



INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE SECOND QUARTER 2012

AUGUST 2012

Interim condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A.
for the second quarter 2012

TRANSLATION

| SELECTED FINANCIAL DATA | PLN '000 | | EUR '000*** | |
|--------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|
| | Second quarter accruals period from 01.01.12 to 30.06.12 | Second quarter accruals period from 01.01.11 to 30.06.11 | Second quarter accruals period from 01.01.12 to 30.06.12 | Second quarter accruals period from 01.01.11 to 30.06.11 |
| Data related to the condensed consolidated financial statements | | | | |
| Interest income | 1,047,913 | 928,906 | 248,050 | 234,141 |
| Fee and commission income | 358,014 | 386,734 | 84,745 | 97,480 |
| Profit before tax | 594,918 | 414,717 | 140,822 | 104,534 |
| Net profit | 474,321 | 332,620 | 112,276 | 83,840 |
| Total income | 591,738 | 353,299 | 140,070 | 89,053 |
| Increase of net cash | (184,227) | (2,070,696) | (43,608) | (521,941) |
| Total assets* | 41,855,958 | 42,278,198 | 9,822,345 | 9,572,133 |
| Amounts due to banks* | 8,749,699 | 6,011,378 | 2,053,293 | 1,361,026 |
| Amounts due to customers* | 21,121,471 | 24,095,847 | 4,956,579 | 5,455,499 |
| Shareholders' equity | 6,675,322 | 6,095,719 | 1,566,499 | 1,529,052 |
| Share capital | 522,638 | 522,638 | 122,648 | 131,099 |
| Number of shares (in pcs) | 130,659,600 | 130,659,600 | 130,659,600 | 130,659,600 |
| Book value per share (PLN / EUR) | 51.09 | 46.65 | 11.99 | 11.70 |
| Capital adequacy ratio (%)* | 18.3 | 16.4 | 18.3 | 16.4 |
| Earnings per ordinary share (PLN / EUR) | 3.63 | 2.55 | 0.86 | 0.64 |
| Diluted net earnings per share (PLN / EUR) | 3.63 | 2.55 | 0.86 | 0.64 |
| Data related to the condensed unconsolidated financial statements | | | | |
| Interest income | 1,032,382 | 913,606 | 244,374 | 230,284 |
| Fee and commission income | 331,237 | 332,741 | 78,407 | 83,871 |
| Profit before tax | 615,159 | 410,776 | 145,614 | 103,540 |
| Net profit | 497,825 | 331,207 | 117,840 | 83,484 |
| Total income | 616,400 | 351,456 | 145,907 | 88,588 |
| Increase of net cash | (204,413) | (2,061,973) | (48,386) | (519,742) |
| Total assets* | 40,936,831 | 41,542,014 | 9,606,653 | 9,405,455 |
| Amounts due to banks* | 8,320,446 | 5,543,891 | 1,952,560 | 1,255,183 |
| Amounts due to customers* | 21,213,854 | 24,130,225 | 4,978,259 | 5,463,282 |
| Shareholders' equity | 6,611,366 | 6,023,386 | 1,551,490 | 1,510,908 |
| Share capital | 522,638 | 522,638 | 122,648 | 131,099 |
| Number of shares (in pcs) | 130,659,600 | 130,659,600 | 130,659,600 | 130,659,600 |
| Book value per share (PLN / EUR) | 50.60 | 46.10 | 11.87 | 11.56 |
| Capital adequacy ratio (%)* | 18.0 | 15.8 | 18.0 | 15.8 |
| Earnings per ordinary share (PLN / EUR) | 3.81 | 2.53 | 0.90 | 0.64 |
| Diluted net earnings per share (PLN / EUR) | 3.81 | 2.53 | 0.90 | 0.64 |
| Declared or paid dividend per share (PLN / EUR)** | 2.76 | 5.72 | 0.65 | 1.43 |

* Comparable balance data according as at 31 December 2011.

** The presented ratios are related to dividend approved from the distribution of 2011 profit and dividend paid in 2011 from the distribution of 2010 profit.

*** The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 30 June 2012 - PLN 4.2613 (as at 31 December 2011: PLN 4.4168; as at 30 June 2011 - PLN 3.9866); for the income statement and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the first half of 2012 - PLN 4.2246 (in the first half of 2011: PLN 3.9673).

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Condensed consolidated income statement

| <i>PLN '000</i> | Second quarter period from 01.04.12 to 30.06.12 | Second quarter accruals period from 01.01.12 to 30.06.12 | Second quarter period from 01.04.11 to 30.06.11 | Second quarter accruals period from 01.01.11 to 30.06.11 |
|-------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|
| Interest and similar income | 512,551 | 1,047,913 | 470,197 | 928,906 |
| Interest expense and similar charges | (143,709) | (281,182) | (122,130) | (233,617) |
| Net interest income | 368,842 | 766,731 | 348,067 | 695,289 |
| Fee and commission income | 176,878 | 358,014 | 191,613 | 386,734 |
| Fee and commission expense | (25,632) | (54,668) | (24,015) | (49,422) |
| Net fee and commission income | 151,246 | 303,346 | 167,598 | 337,312 |
| Dividend income | 5,489 | 5,489 | 5,657 | 5,657 |
| Net income on trade financial instruments and revaluation | 101,011 | 218,017 | 45,670 | 130,679 |
| Net gain on debt investment securities | 46,139 | 119,068 | 10,090 | 11,334 |
| Other operating income | 7,919 | 21,142 | 7,417 | 22,411 |
| Other operating expenses | (11,774) | (26,225) | (8,725) | (18,483) |
| Net other operating income | (3,855) | (5,083) | (1,308) | 3,928 |
| General administrative expenses | (345,288) | (743,870) | (353,457) | (685,559) |
| Depreciation of tangible and intangible assets | (17,890) | (34,313) | (14,774) | (29,202) |
| Profit/(loss) on sale of tangible fixed assets | 19 | 68 | 65 | 2,276 |
| Net impairment losses | (20,028) | (34,800) | (15,366) | (57,313) |
| Operating income | 285,685 | 594,653 | 192,242 | 414,401 |
| Share in net profits/(losses) of entities valued at equity method | 25 | 265 | 108 | 316 |
| Profit before tax | 285,710 | 594,918 | 192,350 | 414,717 |
| Income tax expense | (54,960) | (120,597) | (40,913) | (82,097) |
| Net profit | 230,750 | 474,321 | 151,437 | 332,620 |
| Weighted average number of ordinary shares (in pcs) | | 130,659,600 | | 130,659,600 |
| Net earnings per share (in PLN) | | 3.63 | | 2.55 |
| Diluted net earnings per share (in PLN) | | 3.63 | | 2.55 |
| Including: | | | | |
| Net profit due to shareholders of the dominant entity | | 474,321 | | 332,620 |
| Net profit due to non-controlling shareholders | | - | | - |

Condensed consolidated statement of comprehensive income

| <i>PLN '000</i> | Second quarter period from 01.04.12 to 30.06.12 | Second quarter accruals period from 01.01.12 to 30.06.12 | Second quarter period from 01.04.11 to 30.06.11 | Second quarter accruals period from 01.01.11 to 30.06.11 |
|-----------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|
| Net income | 230,750 | 474,321 | 151,437 | 332,620 |
| Other comprehensive income: | | | | |
| Valuation of financial assets available-for-sale (net) | 3,993 | 118,592 | 44,221 | 20,535 |
| Exchange rate differences | 677 | (1,175) | (184) | 144 |
| Other comprehensive income after tax | 4,670 | 117,417 | 44,037 | 20,679 |
| Total comprehensive income | 235,420 | 591,738 | 195,474 | 353,299 |
| Including: | | | | |
| Comprehensive income due to shareholders of the dominant entity | | 591,738 | | 353,299 |
| Comprehensive income due to non-controlling shareholders | | - | | - |

