of 2016 the Bank has not made any transfers between levels of financial instruments' due to established method of setting fair value.

In the first 6 month period of 2016 the Bank has not made any changes in classification criteria of financial instruments (presented in the standalone statement of financial position at fair value) to each category reflecting fair value method (level I, level II, level III).

In the first 6 month period of 2016 the Bank has not made any changes in financial assets classification that could result from asset's purpose or usage change.

In the first half of 2016 there was no change in the business or economic situation, that could influence the fair value of Bank's financial assets or liabilities, which were presented in amortized cost.

On the 30th of June 2016 there was no significant change in fair value of financial instruments classified to portfolio available-for-sale in relation to the end of 2015.

The decrease in the value of portfolio of financial instruments held-for-trade in relation to the end of 2015 was caused by a sell of Polish securities denominated in PLN and foreign currency.

8. Statement of cash flows

PLN'000	30.06.2016	31.12.2015
Cash related items:		
Cash in hand	399,380	477,105
Nostro current account in Central Bank	424,585	1,693,132
Current accounts in other banks (nostro, overdrafts on loro accounts)	265,124	183,871
	1,089,089	2,354,108

9. Seasonality or periodicity of business activity

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

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

In the first half of the year 2016 no issue, pay back or repurchase of debt or equity securities took place.

11. Paid or declared dividends

Dividends declared

The Ordinary General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. (hereinafter WZ) adopted a resolution on distribution of the net profit for 2015 on June 21, 2016. The Meeting resolved to appropriate the amount of PLN 611,486,928.00 for the dividend payment, which means that the dividend per one ordinary share is PLN 4.68. The dividend has cash character and the number of shares covered by the dividend equals to 130,659,600.

Simultaneously, the WZ resolved to set the date of the right to the dividend for July 4, 2016 (the day of the dividend) and the day of the dividend payment for July 21, 2016 (the day of the dividend payment).

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

12. Changes in Bank's structure

In the first half of 2016 the structure of the Bank has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

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

After 30 June 2016 there were no major events undisclosed in these financial statements, that could have a significant influence on the net result of the Bank.

14. Changes in granted and received financial and guarantee commitments

The detailed specification of granted and received financial and guarantee commitments as at 30 June 2016 and changes in comparison with the end of 2015 are as follows:

PLN '000	As at		Change	
	30.06.2016	31.12.2015	PLN '000	%
Contingent liabilities				
Financial	16,363,613	16,064,268	299,345	1.9%
Import letters of credit issued	219,504	160,065	59,439	37.1%
Lines of credit granted	14,553,109	14,766,203	(213,094)	(1.4%)
Deposits to issue	300,000	-	300,000	-
Underwriting	1,291,000	1,138,000	153,000	13.4%
Guarantees	2,191,485	2,101,812	89,673	4.3%
Guarantees granted	2,191,485	2,101,477	90,008	4.3%
Export letters of credit confirmed	-	335	(335)	(100.0%)
	18,555,098	18,166,080	389,018	2.1%
Contingent liabilities received				
financial	962,100	-	962,100	-
guarantees	16,865,441	15,470,264	1,395,177	9.0%
	17,827,541	15,470,264	2,357,277	15.2%
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	6 435 970	1,513,219	4,922,550	325.3%
Forward **	143 625 590	176,484,402	(32,858,812)	(18.6%)
	150 061 560	177,997,621	(27,936,262)	(15.7%)

*Foreign exchange and securities transactions with current value date

** Derivatives: FX, interest rate transactions and options

15. Information about shareholders

The table below presents the list of shareholders that hold at both 30 June 2016 and the day of publishing this standalone financial statement for the first half of 2016 directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital.

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

In the first half of 2016 or during the period from publishing last interim report for the first quarter 2016 to publishing this standalone financial statement for the first half of 2016, the structure of major shareholdings of the Bank has not undergone any changes.

16. Information on pending court proceedings

In the first half of 2016 there was no single proceeding regarding Bank's receivables or liabilities, the value of which would equal to at least 10% of Bank's equity, pending in court, public administration authority or an arbitration authority.

In the first half of 2016 the total value of all legal proceedings regarding receivables with the participation of the Bank did not exceed 10% of Bank's equity.

In the first half of 2016 the total value of all legal proceedings regarding liabilities with the participation of the Bank did not exceed 10% of Bank's equity.

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

In the case of legal proceedings involving the risk of cash outflow due to fulfillment of the obligation, the Bank recognized adequate provisions.

As at 30 June 2016, the Bank was among others a party to 18 court proceedings associated directly with derivative transactions that have not been legally terminated: in 13 proceedings the Bank acted as a defendant and in 5 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank. In the first half of 2016 1 case ended legally binding and in favour of the Bank, regarding term financial transactions, where the Bank was defendant or plaintiff.

In the first half of 2016 there was no significant settlement due to court case that has been legally terminated.

The Bank was a party to the proceeding initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa Europay payment system operators and banks - issuers of Visa cards and Europay/ Eurocard/ Mastercard and one of the addressee of the President of UOKiK's decision in the case. This procedure applies to practices limiting the competition on payment-cards market in Poland, by consisting in the joint determination of 'interchange fees' for transactions made by cards of Visa and Europay / Eurocard / Mastercard as well as limiting the access to market for operators who do not belong to the unions of card issuers and against whom proceedings have been initiated. The President of UOKiK's decision was a 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 up at 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. On 28 April 2016 the extraordinary appeal was sent to the Supreme Court by the Bank.

