



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE CAPITAL GROUP OF  
BANK HANDLOWY W WARSZAWIE S.A.  
FOR THE PERIOD ENDED 30 JUNE 2011

AUGUST 2011

SELECTED FINANCIAL DATA	In PLN '000		In EUR '000***	
	First half of 2011	First half of 2010	First half of 2011	First half of 2010
Interest income	928,906	989,884	234,141	247,211
Fee and commission income	386,734	361,863	97,480	90,371
Profit before tax	414,717	446,502	104,534	111,508
Net profit	332,620	349,370	83,840	87,251
Comprehensive income	353,299	427,728	89,053	106,820
Increase of net cash	(2,070,696)	(2,117,461)	(521,941)	(528,810)
Total assets*	39,356,661	37,517,540	9,872,237	9,473,409
Financial liabilities valued at amortized cost*	28,265,297	27,308,344	7,090,076	6,895,524
Shareholders' equity	6,095,719	6,132,407	1,529,052	1,479,185
Share capital	522,638	522,638	131,099	126,064
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	46.65	46.93	11.70	11.32
Earnings per share (PLN/EUR)	2.55	2.67	0.64	0.67
Diluted net earnings per share (PLN/EUR)	2.55	2.67	0.64	0.67
Declared or paid dividends per share (PLN/EUR)**	5.72	3.77	1.43	0.91

\* Comparable data according to balance sheet as at 31 December 2010.

\*\* The presented ratios relate respectively to dividend paid in 2011 from the distribution of 2010 profit and dividend paid in 2010 from the distribution of 2009 profit.

\*\*\* The following exchange rates were applied to convert PLN to EUR: for the balance sheet - NBP average exchange rate as at 30 June 2011 - PLN 3.9866 (as at 31 December 2010: PLN 3.9603; as at 30 June 2010 - PLN 4.1458); for the income statement and statement of cash flows - the arithmetic mean of NBP end-of-month exchange rates in the first half of 2011 - PLN 3.9673 (in the first half of 2010: PLN 4.0042).

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## Condensed consolidated income statement

	For a period	01.01. - 30.06. 2011	01.01. - 30.06. 2010
<i>PLN'000</i>	Note		
Interest and similar income	6	928,906	989,884
Interest expense and similar charges	6	(233,617)	(243,022)
<b>Net interest income</b>	<b>6</b>	<b>695,289</b>	<b>746,862</b>
Fee and commission income	7	386,734	361,863
Fee and commission expense	7	(49,422)	(45,017)
<b>Net fee and commission income</b>	<b>7</b>	<b>337,312</b>	<b>316,846</b>
Dividend income		5,657	5,846
Net income on financial instruments and revaluation	8	130,679	156,645
Net gain on debt investment securities	9	11,334	57,692
Net gain on capital investment instruments		-	2,516
Other operating income		22,411	35,436
Other operating expenses		(18,483)	(32,185)
<b>Net other operating income</b>	<b>10</b>	<b>3,928</b>	<b>3,251</b>
General administrative expenses	11	(685,559)	(644,061)
Depreciation expense		(29,202)	(32,537)
Profit/(loss) on sale of tangible fixed assets		2,276	(217)
Net impairment losses	12	(57,313)	(166,183)
<b>Operating income</b>		<b>414,401</b>	<b>446,660</b>
Share in net profits/losses of entities valued at equity method		316	(158)
<b>Profit before tax</b>		<b>414,717</b>	<b>446,502</b>
Income tax expense	13	(82,097)	(97,132)
<b>Net profit</b>		<b>332,620</b>	<b>349,370</b>
Weighted average number of ordinary shares (in pcs)		130,659,600	130,659,600
Net earnings per share (in PLN)		2.55	2.67
Diluted net earnings per share (in PLN)		2.55	2.67
Including:			
Net profit attributable to Bank's shareholders		332,620	349,370
Net profit attributable to non-controlling shareholders		-	-

Explanatory notes on pages: 9 – 35 are integral part of the condensed interim consolidated financial statements.

## Condensed consolidated statement of comprehensive income

	For a period	01.01. - 30.06. 2011	01.01. - 30.06. 2010
<i>PLN'000</i>	Note		
<b>Net profit</b>		<b>332,620</b>	<b>349,370</b>
<b>Other comprehensive income:</b>			
Net valuation of financial assets available-for-sale	14	20,535	78,094
Exchange rates differences		144	264
<b>Other comprehensive income after tax</b>		<b>20,679</b>	<b>78,358</b>
<b>Total comprehensive income</b>		<b>353,299</b>	<b>427,728</b>

Including:

Comprehensive income attributable to Bank's shareholders	353,299	427,728
Comprehensive income attributable to non-controlling shareholders	-	-

Explanatory notes on pages: 9 – 35 are integral part of the condensed interim consolidated financial statements.

## Condensed consolidated balance sheet

<i>PLN'000</i>	As at Note	30.06.2011	31.12.2010
<b>ASSETS</b>			
Cash and balances with Central Bank		1,221,450	3,206,554
Financial assets held-for-trading	15	4,147,634	3,995,916
Debt securities available-for-sale	16	16,642,195	13,029,254
Equity investments valued at equity method		56,578	56,332
Other equity investments		25,381	23,949
Loans, advances and other receivables	17	14,375,095	14,543,248
to financial sector		2,167,930	2,949,839
to non-financial sector		12,207,165	11,593,409
Tangible fixed assets		480,858	475,373
property and equipment		462,550	457,065
investment property		18,308	18,308
Intangible assets		1,286,637	1,285,757
Income tax assets		371,338	321,669
current		145,789	75,298
deferred		225,549	246,371
Other assets		739,594	569,587
Non-current assets held-for-sale		9,901	9,901
<b>Total assets</b>		<b>39,356,661</b>	<b>37,517,540</b>
<b>LIABILITIES</b>			
Financial liabilities held-for-trading	15	3,059,762	2,804,437
Financial liabilities valued at amortized cost	19	28,265,297	27,308,344
deposits		25,169,048	26,430,223
from financial sector		7,396,171	6,007,190
from non-financial sector		17,772,877	20,423,033
own issuance		40,934	11,533
other liabilities		3,055,315	866,588
Provisions		37,837	32,240
Income tax liabilities		1,853	-
Other liabilities		1,896,193	879,584
<b>Total liabilities</b>		<b>33,260,942</b>	<b>31,024,605</b>
<b>EQUITY</b>			
Share capital		522,638	522,638
Share premium		3,009,396	3,031,149
Revaluation reserve		(24,313)	(44,848)
Other reserves		2,260,759	2,248,707
Retained earnings		327,239	735,289
<b>Total equity</b>		<b>6,095,719</b>	<b>6,492,935</b>
<b>Total liabilities and equity</b>		<b>39,356,661</b>	<b>37,517,540</b>

Explanatory notes on pages: 9 – 35 are integral part of the condensed interim consolidated financial statements.

## Condensed consolidated statement of changes in equity

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
<b>Balance as at 1 January 2011</b>	<b>522,638</b>	<b>3,031,149</b>	<b>(44,848)</b>	<b>2,248,707</b>	<b>735,289</b>	<b>-</b>	<b>6,492,935</b>
Total comprehensive income	-	-	20,535	144	332,620	-	353,299
Valuation of capital rewards program, including:	-	-	-	(3,142)	-	-	(3,142)
change in valuation	-	-	-	(6,336)	-	-	(6,336)
deferred income tax	-	-	-	3,194	-	-	3,194
Dividends to be paid	-	-	-	-	(747,373)	-	(747,373)
Transfer to capital	-	(21,753)	-	15,050	6,703	-	-
<b>Balance as at 30 June 2011</b>	<b>522,638</b>	<b>3,009,396</b>	<b>(24,313)</b>	<b>2,260,759</b>	<b>327,239</b>	<b>-</b>	<b>6,095,719</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
<b>Balance as at 1 January 2010</b>	<b>522,638</b>	<b>3,030,546</b>	<b>(81,026)</b>	<b>2,225,712</b>	<b>501,519</b>	<b>-</b>	<b>6,199,389</b>
Total comprehensive income	-	-	78,094	264	349,370	-	427,728
Valuation of capital rewards program, including:	-	-	-	(2,123)	-	-	(2,123)
change in valuation	-	-	-	(1,345)	-	-	(1,345)
deferred income tax	-	-	-	(778)	-	-	(778)
Dividends to be paid	-	-	-	-	(492,587)	-	(492,587)
Transfer to capital	-	603	-	27,851	(28,454)	-	-
<b>Balance as at 30 June 2010</b>	<b>522,638</b>	<b>3,031,149</b>	<b>(2,932)</b>	<b>2,251,704</b>	<b>329,848</b>	<b>-</b>	<b>6,132,407</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
<b>Balance as at 1 January 2010</b>	<b>522,638</b>	<b>3,030,546</b>	<b>(81,026)</b>	<b>2,225,712</b>	<b>501,519</b>	<b>-</b>	<b>6,199,389</b>
Total comprehensive income	-	-	36,178	(1,061)	754,811	-	789,928
Valuation of capital rewards program, including:	-	-	-	(3,795)	-	-	(3,795)
change in valuation	-	-	-	(2,581)	-	-	(2,581)
deferred income tax	-	-	-	(1,214)	-	-	(1,214)
Dividends paid	-	-	-	-	(492,587)	-	(492,587)
Transfer to capital	-	603	-	27,851	(28,454)	-	-
<b>Balance as at 31 December 2010</b>	<b>522,638</b>	<b>3,031,149</b>	<b>(44,848)</b>	<b>2,248,707</b>	<b>735,289</b>	<b>-</b>	<b>6,492,935</b>