Condensed consolidated statement of financial position

| <i>PLN '000</i> | State as at | 30.06.2012 | 31.12.2011 |
|---------------------------------------------|-------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and balances with the Central Bank | | 646,256 | 979,616 |
| Amounts due from banks | | 1,020,211 | 548,256 |
| Financial assets held-for-trading | | 6,948,566 | 5,805,044 |
| Debt securities available-for-sale | | 15,608,249 | 17,625,355 |
| Capital investments valued at equity method | | 14,835 | 57,945 |
| Other capital investments | | 24,994 | 24,912 |
| Amounts due from customers | | 14,760,867 | 14,719,473 |
| Tangible fixed assets | | 444,539 | 457,929 |
| Intangible assets | | 1,309,998 | 1,292,067 |
| Income tax assets | | 294,522 | 338,757 |
| Current | | - | 3,436 |
| Deferred | | 294,522 | 335,321 |
| Other assets | | 757,259 | 403,182 |
| Fixed assets held-for-sale | | 25,662 | 25,662 |
| Total assets | | 41,855,958 | 42,278,198 |
| LIABILITIES | | | |
| Amounts due to banks | | 8,749,699 | 6,011,378 |
| Financial liabilities held-for-trading | | 3,643,835 | 4,840,447 |
| Amounts due to customers | | 21,121,471 | 24,095,847 |
| Liabilities due to debt securities issuance | | 23,054 | 25,336 |
| Provisions | | 73,063 | 34,914 |
| Income tax liabilities | | 22,821 | 72,921 |
| Current | | 22,821 | 72,921 |
| Other liabilities | | 1,546,693 | 752,874 |
| Total liabilities | | 35,180,636 | 35,833,717 |
| EQUITY | | | |
| Share capital | | 522,638 | 522,638 |
| Share premium | | 3,011,380 | 3,009,396 |
| Revaluation reserve | | 36,298 | (82,294) |
| Other reserves | | 2,638,277 | 2,264,082 |
| Retained earnings | | 466,729 | 730,659 |
| Total equity | | 6,675,322 | 6,444,481 |
| Total liabilities and equity | | 41,855,958 | 42,278,198 |

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 |
|------------------------------|---------------|---------------|---------------------|----------------|-------------------|------------------------|--------------|
| Balance as at 1 January 2012 | 522,638 | 3,009,396 | (82,294) | 2,264,082 | 730,659 | - | 6,444,481 |
| Total comprehensive income | - | - | 118,592 | (1,175) | 474,321 | - | 591,738 |
| Dividends to be paid | - | - | - | - | (360,897) | - | (360,897) |
| Transfer to capital | - | 1,984 | - | 375,370 | (377,354) | - | - |
| Balance as at 30 June 2012 | 522,638 | 3,011,380 | 36,298 | 2,638,277 | 466,729 | - | 6,675,322 |

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

| <i>PLN '000</i> | Share capital | Share premium | Revaluation reserve | Other reserves | Retained earnings | Non-controlling shares | Total equity |
|--------------------------------------------------|---------------|---------------|---------------------|----------------|-------------------|------------------------|--------------|
| Balance as at 1 January 2011 | 522,638 | 3,031,149 | (44,848) | 2,248,707 | 735,289 | - | 6,492,935 |
| Total comprehensive incomes | - | - | (37,446) | 3,094 | 736,413 | - | 702,061 |
| Valuation of capital rewards program, including: | - | - | - | (3,142) | - | - | (3,142) |
| valuation change | - | - | - | (6,336) | - | - | (6,336) |
| deferred income tax | - | - | - | 3,194 | - | - | 3,194 |
| Dividends paid | - | - | - | - | (747,373) | - | (747,373) |
| Transfer to capital | - | (21,753) | - | 15,423 | 6,330 | - | - |
| Balance as at 31 December 2011 | 522,638 | 3,009,396 | (82,294) | 2,264,082 | 730,659 | - | 6,444,481 |

Condensed consolidated statement of cash flows

| <i>PLN '000</i> | Second quarter accruals period from 01.01.12 to 30.06.12 | Second quarter accruals period from 01.01.11 to 30.06.11 |
|-----------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|
| Cash at the beginning of the reporting period | 1,044,182 | 3,311,780 |
| Cash flows from operating activities | (148,941) | (1,990,299) |
| Cash flows from investing activities | 4,022 | (34,936) |
| Cash flows from financing activities | (39,308) | (45,461) |
| Cash at the end of the reporting period | 859,955 | 1,241,084 |
| Increase / (decrease) in net cash | (184,227) | (2,070,696) |

Supplementary notes to the condensed consolidated financial statements

1 General information about the Bank and the Capital Group

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

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

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

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

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

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

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

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

The Group consists of the following subordinated entities:

| Subsidiaries | Registered office | % of votes at the General Meeting of Shareholders | |
|---------------------------------------------|-------------------|---------------------------------------------------|------------|
| | | 30.06.2012 | 31.12.2011 |
| Entities fully consolidated | | | |
| Dom Maklerski Banku Handlowego S.A. | Warsaw | 100.00 | 100.00 |
| Handlowy-Leasing Sp. z o.o. | Warsaw | 100.00 | 100.00 |
| Handlowy Investments S.A. | Luxembourg | 100.00 | 100.00 |
| PPH Spomasz Sp. z o.o. w likwidacji | Warsaw | 100.00 | 100.00 |
| Entities valued at equity method | | | |
| Handlowy Inwestycje Sp. z o.o. | Warsaw | 100.00 | 100.00 |
| Handlowy Investments II S.a.r.l. | Luxembourg | 100.00 | 100.00 |
| Bank Rozwoju Cukrownictwa S.A. w likwidacji | Poznań | 100.00 | 100.00 |

In the second quarter of 2012 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 2011.

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 publishes its financial results for the 6 month period ended 30 June 2012 which is deemed to be the current interim financial reporting period.

3 Principles accepted at the composition of the report

The condensed interim consolidated financial statements of the Group for the second quarter 2012 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 2011.

The preparation of condensed interim consolidated financial statements of the Group with accordance to IFRS requires from the Management to make certain estimates and adopting the realted assumptions that affect the amounts reported in the financial statements. This financial statems is based on the same estimation rules, which were used in the annual financial statements of the Group for the period ended 31 December 2011, 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 2012, concern:

- Value loss of financial assets,
- Valuation to the fair value of derivatives,
- Employee benefits.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2012 to 30 June 2012. Comparable financial data are presented for the period from 1 January 2011 to 30 June 2011 and for the statement of financial position as at 31 December 2011.

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

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

Monthly macroeconomics data suggest a further slowdown of Poland's economic growth in the second quarter of 2012 as compared to 3.5% YoY in the first quarter of 2011 and 4.3% in the last quarter of 2011. In the period of April-June 2012 industrial production increased on average by 2.9% as compared to corresponding period of the previous year and the PMI index indicated on lower dynamics both in domestic and export orders. The export growth rate in April and May 2012 was on average 0.5% YoY, while import dynamics declined by 1.9% YoY. In the corresponding period of the previous year, these figures increased by 12.2% YoY and 16.1% YoY, respectively.

The weakening of industrial production was accompanied by signals of a deteriorating situation on the labor market. Admittedly, in May 2012 the unemployment rate reached 12.6% after a drop from 12.9% noticed in April 2012, however these rates were still close to the highest since April 2007. At the same time the employment rate dynamics in industry slowed to 0.1% YoY in June 2012. Retail sales in April and May 2012 recorded a significant downturn. In the period of April-May 2012 the growth on average was 6.6% (in nominal terms), while in the period of January-March 2012 was on average 12.9%. Such a high difference most likely reflects consumers' sentiment deterioration and a situation on a labor market.

In the second quarter of 2012, the inflation rate fell slightly to 4.0% YoY against 4.1% YoY in the first quarter of 2012. Fuel, energy carriers and goods, and services related to education noticed the fastest increase in prices. The inflation rate had remained above the inflation target for a certain period of time, which finally resulted in an increase of reference rate by 25 bp, reaching 4.75%, made by

Monetary Policy Council (MPC) in May 2012. However, due to the varied opinions of MPC members and the slowdown in economic growth, the market expects interest rate cuts in subsequent quarters

After a significant weakening in the second half of the previous year, the zloty experienced a marked recovery against the euro and dollar in the first quarter of 2012. In April and May 2012 the zloty depreciated against these currencies, as a result of global risk averse increase, among others driven by parliamentary elections in Greece, which proved to be inconclusive for the prospects of an agreement with international lenders. In June 2012 the second elections were held in Greece, which explained the precarious situation, improving the risk appetite. Additionally a positive influence on global sentiment had a cut of interest rates by the Bank of China and European Central Bank (ECB), as well as financial support from the Euro Area for the Spanish banking sector. Consequently Polish currency notices appreciation in the last month of the second quarter of 2012. For the strengthening of the zloty contributed the high demand of foreign investors in government bonds. The yields on 5-year bonds and 10-year bonds reached the lowest levels since 2006. This resulted in a distancing from the highs established courses in the last year. EUR/PLN exchange rate at the end of June 2012 was 4.26 against 4.16 at the end of the first quarter of 2012, and USD/PLN exchange rate was 3.39 at the end of June 2012 compared to 3.12 at the end of March 2012.