17. Transactions with the key management personnel

PLN'000	31.12.2016		31.12.2015	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted	1,241	-	1,103	-
Deposits				
Current accounts	9,544	3,380	4,000	4,481
Term deposits	9,238	-	10,989	8,062
	18,782	3,380	14,989	12,543

As at 30 June 2016 and 31 December 2015, no loans or guarantees were granted to members of the Management Board and the Supervisory Board.

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

Staff expenses for the first half of 2016 include costs of remuneration and awards for current and former members of the Management Board amounting to PLN 9,439 thousand (for the first half of 2016: PLN 12,715 thousand).

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

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

18. Related parties

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

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

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

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

Transactions with subsidiaries

The receivables and liabilities towards subsidiaries are as follows

PLN '000	30.06.2016	31.12.2015
Receivables		
Overdraft facilities	2	5
Receivables		
Balance at the beginning of period	5	680
Balance at the end of period	2	5
Deposits		
Current accounts	44,804	24,235
Term deposits	159,278	262,660
	204,082	286,895
Deposits		
Balance at the beginning of period	286,895	261,462
Balance at the end of period	204,082	286,895
Contingent liabilities granted		
Credit lines granted	90,353	148,077

PLN '000	01.01. - 30.06. 2016	01.01. - 30.06. 2015
Interest and commission income	4,331	1,837
Interest and commission expense	1,963	1,425

On 30 June 2016 and 31 December 2015 there were no write-offs due to value loss of receivables and contingent liabilities granted.

In the first half of 2016 there was a reduction of the share capital in the Bank's subsidiaries. The share capital of the Handlowy Leasing Sp. z o.o. was reduced by PLN 106,991 thousand and the share capital of the Handlowy Investments S.A. was reduced by PLN 24,090 thousand.

Transactions with other Citigroup Inc. subsidiaries

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

PLN '000	30.06.2016	31.12.2015
Receivables, including:	156,739	150,747
Placements	-	-
Liabilities, including:	932,283	4,234,852
Deposits	69,752	3,763,867
Derivative		
Assets held-for-trading	1,078,458	1,337,826
Assets due to hedge derivative instruments	-	1,795
Liabilities held-for-trading	1,071,360	1,307,730

PLN '000	30.06.2016	31.12.2015
Liabilities on hedge derivatives	76,124	90,464
Contingent liabilities granted	281,919	287,814
Contingent liabilities received	87,679	103,458
Contingent derivative transactions (liabilities granted/received), including:	89,267,854	96,302,028,
Interest rate instruments	66,537,450	79,711,721
Currency instruments	21,959,866	15,964,479
Securities transactions	412,690	184,842
Commodity transactions	357,848	440,986

PLN '000	01.01. – 30.06. 2016	01.01. – 30.06. 2015
Interest and commission income	11,374	13,972
Interest and commission expense	33,619	7,133

The Bank receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge market risk. These are back to back derivative transactions, opposite to transactions with Bank's other clients and closing Bank's own position. On 30 June 2016 net balance valuation of transactions on derivatives amounted to PLN (69,026) thousand (31 December 2015: PLN (58,573) thousand). The Bank runs a compression of derivative transaction portfolios' periodically. It is one of the risk-mitigation technique recommended by the "Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories" and the implementing regulations (EMIR Regulation). In accordance with the EMIR Regulation this in particular applies to the portfolios exceeding 500 derivative transactions.

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

In the first half of 2016 the costs incurred and accrued (including VAT reflected in the Bank's costs) in the from the agreements were connected, in particular, with costs of services regarding the maintenance of Bank's information systems and advisory support and are presented in the General administrative expenses and other operating expenses; income was related to data processing and other services rendered by the Bank and is presented in the Other operating income.

PLN '000	01.01. – 30.06. 2016	01.01. – 30.06. 2015
General administrative expenses	94,172	102,090
Other operating income	5,289	7,560

In first half of 2016 there was a capitalization of investments regarding efforts over modification of functionality of IT Bank's systems'. Total value of payments to Citigroup Inc. units amounted to PLN 6,519 thousand (in 2015: PLN 11,301 thousand).

19. Other significant information

Personal changes in the Bank's bodies

On 3 December 2015 Katarzyna Majewska was appointed Member of Management Board by the Supervisory Board for a three-year period, with 11 January 2016.

On 14 June 2016 President of the Supervisory Board accepted Anil Wadhvani's resignation from the Supervisory Board Member, with 20 June 2016.

On 21 June 2016 Jenny Grey and Anand Selvakesari were appointed Members of the Supervisory Board by The Ordinary General Meeting of Shareholders for a three-year period.

On 30 June 2016 Dariusz Mioduski resigned from the function of Member of the Supervisory Board, with 30 June 2016.

Members of Management Board signatures

23.08.2016	Sławomir S. Sikora	The President of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
23.08.2016	Maciej Kropidłowski	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
23.08.2016	David Mouillé	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
23.08.2016	Barbara Sobala	Vice-president of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
23.08.2016	Witold Zieliński	Vice-president of Management Board Chief Financial Officer	
..... Date	..... Name	..... Position/Function	..... Signature
23.08.2016	Katarzyna Majewska	Member of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature
23.08.2016	Czesław Piasek	Member of Management Board	
..... Date	..... Name	..... Position/Function	..... Signature