Explanatory notes on pages: 9 – 35 are integral part of the condensed interim consolidated financial statements.

## Condensed consolidated statement of cash flows

	For a period	01.01. - 30.06. 2011	01.01. - 30.06. 2010
<i>PLN '000</i>			
<b>A. Cash flows from operating activities</b>			
<b>I. Net profit</b>		332,620	349,370
<b>II. Adjustments to reconcile net profit or loss to net cash provided by operating activities:</b>		(2,179,541)	(2,293,846)
Current and deferred income tax recognized in income statement		82,097	97,131
Share in net profits/(losses) of entities valued at equity method		(316)	158
Depreciation expense		29,202	32,537
Impairment		71,944	189,569
Net provisions (recoveries)		(14,630)	(23,386)
Profit/loss on sale of investments		(1,120)	9
Interest received		636,052	780,820
Interest paid		(235,598)	(251,657)
Other adjustments		(746,575)	(897,361)
<b>Cash flows from operating income before changes in operating assets and liabilities</b>		<b>(178,944)</b>	<b>(72,180)</b>
<b>Increase/decrease in operating assets (excl. cash and cash equivalents)</b>		<b>(3,508,363)</b>	<b>(4,368,436)</b>
Increase/decrease in loans, advances and other receivables		90,900	3,876,507
Increase/decrease in debt securities available-for-sale		(3,328,344)	(8,879,086)
Increase/decrease in equity investments		(2,273)	155
Increase/decrease in financial assets held-for-trading		(139,323)	467,979
Increase/decrease in other assets		(129,323)	166,009
<b>Increase/decrease in operating liabilities (excl. cash and cash equivalents)</b>		<b>1,507,766</b>	<b>2,146,770</b>
Increase/decrease in amounts due to Central Bank		-	(973,058)
Increase/decrease in financial liabilities valued at amortized cost		958,048	2,620,659
Increase/decrease in own issuance		29,401	-
Increase/decrease in liabilities held-for-trading		255,714	268,495
Increase/decrease in other liabilities		264,603	230,674
<b>Cash flows from operating activities</b>		<b>(1,846,921)</b>	<b>(1,944,476)</b>
<b>Income tax paid</b>		<b>(140,300)</b>	<b>(50,914)</b>
<b>III. Net cash flows from operating activities</b>		<b>(1,987,221)</b>	<b>(1,995,390)</b>
<b>B. Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(31,634)	(13,321)
Disposal of tangible fixed assets		4,855	1,282
Purchase of intangible assets		(8,157)	(4,083)
Disposal of fixed assets available-for-sale		-	6,825
Other investing inflows/outflows		-	1,227
<b>Net cash flows from investing activities</b>		<b>(34,936)</b>	<b>(8,070)</b>
<b>C. Cash flows from financing activities</b>			
Inflows due to long-term loans from financial sector		10,365	-
Repayment of long-term loans from financial sector		(55,826)	(133,458)
<b>Net cash flows from financing activities</b>		<b>(45,461)</b>	<b>(133,458)</b>
<b>D. Exchange rates differences resulting from cash and cash equivalent calculation</b>		<b>(3,078)</b>	<b>19,457</b>
<b>E. Net increase/decrease in cash and cash equivalent</b>		<b>(2,070,696)</b>	<b>(2,117,461)</b>
<b>F. Cash and cash equivalent at the beginning of reporting period</b>		<b>3,311,780</b>	<b>4,133,391</b>
<b>G. Cash and cash equivalent at the end of reporting period</b>		<b>1,241,084</b>	<b>2,015,930</b>

Explanatory notes on pages: 9 – 35 are integral part of the condensed interim consolidated financial statements.



## Supplementary notes to the condensed interim consolidated financial statements

### 1. General information about the Capital Group

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

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

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

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

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

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

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

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

In the first half of 2011 there were no changes in the structure of Group's entities.

### 2. Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*, adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2010.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is obliged to publish its financial results for the six-month period ended 30 June 2011 which is deemed to be the current interim financial reporting period.

These condensed consolidated interim financial statements were approved by the Management Board on 24 August 2011.

### 3. Significant accounting policies

Condensed interim consolidated financial statements of the Group for the first half of 2010 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the period ended 31 December 2010.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2011 to 30 June 2011. Comparable financial data are presented for the period from

1 January 2010 to 30 June 2010 and for Balance sheet as at 31 December 2010.

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

#### 4. Segmental reporting

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

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

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

##### Corporate Banking

Within the Corporate Banking segment the Group offers products and renders services to business entities, municipal units and public sector. Apart from traditional banking services covering credit and deposit activities, the segment provides services in the area of cash management, trade financing, leases, brokerage and custody services in respect of securities and offers treasury products on financial and commodity markets. In addition, the segment offers a wide range of investment banking services on the local and international capital markets, including advisory services as well as obtaining and underwriting financing via public and non-public issues of financial instruments. The activities also comprise proprietary transactions in the capital, debt and derivative instruments market. Products and services are available through distribution channels tailored to client's needs, not only through branch network and direct contact with clients, but also effective remote channels such as telephone and electronic banking.

##### Consumer Banking

Within the Consumer Banking segment the Group provides products and financial services to individuals as well as micro enterprises and individual entrepreneurs within the framework of Citibusiness offer. Apart from keeping bank accounts and providing extensive credit and deposit products, it also offers cash loans, mortgage loans and credit cards, provides asset management services and acts as an agent in investment and insurance products sale. Consumer Banking clients have the branch network, ATMs, telephone services, and electronic banking services at their disposal and a network of financial agents offering products of this segment as well.

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

## Consolidated income statement by business segment

For the period	01.01 – 30.06.2011			01.01 – 30.06.2010		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
Net interest income	321,368	373,921	695,289	351,510	395,352	746,862
Internal interest income, including:	32,161	(32,161)	-	10,663	(10,663)	-
Internal income	32,161	-	32,161	10,663	-	10,663
Internal expenses	-	(32,161)	(32,161)	-	(10,663)	(10,663)
Net fee and commission income	167,020	170,292	337,312	148,847	167,999	316,846
Dividend income	1,283	4,374	5,657	2,705	3,141	5,846
Net income on financial instruments and revaluation	117,247	13,432	130,679	142,998	13,647	156,645
Net gain on debt investment securities	11,334	-	11,334	57,692	-	57,692
Net gain on capital investment instruments	-	-	-	277	2,239	2,516
Net other operating income	14,694	(10,766)	3,928	22,023	(18,772)	3,251
General administrative expenses	(293,879)	(391,680)	(685,559)	(299,979)	(344,082)	(644,061)
Depreciation expense	(12,955)	(16,247)	(29,202)	(15,330)	(17,207)	(32,537)
Profit/loss on sale of fixed assets	115	2,161	2,276	(99)	(118)	(217)
Net impairment losses	1,183	(58,496)	(57,313)	(6,505)	(159,678)	(166,183)
<b>Operating income</b>	<b>327,410</b>	<b>86,991</b>	<b>414,401</b>	<b>404,139</b>	<b>42,521</b>	<b>446,660</b>
Share in net profits/losses of entities valued at equity method	316	-	316	(158)	-	(158)
<b>Profit before tax</b>	<b>327,726</b>	<b>86,991</b>	<b>414,717</b>	<b>403,981</b>	<b>42,521</b>	<b>446,502</b>
Income tax expense			(82,097)			(97,132)
<b>Net profit</b>			<b>332,620</b>			<b>349,370</b>