In the second quarter of 2012, fluctuations of the risk appetite caused in a significant variability of domestic bonds profitability. In April and May 2012 increases occurred at the short end of the curve due to the increase in interest rates by the MPC, the previously described situation in Greece and the weakening of the zloty. In June 2012 profitability of bonds recorded a substantial drop, positively improved by decline in profitability in the core markets, which turned investors to seek more lucrative securities. Favorable debt market conditions enabled the realization of almost 80% of the borrowing needs of Poland at the end of June 2012 and the prospects of a small supply of treasury securities in the second half of 2012 years also contributed to the decline in bond yields. At the end of the second quarter of 2012, due to these factors bonds' profitability returned to similar levels as recorded at the end of the first quarter of 2012. Yields on 2-year bonds at the end of the second quarter of 2012 were the same as at the end of March 2012, i.e. 4.59%, while yields on 10-year bonds fell by about 35 bp to 5.14%. 3M-WIBOR increased during this period to 5.13% from 4.94% at the end of March 2012.

The second quarter of 2012 brought a correction of rises reached in the first three months of 2012. Concerns about the Euroland condition (the issue of a possibility of Greece excluding from the EU, the problems of Spain) and the risk of economic slowdown in China become a source of anxiety in financial markets. Additionally, Warsaw Stock Exchange (WSE) was influenced by negative data concerning the Polish economy, including weakening condition on the labor market and deteriorating PMI value.

In the second quarter of 2012, companies paying regular dividends turned out to be the best, for which the WIG-div noted the symbolic reduction (-0.1% compared to the end of the first quarter of 2012). Among the main indexes WIG20 slightly decreased by 0.5%, although it behaved much better than companies with a medium (mWIG40 fell by 8.1%) and small capitalization (sWIG80 declined by 7.2%). In terms of sectors, next quarter in a row the highest return recorded WIG-Chemicals (+6.9% QoQ). The relatively good performance was noticed by the banking sector (+2.2% QoQ) and the raw material sector (+0.7% QoQ). On the other hand, problems in the construction sector caused a sale of companies in this industry and in effect, the value of WIG-Construction subindex fell by over 32%. In annual terms, almost all indexes recorded significant discounts, particularly sWIG80 whose value at the end of June 2012 was lower by over 21% YoY. Companies included to WIG-Construction index (-62.4% YoY) and WIG-developers (-46.7% YoY) had the largest price reduction. An opposite performance were presented by WIG-Chemicals and WIG-Telecommunications indexes, which reached higher levels than in a corresponding period of 2011 (11.9% and 2.3%, respectively).

The primary market of the WSE presented no significant improvement. During this period shared of six new companies debuted on the main stock exchange and the total value of offerings was just over PLN 293 million.

At the end of the second quarter of 2012, stocks of 434 companies were traded on WSE's main trading floor. The total capitalization of all entities' stocks traded was nearly PLN 670 bn and the market valuation of domestic companies accounted for 71% of WSE's total capitalization.

Warsaw Stock Exchange equity market, as at 30 June 2012

| Index | 30.06.2012 | 31.03.2012 | Change (%) QoQ | 30.06.2011 | Change (%) YoY |
|------------------------------------|------------|------------|-------------------|------------|-------------------|
| WIG | 40,810.88 | 41,267.16 | (1.1%) | 48,414.36 | (15.7%) |
| WIG-PL | 40,721.39 | 40,908.02 | (0.5%) | 47,811.51 | (14.8%) |
| WIG-div | 979.48 | 980.95 | (0.1%) | 1,045.72 | (6.3%) |
| WIG20 | 2,275.30 | 2,286.53 | (0.5%) | 2,802.01 | (18.8%) |
| mWIG40 | 2,300.09 | 2,503.64 | (8.1%) | 2,850.55 | (19.3%) |
| sWIG80 | 9,520.17 | 10,262.46 | (7.2%) | 12,085.98 | (21.2%) |
| Sector specific sub-indices | | | | | |
| WIG-Banks | 6,021.14 | 5,894.31 | 2.2% | 6,801.48 | (11.5%) |
| WIG-Construction | 1,602.22 | 2,371.62 | (32.4%) | 4,258.96 | (62.4%) |
| WIG-Chemicals | 8,491.31 | 7,944.08 | 6.9% | 7,588.77 | 11.9% |
| WIG-Developers | 1,236.74 | 1,408.39 | (12.2%) | 2,322.16 | (46.7%) |
| WIG-Energy | 3,612.05 | 3,666.06 | (1.5%) | 4,385.79 | (17.6%) |
| WIG-IT | 1,137.40 | 1,184.43 | (4.0%) | 1,258.34 | (9.6%) |
| WIG-Media | 2,424.63 | 2,625.77 | (7.7%) | 3,385.52 | (28.4%) |
| WIG-Fuel industry | 2,744.11 | 2,746.96 | (0.1%) | 3,554.70 | (22.8%) |
| WIG-Food industry | 3,284.71 | 3,747.43 | (12.3%) | 4,373.05 | (24.9%) |
| WIG-Raw Materiale | 4,266.19 | 4,236.63 | 0.7% | 5,289.89 | (19.4%) |
| WIG-Telecommunication | 1,429.83 | 1,460.81 | (2.1%) | 1,397.38 | 2.3% |

Source: WSE, Dom Maklerski Banku Handlowego S.A

Volumes of trade in shares, bonds and derivative instruments on WSE in the second quarter of 2012

| | 2Q 2012 | 1Q 2012 | Change (%) QoQ | 2Q 2011 | Change (%) YoY |
|------------------------------------|---------|---------|-------------------|---------|-------------------|
| Shares (PLN million)* | 86,646 | 118,523 | (26.9%) | 142,193 | (39.1%) |
| Bonds (PLN million) | 199 | 972 | (79.6%) | 343 | (42.0%) |
| Futures contracts (thousand units) | 6,050 | 5,220 | 15.9% | 5,983 | 1.1% |
| Option contracts (thousand units) | 310 | 286 | 8.4% | 471 | (34.3%) |

* without tender offers

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

In the second quarter of 2012 investors' activity in the stock market was significantly lower, which implied a market drop of the total value of stock trading both in annual (-39.1%) and quarterly terms (-26.9%).

The turnover of bond trade recorded even a greater decrease. The value of debt instruments traded totaled only PLN 199 million – a decrease by 42% YoY and by nearly 80% compared to the first quarter of 2012.

The trading volume of future contracts recorded a solid growth of 15.9% compared to the first three months of 2012, although in comparison with the second quarter of 2012 grew by 1.1%.

Despite the increase in the volume of option trade market against the first quarter of 2012 by 8.4%, in comparison with the corresponding period of 2011 investors' activity in this segment fell by over 34%.

5 Situation in the banking sector

The banking sector in the second quarter of 2012 began to show early signs to decelerate. According to data published by the National Bank of Poland (NBP), May 2012 was the first month since February 2011, when the monthly net profit of the banking sector amounted to less than PLN 1 bn. The greatest contribution on this state had a significant increase in net impairment losses. Compared to April 2012, the monthly growth in impairment charges amounted to 64%. Also in June 2012 net charges exceeded PLN 1.1 bn (an increase compared to June 2011 by 54%). The dynamics of impairment charges was strongly affected by the credit portfolio deterioration of large companies (due to the problems regarding construction segment). Non-performing loans (NPL) index for loans to large enterprises

maintained its rising trend initiated in January 2012 (7.3%). In June 2012 the index reached 9.4% (an increase of 1.2 pp over a year).

Revenue growth in the second quarter of 2012 amounted to 5% YoY (to PLN 15.2 bn). In the same period the general costs of the sector increased by less than 3% YoY (reaching PLN 7.6 bn), which resulted in an increase in operating margin by 7% YoY (+ PLN 7.6 bn). The main driver of growth in the second quarter of 2012 was the other revenue position. Revenues in this category rose by just over PLN 0.5 bn (25% YoY). Net interest income in this period grew by 2% YoY (+ PLN 150 million) to nearly PLN 8.8 bn. Net fee and commission income remained unchanged – amounting to PLN 3.6 bn.