As at:	30.06.2011			31.12.2010		
PLN '000	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<b>Total assets, including:</b>	<b>33,789,792</b>	<b>5,566,869</b>	<b>39,356,661</b>	<b>31,735,154</b>	<b>5,782,386</b>	<b>37,517,540</b>
Equity investments valued at equity method	56,578	-	56,578	56,332	-	56,332
Non-current assets held-for-sale	-	9,901	9,901	-	9,901	9,901
<b>Total liabilities and equity, including:</b>	<b>31,495,196</b>	<b>7,861,465</b>	<b>39,356,661</b>	<b>28,916,979</b>	<b>8,600,561</b>	<b>37,517,540</b>
Liabilities	27,299,141	5,961,802	33,260,942	24,594,934	6,429,671	31,024,605

## 5. Risk Management

### Credit Risk

The main purpose of risk management in the Group is ensuring both high quality of credit portfolio and business activity stabilization through minimising the risk of credit losses suffering. It is supported by Group's regulations and implemented control processes.

The Group follows a uniform intrinsic system of accounts receivable classification based on fixed criteria. Active portfolio quality management includes not only assigning proper risk rating to each exposure, but also proper classification and adaptation of remedial and vindicatory actions to the classification of receivables. Risk rating assignment and classification system are crucial in defining the level of

impairment losses write-downs.

In the first half of 2010 there were no significant changes in credit risk management systems and processes. Nevertheless, after taking into consideration the dynamic market conditions' fluctuations, changes in credit granting principles and procedures were implemented.

Group's credit risk portfolio is presented below. Accounts receivable with recognized value loss have been grouped for presentation purposes into risk categories using classification. Those without impairment have been presented using the internal risk ratings. The details of impairment write-downs are also presented. Accounts receivable are given risk categories from I to IV where I and IA stands for not impaired receivables, while III and IV represent those with impairment loss. Category II refers to receivables that can be treated as such with impairment loss, but part of them can be also included in non-impairment portfolio. Classification of accounts with no impairment loss is based on risk ratings which vary from 1 to 7 with 1 being the best rating.

In order to define the maximum credit risk exposure of the Group, it is necessary to take into account also the off-balance-sheet exposure (Note 27), debt securities available-for-sale (Note 16) and financial assets held-for-trading (Note 15).

<i>PLN '000</i>	30.06.2011		31.12.2010	
	Receivables from customers	Receivables from banks	Receivables from customers	Receivables from banks
<b>Receivables with recognized value loss</b>				
Receivables assessed individually				
Risk category II	93,957	-	102,543	-
Risk category III	150,800	-	433,151	-
Risk category IV	428,513	-	426,602	-
<b>Gross value</b>	<b>673,270</b>	-	<b>962,296</b>	-
Impairment	408,487	-	457,215	-
<b>Net value</b>	<b>264,783</b>	-	<b>505,081</b>	-
Receivables assessed collectively				
Risk category II	16,773	-	19,124	-
Risk category III	25,213	-	28,129	-
Risk category IV, including:	1,040,705	-	980,966	-
receivables from individuals	937,067	-	879,030	-
<b>Gross value</b>	<b>1,082,691</b>	-	<b>1,028,219</b>	-
Impairment	806,999	-	730,955	-
<b>Net value</b>	<b>275,692</b>	-	<b>297,264</b>	-
<b>Not impaired receivables</b>				
from customers and banks (excluding individuals)				
by risk rating				
Risk rating 1-4	4,601,814	1,750,260	4,540,428	2,180,155
Risk rating 5-6	2,261,204	4,356	1,633,556	93,477
Risk rating 7	357,803	-	227,426	-
from individuals by delinquency				
0 - 30 days	4,897,137	-	5,107,052	-
31 - 90 days	126,195	-	130,053	-
<b>Gross value</b>	<b>12,244,153</b>	<b>1,754,616</b>	<b>11,638,515</b>	<b>2,273,632</b>
Impairment	163,946	203	170,751	493
<b>Net value</b>	<b>12,080,207</b>	<b>1,754,413</b>	<b>11,467,764</b>	<b>2,273,139</b>
<b>Total net value</b>	<b>12,620,682</b>	<b>1,754,413</b>	<b>12,270,109</b>	<b>2,273,139</b>

PLN '000	30.06.2011		31.12.2010	
	Receivables from customers	Receivables from banks	Receivables from customers	Receivables from banks
<b>Impairment value for receivables with recognized value loss</b>				
<b>Impairment value for receivables assessed     individually</b>				
Risk category II	12,056	-	20,512	-
Risk category III	29,515	-	70,436	-
Risk category IV	366,916	-	366,267	-
	<b>408,487</b>	<b>-</b>	<b>457,215</b>	<b>-</b>
<b>Impairment value for receivables assessed     collectively</b>				
Risk category II	3,738	-	4,268	-
Risk category III	7,844	-	8,484	-
Risk category IV, including: receivables from individuals	795,417 717,736	- -	718,203 649,669	- -
	<b>806,999</b>	<b>-</b>	<b>730,955</b>	<b>-</b>
<b>IBNR provisions</b>				
<b>from customers and banks (excluding     individuals) by risk rating</b>				
Risk rating 1-4	2,092	125	1,542	183
Risk rating 5-6	20,386	78	12,389	310
Risk rating 7	13,548	-	9,276	-
<b>from individuals by delinquency</b>				
0 – 30 days	63,036	-	73,939	-
31 – 90 days	64,884	-	73,605	-
	<b>163,946</b>	<b>203</b>	<b>170,751</b>	<b>493</b>
<b>Total net value</b>	<b>1,379,432</b>	<b>203</b>	<b>1,358,921</b>	<b>493</b>

PLN '000	30.06.2011	31.12.2010
<b>Receivables with incurred but not recognized (IBNR) losses</b>		
<b>Regular receivables</b>		
0-30 days	13,803,886	13,753,007
<b>Overdue receivables</b>		
31-90 days	155,164	137,728
91-180 days	17,995	2,714
181-365 days	7,797	1,228
over 366 days	13,927	17,470
<b>Gross value</b>	<b>13,998,769</b>	<b>13,912,147</b>

Provision coverage for Group's receivables in relation to accounts receivable are presented in the table below:

PLN '000	30.06.2011	31.12.2010
<b>Gross value</b>		
Receivables with recognized impairment, including	1,755,961	1,990,515
Receivables assessed individually	673,270	962,296
Receivables assessed collectively	1,082,691	1,028,219
Receivables without recognized impairment	13,998,769	13,912,147
<b>Total Gross Value</b>	<b>15,754,730</b>	<b>15,902,662</b>

<i>PLN '000</i>	30.06.2011	31.12.2010
<b>Impairment</b>		
Receivables with recognized impairment, including	1,215,486	1,188,170
Receivables assessed individually	408,487	457,215
Receivables assessed collectively	806,999	730,955
Receivables without recognized impairment	164,149	171,244
<b>Total Impairment</b>	<b>1,379,635</b>	<b>1,359,414</b>
<b>Net Value</b>		
Receivables with recognized impairment, including	540,475	802,345
Receivables assessed individually	264,783	505,081
Receivables assessed collectively	275,692	297,264
Receivables without recognized impairment	13,834,620	13,740,903
<b>Total Net Value</b>	<b>14,375,095</b>	<b>14,543,248</b>
<b>Provision coverage ratio for receivables with recognized impairment</b>	<b>69.2%</b>	<b>59.7%</b>

## Market Risk

Market risk management encompasses two fundamental risk areas: liquidity risk and price risk.

Liquidity risk is defined as the risk of Group's not being able to meet its financial commitments to customers or counterparties when due.

Price risk is the risk of negative impact on Group's financial results or capital value as a result of market interest rates, foreign exchange rates and equity prices changes as well all fluctuations of these rates and prices.