At the end of June 2012, corporate loans amounted to PLN 252 bn, an increase of PLN 28 bn or 12% YoY. The volume of investment loans grew at a rate of 19% YoY, mortgage loans: - 9% YoY, and current loans: -11% YoY. Other credits and loans to corporate were characterized by negative dynamics on an annual basis. The quality of corporate loans' portfolio measured by NPL ratio deteriorated in annual terms (an increase by 0.2 pp from 10.9% in June 2011 to 11.1% at end of June 2012), mainly as a result of deterioration in the segment of large enterprises (an increase from 8.2% in June 2011 to 9.4% in June 2012), while the index for a portfolio of small and medium-sized businesses fluctuates around 12.2%.

Households' loans rose in annual terms by PLN 37 bn (+8% YoY). The growth was mainly affected by mortgage loans, with total volume increase by PLN 34 bn since May 2011 (+12% YoY), but the dynamics of this portfolio is susceptible to exchange rates fluctuations. Excluding the impact of the weakening Polish zloty against Swiss franc and Euro by 7%, mortgage loans volume increased at a rate of 7% YoY (+ PLN 21 bn). Loans granted in Polish currency accounted to 95% of this annual growth. The consumer loans portfolio continued its negative trend initiated 16 months ago, due to regulatory restrictions imposed. At the end of June 2012 the value of this portfolio totaled PLN 131 bn (decline by PLN 3 bn or 3% than in the corresponding period of 2011). The quality of this portfolio remained the same over a year. The NPL ratio for loans granted to households was 17.8% at the end of June 2012.

The capital adequacy ratio (CAR) for the banking sector slightly declined during the year from 13.7% recorded at the end of June 2011 to 13.6%. Tier 1 ratio remained unchanged at the level of 12.3%.

The volume of deposits on corporate current accounts noticed a decrease by 5% YoY to PLN 81 bn at the end of June 2012, while term deposits balance recorded an increase in the corresponding period by 9% YoY to PLN 102 bn. Corporate deposits in total grew by 2% YoY – a lower growth than recorded in June 2011 (6% YoY).

Households deposits growth rate was characterized by greater dynamics, for which balance in annual terms rose by PLN 55 bn (+13% YoY) and totaled PLN 482 bn. 93% of this growth correspond to term deposits change (+PLN 51 bn, i.e. +26% YoY), while current deposits at the end of June 2012 recorded a slight increase by 2% YoY (+ PLN 4 bn). In annual terms, households deposits dynamics grew versus the value noticed in June 2011 (9% YoY). It demonstrates the growing interest in bank deposits as a safe form of saving, while continued uncertainty in capital markets.

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

1. Statement of financial position

At the end of the second quarter of 2012, total assets were PLN 41.9 billion versus PLN 42.3 billion reported at the end of 2011, down by PLN 0.4 billion (i.e. 1.0%). The decline was impacted by the following factors:

- decline in balance for debt securities available-for-sale by PLN 2.0 billion, i.e. 11.4%, reflecting a partial portfolio sales due to the bond yields drop in the market;
- increase in financial assets held-for-trading by PLN 1.1 billion, i.e. 19.7%, principally reflecting the growth of the bond portfolio;
- slight increase in net receivables from customers (by PLN 0.04 billion, i.e. 0.3%), mainly attributable to an increase of receivables from non-financial sector by PLN 0.3 billion, i.e. 2.0% driven by an increase in loans for corporate customers (up by PLN 0.2 billion, i.e. 2.5%) as well as loans for individual customers (increase by PLN 0.1 billion, i.e. 1.3%). Still, there was a decrease in receivables from financial sector (by PLN 0.2 billion, i.e. 23.6%), reflecting a reduction in receivables subject to repurchased agreement.

Amounts due from customers

| PLN '000 | 30.06.2012 | 31.12.2011 | Change | |
|-----------------------------------------------------------|-------------------|-------------------|---------------|-------------|
| | | | PLN '000 | % |
| Amounts due from financial sector entities | 771,578 | 1,009,315 | (237,737) | (23.6%) |
| Amounts due from nonfinancial sector entities, including: | 13,989,289 | 13,710,158 | 279,131 | 2.0% |
| Corporate clients* | 8,813,601 | 8,598,887 | 214,714 | 2.5% |
| Individual clients, including: | 5,175,688 | 5,111,271 | 64,417 | 1.3% |
| credit cards | 2,169,893 | 2,250,751 | (80,858) | (3.6%) |
| cash loans to private persons | 2,165,486 | 2,189,440 | (23,954) | (1.1%) |
| mortgage loans | 759,478 | 583,674 | 175,804 | 30.1% |
| Total net receivables from customers | 14,760,867 | 14,719,473 | 41,394 | 0.3% |

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

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

| PLN '000 | 30.06.2012 | 31.12.2011 | Change | |
|-----------------------------------------------------------|--------------------|--------------------|-----------------|-------------|
| | | | PLN '000 | % |
| Not at risk of impairment, including: | 14,455,788 | 14,356,929 | 98,859 | 0.7% |
| non-financial sector entities | 13,684,076 | 13,347,525 | 336,551 | 2.5% |
| corporate clients* | 8,590,296 | 8,331,622 | 258,674 | 3.1% |
| individual clients | 5,093,780 | 5,015,903 | 77,877 | 1.6% |
| At risk of impairment, including: | 1,449,418 | 1,481,786 | (32,368) | (2.2%) |
| non-financial sector entities | 1,430,421 | 1,462,789 | (32,368) | (2.2%) |
| corporate clients* | 559,798 | 616,513 | (56,715) | (9.2%) |
| individual clients | 870,623 | 846,276 | 24,347 | 2.9% |
| Dues related to matured derivative transactions | 116,429 | 116,547 | (118) | (0.1%) |
| Total gross receivables from customers, including: | 16,021,635 | 15,955,262 | 66,373 | 0.4% |
| non-financial sector entities | 15,114,497 | 14,810,314 | 304,183 | 2.1% |
| corporate clients* | 9,150,094 | 8,948,135 | 201,959 | 2.3% |
| individual clients | 5,964,403 | 5,862,179 | 102,224 | 1.7% |
| Impairment, including: | (1,260,768) | (1,235,789) | (24,979) | 2.0% |
| Dues related to matured derivative transactions | (95,200) | (96,063) | 863 | (0.9%) |
| Total net receivables from customers | 14,760,867 | 14,719,473 | 41,394 | 0.3% |
| Provision coverage ratio | 80.4% | 76.9% | | |
| corporate clients* | 63.9% | 60.0% | | |
| individual clients | 90.6% | 88.7% | | |

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

Amounts due from customers, gross, divided into performing vs. non-performing

| PLN '000 | 30.06.2012 | 31.12.2011 | Change | |
|----------------------------------|------------|------------|----------|--------|
| | | | PLN '000 | % |
| Performing loans, including: | 14,519,382 | 14,425,608 | 93,774 | 0.7% |
| non-financial sector entities | 13,747,670 | 13,416,204 | 331,466 | 2.5% |
| corporate clients* | 8,590,296 | 8,331,622 | 258,674 | 3.1% |
| individual clients | 5,157,374 | 5,084,582 | 72,792 | 1.4% |
| Non-performing loans, including: | 1,385,824 | 1,413,107 | (27,283) | (1.9%) |
| non-financial sector entities | 1,366,827 | 1,394,110 | (27,283) | (2.0%) |
| corporate clients* | 559,798 | 616,513 | (56,715) | (9.2%) |
| individual clients | 807,029 | 777,597 | 29,432 | 3.8% |

| PLN '000 | 30.06.2012 | 31.12.2011 | Change | |
|-------------------------------------------------|------------|------------|----------|--------|
| | | | PLN '000 | % |
| Dues related to matured derivative transactions | 116,429 | 116,547 | (118) | (0.1%) |
| Total gross receivables from customers | 16,021,635 | 15,955,262 | 66,373 | 0.4% |
| Non-performing loans ratio (NPL) | 8.7% | 8.9% | | |

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

On the liabilities side, liabilities towards clients decreased by PLN 3.0 billion, i.e. 12.3%, compared to the end of 2011, which was primarily driven by a reduction in corporate clients deposits held on current accounts (down by PLN 1.9 billion, i.e. 23.4%) and term deposits (by PLN 1.6 billion, i.e. 22%). In terms of retail customers, the current accounts continued to grow for the next consecutive quarter (by PLN 0.2 billion, i.e. 3.8% versus the end of 2011), which confirmed the effectiveness of the Bank's strategy primarily concentrated on the operating accounts. At the same time, there was a slight decrease of retail term deposits. Financial sector deposits were slightly up, mainly as a result of an increase in balance of term deposits.