The aim of market risk management is to ensure that the level of risk run within the scope of Group corresponds to the level acceptable by shareholders and banking supervision authorities as well as to ensure that all market risk exposures are properly reflected in the calculated risk measures, communicated to relevant persons and bodies responsible for the management of the Group.

In the first half of 2011 the Group has not made any changes in market risk management processes, procedures, systems and policies.

## Liquidity risk

The level of modified cash flow gap and the level of liquid assets as at 30 June 2011 and 31 December 2010 are shown below.

The liquidity gap as at 30 June 2011 in real terms:

<i>PLN '000</i>	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	9,190,829	-	-	-	30,165,832
Liabilities	8,980,035	50,246	464,652	29,718	29,832,011
Balance-sheet gap in the period	210,794	(50,246)	(464,652)	(29,718)	333,821
Off-balance-sheet transactions – inflows	7,728,425	6,739,133	5,436,451	2,722,394	9,591,931
Off-balance-sheet transactions – outflows	8,093,768	6,808,641	5,402,082	2,837,168	9,329,446
Off-balance-sheet gap in the period	(365,343)	(69,508)	34,369	(114,774)	262,485
Cumulative gap	(154,549)	(274,303)	(704,586)	(849,078)	(252,772)

The liquidity gap as at 31 December 2010 in real terms:

PLN '000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	10,693,376	-	-	-	26,824,164
Liabilities	7,842,179	206,035	303,820	25,521	29,139,985
Balance-sheet gap in the period	2,851,197	(206,035)	(303,820)	(25,521)	(2,315,821)
Off-balance-sheet transactions – inflows	5,919,901	3,382,720	7,337,541	1,619,644	7,909,760
Off-balance-sheet transactions – outflows	5,675,807	3,339,918	7,423,915	1,641,163	8,254,485
Off-balance-sheet gap in the period	244,094	42,802	(86,374)	(21,519)	(344,725)
Cumulative gap	3,095,291	2,932,058	2,541,864	2,494,824	(165,722)

Liquid assets and cumulated liquidity gap up to 1 year:

PLN '000	30.06.2011	31.12.2010	Change
Liquid assets, including:	19,083,908	17,519,892	1,564,016
obligatory reserve in NBP and stable part of cash	875,282	2,894,352	(2,019,070)
debt securities held-for-trade	1,566,431	1,596,286	(29,855)
debt securities available-for-sale	16,642,195	13,029,254	3,612,941
Cumulative liquidity gap up to 1 year	(704,586)	2,541,864	(3,246,450)
Coverage of the gap with liquidity assets	2,709%	Positive gap	

## Price risk

In price risk management there are two types of portfolios: trade and bank portfolios.

The following risk measures are applied to bank portfolios:

- Interest rate gap analysis determining the level of asset/liabilities repricing date risk exposure;
- Value-at-Close method estimating the entire banking book's market value (excluding the market value of credit margin), variations of open interest rate exposures' Value-at-Close and Total Return consisting of: interest rate margin result, profit on asset/liabilities liquidation or sell-off (securities available-for-sale mainly);
- Interest Rate Exposure - IRE measuring the level of assets/liabilities repricing date risk exposure and determining the potential change degree of interest rate income in 12-month period with assumption that the level of interest rate moves up by 100 basis points;
- Basis point value method (DV01) measuring the sensitivity of available-for-sale portfolio to interest rate curves changes. It estimates the value of AFS securities when the curve goes up by 1bps in the given period and assesses the yield curve risk;
- Stress tests.

Group's IRE measures as at 30 June 2011 and 31 December 2010 are presented below. The list is shown in the main currencies, i.e. PLN, USD and EUR which jointly account to over 90% of Group's balance sheet.

PLN '000	30.06.2011		31.12.2010	
	IRE 12M	IRE 5L	IRE 12M	IRE 5L
PLN	19,191	125,296	1,427	70,053
USD	(987)	(14,922)	2,206	5,602
EUR	(927)	(10,452)	4,289	11,073

The DV01-measured risk level for the available-for-sale securities portfolio divided into currency portfolios is shown below:

PLN '000	30.06.2011	Overall, in the period 01.01.2011 - 30.06.2011		
		Average	Maximum	Minimum
PLN	(1,375)	(1,169)	(1,401)	(1,046)
USD	(573)	(122)	(604)	-
EUR	(598)	(318)	(611)	(243)

PLN '000	31.12.2010	Overall, in the period 01.01.2010 - 31.12.2010		
		Average	Maximum	Minimum
PLN	(1,197)	(1,585)	(2,354)	(1,163)
USD	(72)	(107)	(391)	-
EUR	(277)	(276)	(359)	(171)

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

The following methods are used in measuring the trade portfolios risk:

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

The values of significant exposures of the bank portfolios to the interest rates risk in terms of DV01 in the first half of 2011 are listed in the table below:

PLN '000	30.06.2011	31.12.2010	in the period 01.01.2011 - 30.06.2011		
			Average	Maximum	Minimum
PLN	(52)	316	113	341	(125)
EUR	(46)	34	(38)	66	(212)
USD	171	(84)	150	241	(65)

The currency structure of the positions in the first half of 2011 has not changed in comparison with the year 2010, as positions in LCY, USD and EUR were still the majority. The average exposure to interest rates risk in LCY and USD remained on the higher level than in 2010, whereas EUR positions were on the similar level. The highest exposures were taken in LCY, although the average DV01 indicator totaled PLN 113 thousand. The average risk tendency for instruments denominated in EUR amounted to PLN - 38 thousand and in USD it was PLN 150 thousand. As far as maximum risks taken by the Treasury are concerned, in total they were slightly lower as compared to those in the year 2010. The highest risk exposure in PLN was PLN 341 thousand in comparison with PLN 552 thousand in 2010.

The table below shows the level of risk measured using VaR (excluding exposures resulting from available-for-sale portfolio's economic securities), divided into currency risk and interest rate risk positions in the first half of 2011:



PLN '000	30.06.2011	31.12.2010	in the period 1.01.2011 - 30.06.2011		
			Average	Maximum	Minimum
FX risk	8,462	1,101	8,177	15,059	303
Interest rate risk	6,478	3,341	4,125	6,526	1,565
Overall risk	10,936	3,669	9,468	16,645	3,090

The overall average price risk of trade portfolios in the first half of 2011 was nearly twice higher than the average price risk in 2010 and reached the level of PLN 9.5 million, mainly because of increase in both currency exposure and directional risk exposure to interest rate's changes. As far as maximum risk levels are concerned, they were also higher in comparison with the previous year. Maximum price risk amounted to PLN 16.6 million while in 2010 it settled at PLN 12.4 million.

#### Capital instruments risk

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

#### Currency exposure

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

##### 30 June 2011

PLN '000	Balance-sheet transactions		Off-balance-sheet transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	4,442,907	5,631,215	10,997,802	10,074,603	(265,109)
USD	3,386,701	3,181,656	6,852,587	7,091,540	(33,908)
GBP	654,306	653,974	117,023	112,106	5,249
CHF	372,787	339,110	153,012	178,911	7,778
Other currencies	354,836	483,888	1,084,257	965,963	(10,758)
	<b>9,211,537</b>	<b>10,289,843</b>	<b>19,204,681</b>	<b>18,423,123</b>	<b>(296,748)</b>

##### 31 December 2010

PLN '000	Balance-sheet transaction		Off-balance-sheet transaction		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	4,908,347	4,799,218	8,564,644	8,564,808	108,965
USD	1,907,398	3,815,166	7,132,875	5,246,970	(21,863)
GBP	625,237	653,453	31,217	3,058	(57)
CHF	398,555	316,634	264,884	355,770	(8,965)
Other currencies	471,810	387,703	826,979	879,376	31,710
	<b>8,311,347</b>	<b>9,972,174</b>	<b>16,820,599</b>	<b>15,049,982</b>	<b>109,790</b>

## Operational risk

In the first half of 2011 there were no significant changes in the Group's operational risk management.

## Capital adequacy

In the first half of 2011 the Group fulfilled the prudential regulations as far as capital adequacy is concerned. Capital adequacy ratio is calculated consistently with respective regulations.