Amounts due to customers

| PLN '000 | 30.06.2012 | 31.12.2011 | Change | |
|-------------------------------------------|-------------------|-------------------|--------------------|----------------|
| | | | PLN '000 | % |
| Customers deposits | | | | |
| Current accounts, including: | 11,501,497 | 13,228,771 | (1,727,274) | (13.1%) |
| financial sector entities | 282,115 | 267,645 | 14,470 | 5.4% |
| non-financial sector entities, including: | 11,219,382 | 12,961,126 | (1,741,744) | (13.4%) |
| Corporate clients*, including: | 6,300,865 | 8,224,387 | (1,923,522) | (23.4%) |
| Budgetary units | 1,039,540 | 2,607,506 | (1,567,966) | (60.1%) |
| Individual clients | 4,918,517 | 4,736,739 | 181,778 | 3.8% |
| Time deposits, including | 9,403,950 | 10,672,927 | (1,268,977) | (11.9%) |
| financial sector entities | 2,390,899 | 1,963,538 | 427,361 | 21.8% |
| non-financial sector entities, including: | 7,013,051 | 8,709,389 | (1,696,338) | (19.5%) |
| Corporate clients*, including: | 5,818,573 | 7,463,779 | (1,645,206) | (22.0%) |
| Budgetary units | 592,174 | 762,883 | (170,709) | (22.4%) |
| Individual customers | 1,194,478 | 1,245,610 | (51,132) | (4.1%) |
| Accrued interest | 19,528 | 20,307 | (779) | (3.8%) |
| Total customers deposits | 20,924,975 | 23,922,005 | (2,997,030) | (12.5%) |
| Other amounts due to customers | 196,496 | 173,842 | 22,654 | 13.0% |
| Total amounts due to customers | 21,121,471 | 24,095,847 | (2,974 376) | (12.3%) |

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

2. Income statement

In the second quarter of 2012, the Group delivered a consolidated net profit of PLN 230.8 million, which is an increase by PLN 79.3 million (i.e. 52.4%) as compared to the second quarter of 2011. The revenues of the Group surged by PLN 93.1 million (i.e. 16.2%) to PLN 668.9 million.

The main determinants of the Group's combined operating result in the second quarter of 2012 versus the second quarter of 2011 were following:

- net interest income of PLN 368.8 million versus PLN 348.1 million in the second quarter of 2011 - up by PLN 20.8 million, i.e. 6.0%, stemming primarily from higher by PLN 24.1 million (i.e. 8.4%) interest income from receivables from customers, which were up by PLN 2.1 billion, i.e. 17.0% versus the second quarter of 2011. Additionally, the interest income from debt securities held-for-

trading improved (as a result of an increase in an average portfolio balance) with a simultaneous reduction in interest income from debt securities available-for-sale (the effect of lower average level of securities in the second quarter of 2012). Still, the level of interest costs in the second quarter of 2012 was higher versus 2011, particularly in the area of liabilities towards banks (increase of liabilities balance by PLN 1.8 billion YoY) and towards non-financial sector (as a result of deposit increase by PLN 0.5 billion YoY and interest rate increase - three interest rate rises in the second and third quarter of 2011 and one in the second quarter of 2012);

Interest income

| PLN '000 | 01.04 - 30.06.2012 | 01.04 - 30.06.2011 | Change | |
|-------------------------------------------------|-----------------------|-----------------------|-----------------|--------------|
| | | | PLN '000 | % |
| Interest and similar income from: | | | | |
| Balances with Central Bank | 9,678 | 8,484 | 1,194 | 14.1% |
| Amounts due from banks | 11,413 | 6,773 | 4,640 | 68.5% |
| Amounts due from customers, including: | 311,724 | 287,603 | 24,121 | 8.4% |
| financial sector entities | 10,640 | 5,716 | 4,924 | 86.1% |
| non-financial sector, including: | 301,084 | 281,887 | 19,197 | 6.8% |
| credit cards | 90,241 | 90,495 | (254) | (0.3%) |
| Debt securities available-for-sale | 149,628 | 159,119 | (9,491) | (6.0%) |
| Debt securities held-for-trading | 30,108 | 8,218 | 21,890 | 266.4% |
| Total | 512,551 | 470,197 | 42,354 | 9.0% |
| Interest expense and similar charges on: | | | | |
| Amounts due to banks | (26,893) | (10,358) | (16,535) | 159.6% |
| Amounts due to financial sector entities | (22,096) | (23,525) | 1,429 | (6.1%) |
| Amounts due to non-financial sector entities | (92,690) | (85,328) | (7,362) | 8.6% |
| Loans and advances received | (1,798) | (2,542) | 744 | (29.3%) |
| Debt securities issuance | (232) | (377) | 145 | (38.5%) |
| Total | (143,709) | (122,130) | (21,579) | 17.7% |
| Net interest income | 368,842 | 348,067 | 20,775 | 6.0% |

- net fee and commission income of PLN 151.2 million versus PLN 167.6 million in the second quarter of 2011- down by PLN 16.4 million, i.e. 9.8%, primarily due to lower commission income related to brokerage activities (high commission income in the second quarter of 2011 was attributable to Group's participation in initial public offerings of companies with State Treasury shareholding – Jastrzębska Spółka Węglowa S.A. and Bank Gospodarki Żywnościowej S.A.). Decline in commission income from the brokerage operations was also due to a reduction in equity turnover volumes in the second quarter of 2012 (drop by 38% versus the same period last year). Also the commission income from insurance and investment products went down, primarily reflecting lower income from investment fund sales as a result of shift in clients' preferences to invest in less risky products. Still, the commission income from payment and credit cards improved, driven amongst other by higher card transaction volumes versus the second quarter of 2011.

Fee and commission income

| PLN '000 | 01.04 - 30.06.2012 | 01.04 - 30.06.2011 | Change | |
|-----------------------------------|-----------------------|-----------------------|----------|---------|
| | | | PLN '000 | % |
| Fee and commission income | | | | |
| Insurance and investment products | 30,239 | 34,105 | (3,866) | (11.3%) |
| Payment and credit cards | 63,935 | 58,875 | 5,060 | 8.6% |
| Payment orders | 27,250 | 28,825 | (1,575) | (5.5%) |
| Custody services | 23,149 | 22,270 | 879 | 3.9% |
| Cash loans | 1,790 | 2,546 | (756) | (29.7%) |
| Brokerage operations | 11,219 | 25,876 | (14,657) | (56.6%) |
| Account cash management services | 7,068 | 7,384 | (316) | (4.3%) |

| PLN '000 | 01.04 - 30.06.2012 | 01.04 - 30.06.2011 | Change | |
|------------------------------------------------------------|-----------------------|-----------------------|-----------------|---------------|
| | | | PLN '000 | % |
| Off-balance-sheet guarantee liabilities | 3,576 | 3,688 | (112) | (3.0%) |
| Off-balance-sheet financial liabilities | 1,569 | 1,832 | (263) | (14.4%) |
| Other | 7,083 | 6,212 | 871 | 14.0% |
| Total | 176,878 | 191,613 | (14,735) | (7.7%) |
| Fee and commission expense | | | | |
| Payment and credit cards | (13,772) | (10,865) | (2,907) | 26.8% |
| Brokerage operations | (4,506) | (6,717) | 2,211 | (32.9%) |
| Fees paid to the National Depository for Securities (KDPW) | (4,111) | (4,201) | 90 | (2.1%) |
| Brokerage fees | (905) | (935) | 30 | (3.2%) |
| Other | (2,338) | (1,297) | (1,041) | 80.3% |
| Total | (25,632) | (24,015) | (1,617) | 6.7% |
| Net fee and commission income | | | | |
| Insurance and investment products | 30,239 | 34,105 | (3,866) | (11.3%) |
| Payment and credit cards | 50,163 | 48,010 | 2,153 | 4.5% |
| Payment orders | 27,250 | 28,825 | (1,575) | (5.5%) |
| Custody services | 23,149 | 22,270 | 879 | 3.9% |
| Cash loans | 1,790 | 2,546 | (756) | (29.7%) |
| Brokerage operations | 6,713 | 19,159 | (12,446) | (65.0%) |
| Account cash management services | 7,068 | 7,384 | (316) | (4.3%) |
| Off-balance-sheet guarantee liabilities | 3,576 | 3,688 | (112) | (3.0%) |
| Off-balance-sheet financial liabilities | 1,569 | 1,832 | (263) | (14.4%) |
| Fees paid to the National Depository for Securities (KDPW) | (4,111) | (4,201) | 90 | (2.1%) |
| Brokerage fees | (905) | (935) | 30 | (3.2%) |
| Other | 4,745 | 4,915 | (170) | (3.5%) |
| Total | 151,246 | 167,598 | (16,352) | (9.8%) |

- net income on trade financial instruments and revaluation of PLN 101.0 million versus PLN 45.7 million in the second quarter of 2011, i.e. up by PLN 55.3 million, mainly as a result of higher result on the Bank's proprietary management;
- net income on debt investment securities of PLN 46.1 million versus PLN 10.1 million in the second quarter of 2011 – up by PLN 36.0 million due to the realized gains in the declining bond yields environment in the second quarter of 2012;
- operating expenses and overheads including depreciation expenses of PLN 363.2 million versus PLN 368.2 million in the analogical period of 2011 – down by 5.1 million (i.e. 1.4%) due to a reduction in administrative costs by PLN 10.8 million (i.e. 5.9%), mainly as a result of lower product distribution and transactional costs with a simultaneous surge in technological infrastructure expenses. Staff expenses increased by PLN 2.6 million (i.e. 1.5%) together with depreciation costs, driven by accelerated depreciation related to branch network optimization.

General administrative expenses and depreciation expense

| PLN '000 | 01.04 - 30.06.2012 | 01.04 - 30.06.2011 | Change | |
|----------------------------------------------------------------|-----------------------|-----------------------|---------------|---------------|
| | | | PLN '000 | % |
| Staff expenses | (173,796) | (171,184) | (2,612) | 1.5% |
| Remuneration costs | (141,817) | (142,764) | 947 | (0.7%) |
| Bonuses and rewards | (31,979) | (28,420) | (3,559) | 12.5% |
| Administrative expenses | (171,492) | (182,273) | 10,781 | (5.9%) |
| Telecommunication fees and hardware purchase costs | (49,756) | (40,673) | (9,083) | 22.3% |
| Advisory, audit, consulting and other external services' costs | (20,806) | (22,690) | 1,884 | (8.3%) |
| Building maintenance and rent costs | (26,316) | (25,723) | (593) | 2.3% |

| PLN '000 | 01.04 - 30.06.2012 | 01.04 - 30.06.2011 | Change | |
|------------------------------------------------------------------------|-----------------------|-----------------------|--------------|---------------|
| | | | PLN '000 | % |
| Marketing costs | (15,539) | (16,002) | 463 | (2.9%) |
| Cash management services, KIR service and other transactional costs | (10,993) | (14,341) | 3,348 | (23.3%) |
| Costs of external services concerning distribution of banking products | (13,606) | (21,282) | 7,676 | (36.1%) |
| Postal services, office supplies and printmaking costs | (5,350) | (8,582) | 3,232 | (37.7%) |
| Training and education costs | (1,420) | (2,495) | 1,075 | (43.1%) |
| Banking supervision costs | (2,085) | (2,517) | 432 | (17.2%) |
| Other costs | (25,621) | (27,968) | 2,347 | (8.4%) |
| Depreciation/amortization of tangible and intangible assets | (17,890) | (14,774) | (3,116) | 21.1% |
| Total | (363,178) | (368,231) | 5,053 | (1.4%) |

- net impairment losses of PLN 20.0 million versus PLN 15.4 million in the second quarter of 2011 (up by PLN 4.7 million, i.e. 30.3%). The increased net impairment losses in Corporate Banking were predominantly a result of higher risk of borrowers' failure to fulfill their obligations under loan agreements on time, mainly in the individually assessed portfolio. Still, Retail corporate losses decreased due to credit policy changes introduced over past years and their positive impact on consumer loan and credit card portfolio. In the second quarter of 2012, a part of retail impaired exposures of value of PLN 89.5 million was sold (written-off the Bank's balance sheet in full) for PLN 14.2 million.

Net impairment losses

| PLN '000 | 01.04 - 30.06.2012 | 01.04 - 30.06.2011 | Change | |
|----------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------|----------------|
| | | | PLN '000 | % |
| Net impairment write-downs of financial assets | | | | |
| Impairment write-downs | | | | |
| Amounts due from banks | (290) | (300) | 10 | (3.3%) |
| Amounts due from customers | (87,031) | (95,277) | 8,246 | (8.7%) |
| Dues related to matured transactions on derivative instruments | (1,150) | (53) | (1,097) | 2069.8% |
| Other | (3,326) | (3,860) | 534 | (13.8%) |
| | (91,797) | (99,490) | 7,693 | (7.7%) |
| Reversals of impairment write-downs | | | | |
| Amounts due from banks | 98 | 393 | (295) | (75.1%) |
| Amounts due from customers | 57,671 | 86,469 | (28,798) | (33.3%) |
| Dues related to matured transactions on derivative instruments | 110 | 479 | (369) | (77.0%) |
| Recovery of receivables written down | 14,551 | - | 14,551 | - |
| | 72,430 | 87,341 | (14,911) | (17.1%) |
| | (19,367) | (12,149) | (7,218) | 59.4% |
| Net (charges to)/releases of provisions for off-balance-sheet commitments | | | | |
| Charges to provisions for off-balance-sheet commitments | (4,890) | (10,932) | 6,042 | (55.3%) |
| Releases of provisions for off-balance-sheet commitments | 4,229 | 7,715 | (3,486) | (45.2%) |
| | (661) | (3,217) | 2,556 | (79.5%) |
| Net impairment losses | (20,028) | (15,366) | (4,662) | 30.3% |

3. Ratios

In the second quarter of 2012 basic financial ratios were as follows:

| Financial ratios | Q2 2012 | Q2 2011 |
|------------------------------------------------------------------|---------|---------|
| ROE * | 14.8% | 12.8% |
| ROA** | 2.2% | 1.6% |
| Cost/Income | 54% | 64% |
| Loans to non-financial sector/Deposits from non-financial sector | 77% | 69% |
| Loans to non-financial sector/Total assets | 33% | 31% |
| Net interest income/Revenue | 55% | 60% |
| Net fee and commission income/Revenue | 23% | 29% |

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

** Sum of net profit for the last four quarters to the average assets for the last four quarters.

Group employment*

| In full time job equivalents (FTE) | 01.01 – | | Change | |
|-----------------------------------------|-------------|------------|--------|-------|
| | 30.06. 2012 | 30.06.2011 | FTEs | % |
| Average employment in the first quarter | 5,360 | 5,841 | (481) | (8.2) |
| Average employment in the period | 5,461 | 5,797 | (336) | (5.8) |
| Employment at the end of quarter | 5,295 | 5,879 | (584) | (9.9) |

*does not include employees on parental and unpaid leave

In the second quarter 2012 the Group noted a significant drop in the employment in comparison to the corresponding period of 2011. It was a result of group layoffs started in the period due to employment restructuring in connection with optimization of branch network aiming at increasing of the effectiveness in retail business and other areas of the Bank.

As at 30 June 2012, capital adequacy ratio of the Group amounted to 18.3% and was 1.9 percentage point higher comparing to the end of 2011, mainly because of the increase of the own funds of the Group due to retention of 50% of the Bank's net profit for 2011. The total capital requirement remained almost unchanged.

Capital adequacy ratio*

| PLN '000 | 30.06.2012 | 31.12.2011 |
|----------------------------------------------------------------------------------------------|------------|------------|
| I Own funds in total, including: | 4,875,267 | 4,354,853 |
| Reduction of basic and supplementary funds | | |
| investments in financial entities | 14,835 | 57,945 |
| intangible assets, including: | 1,309,997 | 1,292,066 |
| goodwill | 1,245,976 | 1,245,976 |
| II Risk-weighted assets and off-balance-sheet commitments (bank portfolio) | 18,849,613 | 18,042,413 |
| III Total capital requirements, including: | 2,132,557 | 2,130,748 |
| credit risk capital requirements (II*8%) | 1,507,969 | 1,443,393 |
| counterparty risk capital requirements | 97,683 | 133,148 |
| capital requirements for excess of exposures' concentration limit and large exposures' limit | 67,086 | 87,064 |
| total market risk capital requirements | 71,570 | 83,167 |
| operational risk capital requirements | 366,893 | 360,531 |
| other capital requirements | 21,356 | 23,445 |
| Capital adequacy ratio (I/III*12,5) | 18.3% | 16.4% |

*Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 76/2010 of the Commission for Banking

Supervision dated 10 March 2010 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (KNF Official Journal No. 2. item 11 as amended).