## 6. Interest income

<i>PLN '000</i>	01.01. – 30.06. 2011	01.01. – 30.06. 2010
<b>Interest and similar income from:</b>		
Central Bank	16,224	13,490
Placements in banks	16,931	14,108
Loans, advances and other receivables, in respect of:	572,947	602,040
financial sector	12,004	19,964
non-financial sector	560,943	582,076
Debt securities available-for-sale	301,056	307,514
Debt securities held-for-trading	21,748	52,732
	<b>928,906</b>	<b>989,884</b>
<b>Interest expense and similar charges for:</b>		
Central Bank	-	(11,779)
Deposits from banks	(24,015)	(9,780)
Deposits from financial sector (excl. banks)	(38,784)	(33,814)
Deposits from non-financial sector	(165,937)	(183,237)
Loans and advances acquired	(4,881)	(4,412)
	<b>(233,617)</b>	<b>(243,022)</b>
	<b>695,289</b>	<b>746,862</b>

Net interest income for the first half of 2011 includes interest on impaired loans of PLN 10,231 thousand (for the first half of 2010: PLN 12,887 thousand).

## 7. Net fee and commission income

<i>PLN '000</i>	01.01. – 30.06. 2011	01.01. – 30.06. 2010
<b>Fee and commission income:</b>		
Insurance and investment products	66,067	63,726
Payment and credit cards	112,360	113,585
Payment services	57,603	61,564
Custody services	42,429	37,338
Cash loans fees	5,359	6,446
Brokerage activity	54,027	38,089
Clients' cash on account management services	14,584	15,362
Off-balance-sheet guarantee liabilities	7,369	7,916
Off-balance-sheet financial liabilities	3,760	3,638
Other	23,176	14,199
	<b>386,734</b>	<b>361,863</b>
<b>Fee and commission expense:</b>		
Payment and credit cards	(20,622)	(25,187)
Brokerage activity	(15,507)	(10,227)
Fees paid to the National Depository for Securities (KDPW)	(8,342)	(5,791)

PLN '000	01.01. – 30.06. 2011	01.01. – 30.06. 2010
Brokerage fees	(2,289)	(1,325)
Other	(2,662)	(2,487)
	(49,422)	(45,017)
	337,312	316,846

The net commission result for the first half of 2011 comprises commission income (other than income covered by the calculation of the effective interest rate), which are related to financial assets and liabilities not valued at their fair value through profit or loss in the amount of PLN 116,594 thousand (for the first half of 2010: PLN 118,242 thousand) and commission expenses in the amount of PLN 20,622 thousand (for the first half of 2010: PLN 25,187 thousand).

Due to changes in the model of cooperation with direct sale agencies, part of Group's costs for services provided by agencies recognized in the first half of 2010 as Fee and commission income, in the first half of 2011 are presented in General administration expenses under the heading 'Costs of external services related to banking products distribution'.

## 8. Net income on financial instruments and revaluation

PLN '000	01.01. – 30.06. 2011	01.01. – 30.06. 2010
Net income on financial instruments valued at fair value through profit or loss:		
Debt instruments	11,329	(256)
Capital instruments	(1,867)	873
Derivative instruments, including:	(1,221)	(4,547)
Interest rate derivatives	(6,320)	(4,972)
Equity derivatives	(3)	234
Commodity derivatives	5,102	191
	8,241	(3,930)
Net income on FX operations		
Operations on FX derivative instruments	87,286	134,679
FX gains and losses (revaluation)	35,152	25,896
	122,438	160,575
	130,679	156,645

Net income on financial instruments and revaluation includes increase/decrease in net write-downs regarding pricing correction of counterparty's increased credit risk on derivative transactions in the amount of PLN 816 thousand (for the first half of 2010: net dissolution PLN 15,449 thousand).

The correction was determined through the assessment of clients' financial standing and their needs to use derivative instruments. The amounts at which the derivative transactions will be settled remain uncertain and the actual losses depend on the changes in the future foreign exchange rates and counterparties' financial standing.

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

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

Net result on FX operations contains gains and losses from revaluation of assets and liabilities denominated in foreign currency and from FX derivative instruments like forward, swap and options. Net result on FX operations contains also the margin executed on current and fixed currency transactions.

## 9. Net gain on debt investment securities

<i>PLN '000</i>	01.01. – 30.06. 2011	01.01. – 30.06. 2010
Profits/losses realized on debt securities available-for-sale	11,334	57,692

## 10. Net other operating income

<i>PLN '000</i>	01.01. – 30.06. 2011	01.01. – 30.06. 2010
<b>Other operating income:</b>		
Income from data processing for related entities	4,209	24,883
Income from office rental	1,590	1,165
Income related to investment property	109	252
Other	16,503	9,136
	<b>22,411</b>	<b>35,436</b>
<b>Other operating expenses:</b>		
Amicable procedure and vindication expenses	(8,323)	(6,487)
Expenses related to investment property	(1,239)	(1,690)
Expenses related to paid compensations	-	(3,000)
Expenses related to provisions for rebuying the bonds of bankrupt bank Lehman Brothers Treasury CO. B.V. from customers*	-	(10,697)
Other	(8,921)	(10,311)
	<b>(18,483)</b>	<b>(32,185)</b>
	<b>3,928</b>	<b>3,251</b>

\*On 22 January 2010, the Management Board of the Bank decided to make an offer for those clients who have bought, with the intermediation of the Bank, the bonds of Lehman Brothers Treasury B.V. and bonds guaranteed by Lehman Brothers Holdings Inc., to buy them by the Bank or any other entity of the Capital Group of the Bank, for the amount of 60% of their original price in the given currency.

## 11. General administrative expenses

<i>PLN '000</i>	01.01. – 30.06. 2011	01.01. – 30.06. 2010
<b>Staff expenses</b>		
Remuneration costs, including:	(290,625)	(274,683)
Provisions for retirement benefits	(12,379)	(8,632)
Bonuses and rewards including:	(51,339)	(57,383)
Payments related to own equity instruments	8,438	(7,066)
	<b>(341,964)</b>	<b>(332,066)</b>
<b>Administrative expenses</b>		
Telecommunication fees and hardware purchase costs	(76,567)	(79,791)
Advisory, audit, consulting and other external services costs	(42,427)	(47,288)
Building maintenance and rent costs	(51,700)	(56,291)
Marketing costs	(33,384)	(17,130)
Costs of cash management services, costs of KIR services and other transaction costs	(28,773)	(28,102)
Costs of external services related to distribution of banking products (see note 7)	(36,708)	(16,355)
Postal services, office supplies and printmaking costs	(16,600)	(15,906)
Training and education costs	(3,460)	(2,788)
Banking supervision costs	(4,444)	(3,819)

PLN '000	01.01. – 30.06. 2011	01.01. – 30.06. 2010
Other expenses	(49,532)	(44,525)
	(343,595)	(311,995)
	(685,559)	(644,061)

Staff expenses in the first half of 2011 include remuneration and bonuses paid and payable to current and former members of the Management Board in the amount of PLN 12,458 thousand (in first half of 2010: PLN 8,014 thousand).

## 12. Net impairment losses

PLN '000	01.01. – 30.06. 2011	01.01. – 30.06. 2010
<b>Net impairment write-downs of financial assets</b>		
<b>Impairment write-downs:</b>		
Loans and advances valued at amortized cost	(206,265)	(350,492)
Receivables from matured derivative transactions	(2,752)	(6,795)
Other	(9,187)	(12,887)
	(218,204)	(370,174)
<b>Reversals of impairment write-downs:</b>		
Loans and advances valued at amortized cost	163,592	168,606
Receivables from matured derivative transactions	2,670	11,998
	166,262	180,604
	(51,942)	(189,570)
<b>Charges to/releases of provisions for off-balance-sheet commitments:</b>		
Charges to provisions for off-balance-sheet commitments	(22,078)	(24,707)
Releases of provisions for off-balance-sheet commitments	16,707	48,094
	(5,371)	23,387
<b>Net impairment losses</b>	<b>(57,313)</b>	<b>(166,183)</b>

## 13. Income tax expense

### Recognized in the income statement

PLN '000	01.01. – 30.06. 2011	01.01. – 30.06. 2010
<b>Current tax:</b>		
Current year	(58,257)	(98,865)
Adjustments for prior years	(232)	(398)
	(58,489)	(99,263)
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(23,608)	2,231
Changes in receivables arising from tax deductions	-	(100)
	(23,608)	2,131
<b>Income tax expense</b>	<b>(82,097)</b>	<b>(97,132)</b>

### Reconciliation of effective tax rate:

PLN '000	01.01. – 30.06. 2011	01.01. – 30.06. 2010
Profit before tax	414,717	446,502
Income tax at the domestic tax rate of 19%	(78,796)	(84,836)
Non-deductible expenses, including write-down expenses	(6,877) (3,915)	(11,620) (2,421)
Taxable income not recognized in the income statement	(65)	16
Deductible expenses not recognized in the income statement	3,093	1,309
Non-taxable income	1,114	(1,915)
Other	(566)	(86)
<b>Income tax expense</b>	<b>(82,097)</b>	<b>(97,132)</b>
<b>Effective tax rate</b>	<b>20%</b>	<b>22%</b>

### Deferred tax recognized directly in equity

Deferred tax recognized directly in equity as at 30 June 2011 is related to debt and capital instruments available-for-sale and equals PLN (2,487) thousand.