7 Segmental reporting

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

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

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

Corporate Banking

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

Consumer Banking

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

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

Consolidated income statement of the Group by business segment

| For the period | 01.01. – 30.06.2012 | | | 01.01. – 30.06.2011 | | |
|-----------------------------------------------------------|---------------------|------------------|-----------|---------------------|------------------|-----------|
| | Corporate Banking | Consumer Banking | Total | Corporate Banking | Consumer Banking | Total |
| <i>PLN '000</i> | | | | | | |
| Net interest income | 376,350 | 390,381 | 766,731 | 321,368 | 373,921 | 695,289 |
| Internal interest income, including: | 1,258 | (1,258) | - | 5,987 | (5,987) | - |
| Internal income | 1,258 | - | 1,258 | 5,987 | - | 5,987 |
| Internal expenses | - | (1,258) | (1,258) | - | (5,987) | (5,987) |
| Net commission income | 131,101 | 172,245 | 303,346 | 167,020 | 170,292 | 337,312 |
| Dividend income | 1,775 | 3,714 | 5,489 | 1,283 | 4,374 | 5,657 |
| Net income on trade financial instruments and revaluation | 199,454 | 18,563 | 218,017 | 117,247 | 13,432 | 130,679 |
| Net gain on debt investment | 119,068 | - | 119,068 | 11,334 | - | 11,334 |
| Net other operating income | 7,224 | (12,307) | (5,083) | 14,694 | (10,766) | 3,928 |
| General administrative expenses | (323,631) | (420,239) | (743,870) | (293,879) | (391,680) | (685,559) |
| Depreciation expense | (16,766) | (17,547) | (34,313) | (12,955) | (16,247) | (29,202) |

| For the period | 01.01. – 30.06.2012 | | | 01.01. – 30.06.2011 | | |
|-------------------------------------------------------------------|---------------------|------------------|-----------|---------------------|------------------|----------|
| | Corporate Banking | Consumer Banking | Total | Corporate Banking | Consumer Banking | Total |
| <i>PLN '000</i> | | | | | | |
| Profit / (loss) on sale of fixed assets | 47 | 21 | 68 | 115 | 2,161 | 2,276 |
| Net impairment losses | (8,570) | (26,230) | (34,800) | 1,183 | (58,496) | (57,313) |
| Operating income | 486,052 | 108,601 | 594,653 | 327,410 | 86,991 | 414,401 |
| Share in net profits (losses) of entities valued at equity method | 265 | - | 265 | 316 | - | 316 |
| Profit before tax | 486,317 | 108,601 | 594,918 | 327,726 | 86,991 | 414,717 |
| Income tax expense | | | (120,597) | | | (82,097) |
| Net profit | | | 474,321 | | | 332,620 |

| State as at | 30.06.2012 | | | 31.12.2011 | | |
|--------------------------------|-------------------|------------------|------------|-------------------|------------------|------------|
| <i>PLN '000</i> | Corporate Banking | Consumer Banking | Total | Corporate Banking | Consumer Banking | Total |
| Assets, including: | 36,206,936 | 5,649,022 | 41,855,958 | 36,666,378 | 5,611,820 | 42,278,198 |
| Assets valued at equity method | 14,835 | - | 14,835 | 57,945 | - | 57,945 |
| Fixed assets held-for-sale | 15,760 | 9,902 | 25,662 | 15,760 | 9,902 | 25,662 |
| Liabilities, including: | 33,085,119 | 8,770,839 | 41,855,958 | 34,556,302 | 7,721,896 | 42,278,198 |
| Obligations | 28,189,833 | 6,990,803 | 35,180,636 | 29,911,099 | 5,922,618 | 35,833,717 |

8 Activities of the Group

1. Corporate Banking

1.1. Summary of segment results

| <i>PLN '000</i> | Q2 2012 | Q2 2011 | Change | |
|-------------------------------------------------------------------|-----------|-----------|----------|----------|
| | | | PLN '000 | % |
| Net interest income | 173,866 | 161,117 | 12,749 | 7.9% |
| Net fee and commission income | 65,043 | 79,934 | (14,891) | (18.6%) |
| Dividend income | 1,775 | 1,283 | 492 | 38.3% |
| Net income on trade financial instruments and revaluation | 91,483 | 38,766 | 52,717 | 136.0% |
| Net gain on debt investment securities | 46,139 | 10,090 | 36,049 | 357.3% |
| Net other operating income | 2,182 | 3,093 | (911) | (29.4%) |
| Total income | 380,488 | 294,283 | 86,205 | 29.3% |
| General administrative expenses and depreciation | (171,063) | (154,252) | (16,811) | 10.9% |
| Profit/(loss) on sales of tangible fixed assets | 14 | 31 | (17) | (54.8%) |
| Net impairment losses | (7,032) | 13,517 | (20,549) | (152.0%) |
| Share in net profits (losses) of entities valued at equity method | 25 | 108 | (83) | (76.9%) |
| Profit before tax | 202,432 | 153,687 | 48,745 | 31.7% |
| Cost / Income | 45% | 52% | | |

The key highlights that impacted the gross profit of Corporate Banking for the second quarter of 2012 versus the corresponding period of 2011 were as follows:

- increase in net interest income, reflecting higher income from debt securities held-for-trading (due to significantly higher average balance of the securities portfolio YoY). There was also an increase in interest income from client activities driven by higher income from loans to

corporate clients which increased by 24.3% when compared to the second quarter of 2011. Interest expenses increased, too (a result of growing interest rates);

- decline in net fee and commission income, mainly in the area of brokerage activities – high commission income in the second quarter of 2011 was attributable to Group's participation in important capital market transactions (initial public offerings of companies with State Treasury Shareholding – Jastrzębska Spółka Węglowa S.A. and Bank Gospodarki Żywnościowej S.A.). Additionally, income from brokerage activities went down as a result of lower WSE share trading volumes;
- significant growth of net income from trade financial instruments and revaluation mainly due to improved result on the Bank's proprietary management;
- significant increase in net gain on debt investment securities – realized gains on sales of securities in favorable conditions on the domestic bond market;
- increase of general administrative expenses resulting from higher staff expenses and a one-off increase in marketing costs in the second quarter of 2012;
- growth of net impairment losses (PLN -7 million in the second quarter of 2012 versus PLN + 13.5 million in an analogical period of 2011) due to increased risk of borrowers' failure to fulfill obligations under loan agreements, mainly in the individually asserted portfolio.

1.2. Corporate and Investment Bank and the Capital Markets

Corporate and Commercial Bank

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

At the end of the second quarter of 2012, the number of corporate clients (including customers of the Corporate Bank, global clients and corporate clients) was over 8,000, which means that it remained at the same level compared to the previous quarter, when the number of clients totaled nearly 8,000. Under the Corporate Bank (small and medium companies, large enterprises and public sector) the Bank served over 6,000 clients at the end of the second quarter of 2012 (which is the same level compared to 6,000 clients served at the end of the first quarter of 2012).