Deferred tax recognized directly in equity as at 30 June 2010 is related to debt and capital instruments available-for-sale as well as capital awards program and amounts to PLN 4,254 thousand.

## 14. Statement of changes in other comprehensive income

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

PLN '000	Gross amount	Deferred income tax	Net amount
<b>Balance as at 1 January 2011</b>	<b>(47,938)</b>	<b>3,090</b>	<b>(44,848)</b>
Change in valuation of AFS	37,446	(7,731)	29,715
Valuation of AFS sold, moved to income statement	(11,334)	2,153	(9,181)
<b>Balance as at 30 June 2011</b>	<b>(21,826)</b>	<b>(2,487)</b>	<b>(24,313)</b>

PLN '000	Gross amount	Deferred income tax	Net amount
<b>Balance as at 1 January 2010</b>	<b>(100,190)</b>	<b>19,164</b>	<b>(81,026)</b>
Change in valuation of AFS	147,937	(23,112)	124,825
Valuation of AFS sold, moved to income statement	(57,692)	10,961	(46,731)
<b>Balance as at 30 June 2010</b>	<b>(9,945)</b>	<b>7,013</b>	<b>(2,932)</b>

## 15. Financial assets and liabilities held-for-trading

### Financial assets held-for-trading

PLN '000	30.06.2011	31.12.2010
<b>Debt securities held-for-trading</b>		
Bonds and notes issued by:		
Banks*	75,345	37,577
Financial entities	-	63,111
Government	1,491,086	1,495,597
	<b>1,566,431</b>	<b>1,596,285</b>

<i>PLN '000</i>	<b>30.06.2011</b>	<b>31.12.2010</b>
Including:		
Listed	1,185,782	1,461,545
Unlisted	380,649	134,740
<b>Capital instruments</b>	<b>230</b>	<b>1,758</b>
Including:		
Listed	230	1,758
<b>Derivatives</b>	<b>2,580,973</b>	<b>2,397,873</b>
	<b>4,147,634</b>	<b>3,995,916</b>

\* Securities (bonds) covered by guarantee of State Treasury.

#### Financial liabilities held-for-trading

<i>PLN '000</i>	<b>30.06.2011</b>	<b>31.12.2010</b>
Liabilities related to short-sale of securities	305,532	279,344
Derivatives	2,754,230	2,525,093
	<b>3,059,762</b>	<b>2,804,437</b>

As at 30 June 2011 and 31 December 2010 the Group did not hold any financial assets and liabilities designed at initial recognition for valuation at fair value through profit or loss.

As at 30 June 2011 derivative financial assets were adjusted due to increased counterparty credit risk by the amount of PLN 26,241 thousand (as at 31 December 2010: PLN 25,391 thousand).

## Derivative financial instruments as at 30 June 2011

PLN '000	Notional value of derivatives with remaining life of				Total	Fair values	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	78,911,873	74,232,182	88,508,274	15,964,534	257,616,863	2,051,075	2,173,173
Currency instruments	16,316,905	5,561,165	2,304,547	13,625	24,196,242	422,420	474,412
Securities transactions	1,075,626	31,372	4,400	-	1,111,398	4,618	3,785
Commodity transactions	3,544,014	3,219,408	25,062	-	6,788,484	102,860	102,860
<b>Derivative instruments total</b>	<b>99,848,418</b>	<b>83,044,127</b>	<b>90,842,283</b>	<b>15,978,159</b>	<b>289,712,987</b>	<b>2,580,973</b>	<b>2,754,230</b>

## Derivative financial instruments as at 31 December 2010

PLN '000	Notional value of derivatives with remaining life of				Total	Fair values	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	41,433,445	70,139,648	59,349,977	16,361,845	187,284,915	2,000,498	2,142,072
Currency instruments	9,998,641	9,698,311	1,843,113	17,156	9,998,641	374,947	360,340
Securities transactions	643,560	22,516	33,386	-	699,462	4,554	4,807
Commodity transactions	1,023,475	842,383	-	-	1,865,858	17,874	17,874
<b>Derivative instruments total</b>	<b>53,099,121</b>	<b>80,702,858</b>	<b>61,226,476</b>	<b>16,379,001</b>	<b>211,407,456</b>	<b>2,397,873</b>	<b>2,525,093</b>



## 16. Debt securities available-for-sale

PLN '000	30.06.2011	31.12.2010
Bonds and notes issued by:		
Central Banks	7,300,000	5,994,140
Other banks*	2,187,076	535,180
Non-financial sector	74,742	165,075
Government	7,080,377	6,334,859
	<b>16,642,195</b>	<b>13,029,254</b>
Including:		
Listed instruments	7,172,971	5,874,033
Unlisted instruments	9,469,224	7,155,221

\*As at 30 June 2011 part of securities (bonds) issued by other banks in the amount of PLN 1,180,104 thousand is covered by guarantee of State Treasury (31.12.2010: PLN 535,180 thousand)

## 17. Loans, advances and other receivables

### Loans, advances and other receivables (by category)

PLN '000	30.06.2011	31.12.2010
<b>Loans, advances and other receivables to financial sector:</b>		
Current accounts in banks	190,672	95,235
Loans, placements and advances, including:	1,633,854	2,505,873
placements in banks	1,222,814	1,977,502
Purchased receivables	14,479	15,522
Receivables related to reverse repo transactions	306,794	316,086
Other receivables	41,408	39,144
<b>Total gross value</b>	<b>2,187,207</b>	<b>2,971,860</b>
Impairment write-downs	(19,277)	(22,021)
<b>Total net value</b>	<b>2,167,930</b>	<b>2,949,839</b>
<b>Loans, advances and receivables to non-financial sector:</b>		
Loans and advances	12,599,765	11,182,107
Unlisted debt securities	141,438	141,459
Purchased receivables	813,660	685,624
Realized guarantees	3,725	3,574
Other receivables	8,935	918,038
<b>Total gross value</b>	<b>13,567,523</b>	<b>12,930,802</b>
Impairment write-downs	(1,360,358)	(1,337,393)
<b>Total net value</b>	<b>12,207,165</b>	<b>11,593,409</b>
<b>Loans, advances and other receivables</b>	<b>14,375,095</b>	<b>14,543,248</b>

### Finance lease receivables

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

'Loans, advances and other receivables from non-financial sector' include the following amounts concerning finance lease receivables:

<i>PLN '000</i>	<b>30.06.2011</b>	<b>31.12.2010</b>
Gross finance lease receivables	892,402	1,019,459
Unrealized finance income	(62,404)	(76,593)
<b>Net finance lease receivables</b>	<b>829,998</b>	<b>942,866</b>

As at 30 June 2011 impairment for finance lease receivables amounted to PLN 71,186 thousand (as at 31 December 2010 amounted PLN 80,534 thousand).

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

## 18. Impairment of loans, advances and other receivables

The change in impairment of loans, advances and other receivables is as follows:

<i>PLN '000</i>	<b>01.01. - 30.06. 2011</b>	<b>01.01. - 31.12. 2010</b>
<b>Balance as at 1 January</b>	<b>1,359,414</b>	<b>1,461,755</b>
Related to:		
Receivables from banks	493	766
Receivables from other customers of financial and non-financial sector	1,358,921	1,460,989
Change in impairment write-downs:	20,221	(102,341)
creation of write-downs for loans, advances and other receivables	206,265	620,792
creation of write-downs for receivables in respect of matured derivatives transactions	82	(10,178)
write-down receivables	(4,690)	(187,807)
release of write-downs for loans, advances and other receivables	(163,592)	(368,956)
sale of receivables	(18,770)	(167,053)
transfer from other group of assets	-	1,236
other	926	9,625
<b>Balance as at the end of the period</b>	<b>1,379,635</b>	<b>1,359,414</b>
Related to:		
Receivables from banks	202	493
Receivables from other customers of financial and non-financial sector	1,379,433	1,358,921

The closing balance of recognized impairment of receivables from clients consisted of:

<i>PLN '000</i>	<b>30.06.2011</b>	<b>31.12.2010</b>
Impairment on exposures assessed collectively	806,999	730,955
Impairment on exposures assessed individually	408,487	457,215
Incurred but not reported losses (IBNR)	164,149	171,244

## 19. Financial liabilities valued at amortized cost

### Financial liabilities valued at amortized cost (by category)

<i>PLN '000</i>	30.06.2011	31.12.2010
<b>Deposits from financial sector:</b>		
Current accounts, including:	1,936,086	1,492,350
Banks' current accounts	1,149,868	755,445
Deposits, including:	5,456,718	4,512,158
Banks' term deposits	3,074,028	2,089,216
Accrued interest	3,367	2,682
	<b>7,396,171</b>	<b>6,007,190</b>
<b>Deposits from non-financial sector:</b>		
Current accounts, including:	10,234,881	11,912,332
Corporate clients	4,995,222	5,617,986
Individual clients	4,504,016	4,320,530
Budgetary units	735,643	1,973,816
Deposits, including:	7,523,593	8,493,723
Corporate clients	5,677,204	6,428,113
Individual clients	1,195,160	1,397,084
Budgetary units	651,229	668,526
Accrued interest	14,403	16,978
	<b>17,772,877</b>	<b>20,423,033</b>
<b>Deposits</b>	<b>25,169,048</b>	<b>26,430,223</b>
<b>Own issuance (see note 23)</b>	<b>40,934</b>	<b>11,533</b>
<b>Other liabilities:</b>		
Loans and advances received	535,751	574,780
Liabilities related to repo transactions	2,332,590	113,534
Other liabilities, including:	184,391	176,054
Cash collateral	75,774	96,716
Accrued interest	2,583	2,220
<b>Other liabilities total</b>	<b>3,055,315</b>	<b>866,588</b>
	<b>28,265,297</b>	<b>27,308,344</b>

## 20. Financial assets and liabilities by maturity date

As at 30 June 2011

<i>PLN '000</i>	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
<b>Financial assets held-for-trading</b>							
Debt securities held-for-trading	15	1,566,431	41,337	60,033	327,468	527,496	610,097
<b>Financial assets available-for-sale</b>							
Debt securities available-for-sale	16	16,642,195	7,374,742	-	-	4,304,006	4,963,447
<b>Loans, advances and other receivables - gross</b>							
Loans, advances and other receivables from financial sector, including:	17	2,187,207	1,861,946	6,276	43,716	261,510	13,759
banks and other monetary financial institutions	17	1,753,472	1,742,800	6,276	4,396	-	-
other financial institutions	17	433,735	119,146	-	39,320	261,510	13,759
Loans, advances and other receivables from non-financial sector	17	13,567,523	7,651,376	596,556	1,386,483	3,440,102	493,006
<b>Financial liabilities valued at amortized cost</b>							
Financial sector, including:	19	10,274,145	9,644,234	53,206	488,696	57,740	30,269
banks and other monetary financial institutions	19	7,001,888	6,415,410	13,067	487,696	56,044	29,671
other financial institutions	19	3,272,257	3,228,824	40,139	1,000	1,696	598
Non-financial sector	19	17,991,152	16,721,879	757,764	448,109	62,046	1,354

As at 31 December 2010

<i>PLN '000</i>	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
<b>Financial assets held-for-trading</b>							
Debt securities held-for-trading	15	1,596,285	-	-	567,994	882,220	146,071
<b>Financial assets available-for-sale</b>							
Debt securities available-for-sale	16	13,029,254	6,159,215	-	-	5,117,820	1,752,219
<b>Loans, advances and other receivables – gross</b>							
Loans, advances and other receivables from financial sector, including:	17	2,971,860	2,664,640	6,928	40,471	245,000	14,821
banks and other monetary financial institutions	17	2,272,395	2,261,935	6,928	3,532	-	-
other financial institutions	17	699,465	402,705	-	36,939	245,000	14,821
Loans, advances and other receivables from non-financial sector	17	12,930,802	6,911,997	550,050	1,764,519	3,278,466	425,770
<b>Financial liabilities valued at amortized cost</b>							
Financial sector, including:	19	6,701,651	5,885,122	198,601	519,913	65,545	32,470
banks and other monetary financial institutions	19	3,437,744	2,632,708	190,109	519,213	63,849	31,865
other financial institutions	19	3,263,907	3,252,414	8,492	700	1,696	605
Non-financial sector	19	20,606,693	19,376,573	708,134	471,013	50,906	67

## 21. Financial instruments disclosure

In the first half of 2011 the Group did not make any changes in principles of financial instruments' classification (presented in the balance sheet at fair value) to the separate categories of fair value establishing method used (level I, level II, level III).

In the first half of 2011 the Group effected the transfer of part of financial assets and liabilities held-for-trading from the categories valued using crucial parameters not originating from the market (level III) to the category of market-originating parameters valuation (level II). The value of assets and liabilities held-for-trading, which were the subject of the transfer, amounted respectively to PLN 26,304 thousand and PLN 4,113 thousand as at 30 June 2011. The change of category concerns derivative instruments and results from cessation of influence on valuation of an important credit risk element for one of non-banking clients, which was taken into consideration in valuation as at 31 December 2010.

In the first six months of 2011 the Group did not make any changes in financial assets classification that might result from asset's purpose or usage change.

## 22. Seasonality or periodicity of business activity

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

## 23. Issue, redemption and repayment of debt and equity securities

Within the Debt Security of the Bank Issue Program, Bank effects the issue of certificates of deposit ('BPW'), total value of which was PLN 40,934 thousand as at 30 June 2011.

PLN '000

Type of debt security issued	Nominal value	Issuance date	Maturity date
Certificate of deposit	673	02.07.2010	06.01.2012
Certificate of deposit	24,134	31.01.2011	01.08.2011
Certificate of deposit	13,821	28.02.2011	31.08.2011
Certificate of deposit	2,275	04.05.2011	30.10.2012
	<b>40,903</b>		

In the first half of 2011 the Bank paid the BPWs off in amount of PLN 10,856 thousand, whose maturity dates fell respectively on 28 April 2011 and 30 May 2011.

Provided that BPW are held until maturity, at redemption the issuer is obliged to pay the principal, guaranteed interest and premium interest.

## 24. Paid or declared dividends

### Dividends paid

In accordance with General Meeting of Shareholders' Resolution No 29/2011 of 1 June 2011, 2010 profit has been distributed, the resolution about dividend pay-out was adopted as well as dividend date and pay-out date was determined. From 2010 net profit PLN 747,372,912.00 was assigned for the pay-out, which means the pay-out for a single share was PLN 5.72. The number of shares subjected to dividend equals 130,659,600.

The date of determining the right to dividend was set on 16 June 2011. The dividend was paid out on 29 July 2011.

## 25. Changes in Group's structure

In the first half of 2011 the structure of the Group has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

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

As at 30 June 2011 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

## 27. Changes in off-balance-sheet commitments

The detailed specification of off-balance-sheet commitments as at 30 June 2011 and changes in comparison with the end of 2010 are as follows:

PLN '000	As at		Change	
	30.06.2011	31.12.2010	PLN '000	%
<b>Contingent liabilities</b>				
<b>Granted liabilities</b>				
financial	10,643,862	10,839,248	(295,116)	(2.7)
Import letters of credit issued	126,052	145,665	(19,613)	(13.5)
Lines of credit granted	9,967,930	10,333,933	(366,003)	(3.5)
Securities issuance guarantees granted to other issuers	450,150	359,650	90,500	25.2
Other	99,730	-	99,730	-
guarantees	1,813,486	1,787,149	26,337	1.5
Guarantees granted	1,797,982	1,771,282	26,700	1.5
Export letters of credit confirmed	5,374	1,647	3,727	226.3
Other	10,130	14,220	(4,090)	(28.8)
	<b>12,457,348</b>	<b>12,626,397</b>	<b>(169,049)</b>	<b>(1.3)</b>
<b>Liabilities received</b>				
financial (deposits to receive)	-	318,701	(318,701)	(100.0)
guarantees (guarantees received)	3,016,443	2,769,825	246,618	8.9
	<b>3,016,443</b>	<b>3,088,526</b>	<b>(72,083)</b>	<b>(2.3)</b>
<b>Current off-balance sheet transactions*</b>	<b>1,539,270</b>	<b>1,604,829</b>	<b>(65,559)</b>	<b>(4.1)</b>
<b>Forward off-balance sheet transactions**</b>	<b>288,173,717</b>	<b>209,802,627</b>	<b>78,371,090</b>	<b>37.4</b>
	<b>305,186,778</b>	<b>227,122,379</b>	<b>78,064,399</b>	<b>34.4</b>

\*Foreign exchange and securities transactions with current value date

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

## 28. Information about shareholders

As at both 30 June 2011 and the day of publishing this consolidated financial statement for the first half of 2011 the list of shareholders who held at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

	Value of shares (‘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 2011 or during the period from publishing last interim report for the second quarter 2011 to publishing this consolidated financial statement for the first half of 2011, the structure of major shareholdings of the Bank has not undergone any changes.

## 29. Information on pending proceedings

As at 30 June 2011 there was no single proceeding regarding Group’s receivables or liabilities, the value of which would equal to at least 10% of Bank’s equity, pending in court, public administration authority or an arbitration authority.

The total value of all legal proceedings regarding receivables or liabilities with the participation of the Bank and its subsidiaries did not exceed 10% of Bank’s equity.

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

As at 30 June 2011, the Bank was a party to 32 proceedings regarding derivative transactions: in 26 proceedings it acted as a defendant and in 6 - as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of dispute refers mainly to the validity of the derivative transactions and client’s liabilities demanded by the Bank with respect to those derivative transactions as well as potential claims regarding invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they question the validity of the agreements, dispute their liabilities towards the Bank and, in some cases, demand payments from the Bank.

As at the day of preparing the financial statements, no final settlements regarding the derivative transactions proceedings to which the Bank is a party were made in the court.

The Bank is a party to the proceeding initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa Europay payment system operators and banks - issuers of Visa cards and Europay/ Eurocard/ Mastercard.

This procedure applies to practices limiting the competition on payment-cards market in Poland, by consisting in the joint determination of ‘interchange fees’ for transactions made by cards of Visa and Europay / Eurocard / Mastercard as well as limiting the access to market for operators who do not belong to the unions of card issuers and against whom proceedings have been initiated. On 22 April 2010 the Court of Appeal overturned the verdict of the Court of Competition and Consumer Protection (SOKiK), sending the case back to the court of first instance. The Bank is awaiting putting on a trial.

In case of legal proceedings involving the risk of cash outflow as a result of meeting Group’s commitments the appropriate provisions are created.



### 30. Related parties

#### Transactions with related parties

Within its normal course of business activities, the Group enters into transactions with related entities, in particular with entities of Citigroup Inc., subordinated entities as well as with members of the Bank's supervisory board, management and employees.

The transactions with related entities mainly include loans, deposits, guarantees and derivatives transactions.

#### Transactions with Citigroup Inc. entities

The balance-sheet and off-balance-sheet receivables and liabilities towards Citigroup Inc. companies are as follows:

<i>PLN '000</i>	30.06.2011	31.12.2010
Receivables, including:	1,050,426	1,818,886
Placements	946,871	1,721,961
Liabilities, including:	1,723,267	2,162,963
Deposits	590,125	1,379,962
Loans received	449,408	479,066
Balance valuation of derivative transactions		
Assets held-for-trading	1,860,994	1,858,531
Liabilities held-for-trading	2,305,766	2,121,780
Off-balance-sheet liabilities granted	388,578	336,526
Off-balance-sheet liabilities received	185,151	24,524
Off-balance-sheet derivative liabilities, including:	174,051,339	121,339,749
Interest rate instruments	156,295,654	108,855,418
Currency instruments	14,167,263	11,387,763
Securities transactions	194,180	163,639
Commodity transactions	3,394,242	932,929
Interest and commission income in the first half of 2011/2010	21,120	19,774
Interest and commission expense in the first half of 2011/2010	6,793	3,247

The Group receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge in market risk. These are back to back derivative transactions opposite to transactions with Group's other clients and closing Group's own position. On 30 June 2011 net balance valuation of transactions on derivatives amounted to PLN (444,772) thousand (31 December 2010: PLN (263,249) thousand).

Furthermore the Group incurs costs and receives income from agreements between Citigroup Inc. entities and the Group, regarding the provision of mutual services. The costs incurred and accrued in the first half of 2011 from the agreements were connected, in particular, with costs of services regarding the maintenance of Group's information systems and advisory support and are presented in the General administrative expenses; income was related to data processing and other services rendered by the Group and is presented in the Other operating income.

<i>PLN '000</i>	01.01. – 30.06. 2011	01.01. – 30.06. 2010
General administrative expenses	55,233	58,500
Other operating income	5,264	25,364

## Transactions with subordinated entities

<i>PLN '000</i>	30.06.2011	31.12.2010
<b>Loans, advances and other receivables*</b>		
Current accounts	186,552	252,157
<b>Loans, advances and other receivables</b>		
Opening balance	252,157	267,100
Closing balance	186,552	252,157
<b>Deposits</b>		
Current accounts, including:	9,870	18,746
consolidated entities	1,331	10,108
entities valued at equity method	8,539	8,637
Term deposits, including:	220,668	206,089
consolidated entities	176,403	162,278
entities valued at equity method	44,264	43,811
	<b>230,537</b>	<b>224,835</b>
<b>Deposits</b>		
Opening balance	224,835	212,185
Closing balance	230,537	224,835
<b>Contingent liabilities granted**</b>		
Letters of credit	658	-
Credit lines granted	244,882	204,699
	<b>245,539</b>	<b>204,699</b>
<b>Interest and commission income in the first half of 2011/2010 including:</b>	<b>5,598</b>	<b>5,108</b>
consolidated entities	5,593	5,103
entities valued at equity method	5	5
<b>Interest and commission expenses in the first half of 2011/2010 including:</b>	<b>4,485</b>	<b>3,284</b>
consolidated entities	3,691	2,509
entities valued at equity method	794	775

\* On 30 June 2011 and 31 December 2010 loans, advances and other receivables were related to exploited credits in current accounts of consolidation-included units.

\*\* On 30 June 2011 and 31 December 2010, contingent liabilities granted to dependent units concerned liabilities granted to consolidation-included units.

As at 30 June 2011 and 31 December 2010 any receivables or contingent liabilities of subsidiaries were not subject to impairment write-downs.

### Transactions with employees, members of the Management Board and Supervisory Board

<i>PLN '000</i>	30.06.2011			31.12.2010		
	Employees	Members of the Management Board	Members of the Supervisory Board	Employees	Members of the Management Board	Members of the Supervisor y Board
<b>Loans, advances and other receivables</b>						
Loans granted	47,584	-	-	58,717	59	-
Staff benefits	24,464	-	-	25,942	-	-
Prepayments	53	-	-	27	-	-
	<b>72,101</b>	-	-	<b>84,686</b>	<b>59</b>	-
<b>Deposits</b>						
Current accounts	108,901	6,235	3,026	102,717	2,686	4,184
Term deposits	26,316	1,552	725	28,427	500	146
	<b>135,217</b>	<b>7,787</b>	<b>3,751</b>	<b>131,145</b>	<b>3,186</b>	<b>4,331</b>

As at 30 June 2011 and 31 December 2010 transactions with employees, members of the Management Board and Supervisory Board did not include guarantees granted.

Signatures of Management Board Members

24.08.2011	Sławomir S. Sikora	President of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature
24.08.2011	Robert Daniel Massey JR	Vice-President of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature
24.08.2011	Misbah Ur-Rahman-Shah	Vice-President of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature
24.08.2011	Sonia Wędrychowicz- Horbátowska	Vice-President of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature
24.08.2011	Witold Zieliński	Vice- President of the Management Board Chief Financial Officer	
..... Date	..... Name	..... Position / function	..... Signature
24.08.2011	Iwona Dudzińska	Member of the Management Board	
..... Date	..... Name	..... Position / function	..... Signature