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

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

Assets

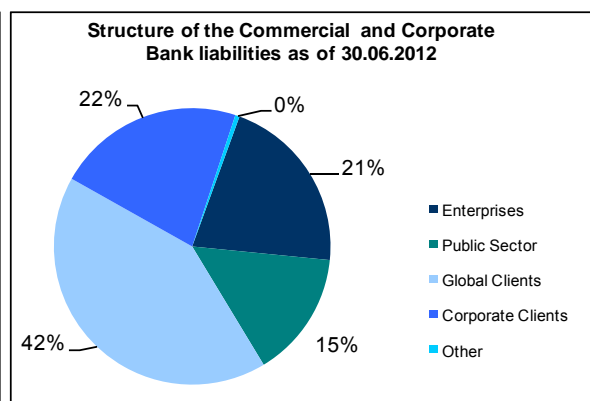
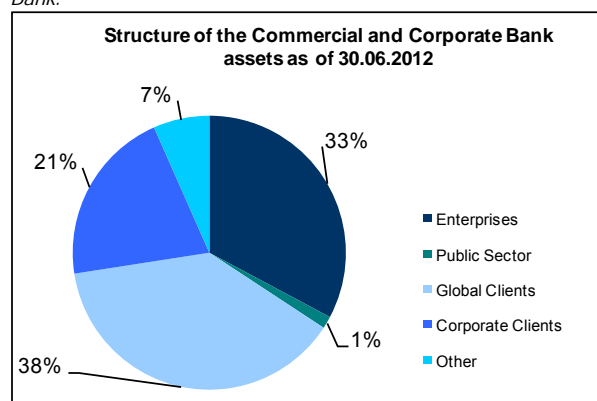
| PLN million | 30.06.2012 | 31.03.2012 | 30.06.2011 | Change | | Change | |
|--------------------------------------------|--------------|--------------|--------------|------------|-----------|--------------|------------|
| | (1) | (2) | (3) | (1)/(2) | (1)/(3) | '000 | % |
| Enterprises*, including: | 2,967 | 2,813 | 2,506 | 154 | 5% | 461 | 18% |
| SMEs | 1,510 | 1,442 | 1,324 | 68 | 5% | 186 | 14% |
| MMEs | 1,457 | 1,371 | 1,182 | 86 | 6% | 275 | 23% |
| Public Sector | 129 | 152 | 156 | (23) | (15%) | (27) | (17%) |
| Global Clients | 3,470 | 3,342 | 3,207 | 128 | 4% | 263 | 8% |
| Corporate Clients | 1,882 | 1,986 | 1,099 | (104) | (5%) | 783 | 71% |
| Other** | 601 | 591 | 664 | 10 | 2% | (63) | (10%) |
| Total Corporate and Commercial Bank | 9,049 | 8,884 | 7,632 | 165 | 2% | 1,417 | 19% |

Liabilities

| PLN million | 30.06.2012 | 31.03.2012 | 30.06.2011 | Change | | Change | |
|--------------------------------------------|---------------|---------------|---------------|----------------|-------------|--------------|-------------|
| | | | | (1)/(2) | | (1)/(3) | |
| | | | | '000 | % | '000 | % |
| Enterprises*, including: | 2,982 | 3,029 | 2,692 | (47) | (2%) | 290 | 11% |
| SMEs | 2,231 | 2,222 | 1,955 | 9 | 0% | 276 | 14% |
| MMEs | 751 | 807 | 737 | (56) | (7%) | 14 | 2% |
| Public Sector | 2,096 | 2,153 | 1,811 | (57) | (3%) | 285 | 16% |
| Global Clients | 5,924 | 6,211 | 6,345 | (287) | (5%) | (421) | (7%) |
| Corporate Clients | 3,107 | 4,014 | 3,442 | (907) | (23%) | (335) | (10%) |
| Other** | 72 | 79 | 37 | (7) | (9%) | 35 | 95% |
| Total Corporate and Commercial Bank | 14,183 | 15,486 | 14,327 | (1,303) | (8%) | (144) | (1%) |

* Enterprises include clients with annual turnover from PLN 3.2 million to PLN 150 million (SME) and over PLN 150 million (large enterprises).

** 'Other' include, among others, clients subject to restructuring and clients of Handlowy Leasing Sp. z o.o., who are not clients of the Bank.



Key transactions and achievements in Corporate and Commercial Bank in the second quarter of 2012:

- In June 2012, an annex to an agreement made in December 2010 was signed, which increased the value of the bond issue program for a customer from the power sector, with the Bank's exposure at PLN 917 million;
- In June 2012, the Bank signed a new bond issue program agreement with a customer from the power sector. The Bank's share in the financing of the program is PLN 400 million;
- The Bank entered into a 3-year loan agreement with a customer from the banking sector. The Bank is one of the main arrangers with the highest exposure - CHF 100 million. Additionally, the Bank acts as the Documentation Agent and Loan Agent;
- The Bank hedged interest rate risk exposure for a customer from the power sector (transaction volume: PLN 450 million);
- In June 2012, the Bank finalized a trade finance transaction for a major construction sector manufacturer, covering 450 cooperating entities. The value of the program is PLN 85 million;
- The Bank signed an agreement with a leading food sector customer for two-year financing amounting to PLN 100 million;
- In the second quarter of 2012, the Bank carried out a number of financing transactions with Commercial Banking customers, including: a PLN 20 million overdraft facility for a distributor of home products, garden furniture and HoReCa segment products; a PLN 15 million commercial loan and a PLN 5 million overdraft facility for a mining equipment manufacturer; an increase of an overdraft facility from PLN 10 million to 29.9 million for a customer from the foundry industry; a PLN 10.7 million operating lease for a food producer; PLN 10 million factoring for an agricultural inputs producer; and a PLN 10 million overdraft facility for an agricultural equipment parts manufacturer.

Treasury Products

Business achievements of the Treasury Division in the second quarter of 2012:

- In the second quarter of 2012, the Bank recorded an increase in FX transaction volumes with corporate customers by 17% compared to the second quarter of 2011. The total volume of transactions carried out by electronic means through the CitiFX Pulse platform increased by 22% YoY. The electronic transaction platform CitiFX Pulse still attracts customers' interest, which is confirmed by the fact that on-line transactions have a 70% share in all FX transactions;
- The Bank maintained its leading position on the corporate FX transactions market. In a ranking published in May 2012 by the prestigious *Euromoney* magazine, Citi Handlowy took the first place – for the fourth time in a row – in corporate FX trading. The Bank had a 28% share in the Polish market in the corporate FX trading category, which was 10 p.p. higher than the runner-up. The ranking is developed on the basis of market shares estimated using data collected from surveyed customers. This international study, backed by more than thirty years of tradition, enjoys an exceptional reputation in the financial community. The ranking is determined by voting customers, who complete anonymous on-line surveys, providing, among others, the FX volumes traded with the cooperating banks;
- The volume of treasury bond transactions with financial institutions in the second quarter of 2012 increased by 63% compared to the second quarter of 2011;
- The Bank continues to be the leading arranger of bond and CoD issues for banks. According to the Rating&Market report by FitchRatings, as at the end of June 2012, the Bank had a 37% share in that market;
- The Bank again ranked first in the competition for the Treasury Securities Dealer for the year 2013, organized by the Ministry of Finance.

Global Transaction Services (GTS)

The Bank is Poland's leading institution offering transaction banking services. Together with a range of traditional services, the Bank offers up-to-date liquidity management services, mass payment solutions and accounts receivable management products.

Transaction banking includes the following products and services:

- Funds management products: deposits and current accounts, liquidity management products, Micropayments, electronic banking;
- Card products;
- Payments and accounts receivable: Direct Debit, Speedcollect;
- Cash products;
- EU consultancy;
- Trade financing products.

Business highlights of the Transaction Banking business in the second quarter of 2012:

- Electronic banking
 - The total number of transactions processed electronically by the CitiDirect system in the second quarter of 2012 was app. 6 million, which is an increase of 2.4% compared to the second quarter of 2011;
 - The number of corporate customers using the system actively remained high at more than 4 thousands in late June 2012;
 - At the end of the second quarter of 2012, the number of corporate customers activated in CitiDirect grew by 4% compared to the end of the second quarter of 2011 and totalled almost

11,5 thousands.

- The share of bank statements delivered to customers only by electronic means remained high at app. 90%.

- Card products

- In the Business Card segment, an 11% increase in cash transaction value and a 3% increase in non-cash transaction value was recorded in the second quarter of 2012 in relation to the second quarter of 2011. The number of non-cash transactions increased by 7% and the number of cash transactions remained unchanged.

As compared to the first quarter of 2012, the Business Card segment grew in the second quarter of 2012 by 17% and 8%, respectively in terms of cash transaction value and non-cash transaction value, and the number of both cash and non-cash transactions increased adequately by 8%;

- Additionally in the debit card business, the second quarter of 2012 recorded YoY growths: by 26% in cash transaction value and by 6% in non-cash transaction value.

- Direct Debit

In the second quarter of 2012, the Bank maintained the leading position of the Direct Debit market, having settled the highest number of transactions as a payee's bank. The number of settled transactions was comparable to that in the corresponding period of the previous year.

- Speed Collect

Speed Collect is a service for creditors – bulk payment recipients – enabling the automatic posting of receivables. In the second quarter of 2012, the Bank remained among the top players on the Polish market in terms of the number of processed transaction volumes.

- International transfers

In the second quarter of 2012, the volume of international transfers increased by over 10% compared to the second quarter of 2011.

- Trade finance products

The Bank has vast experience and provides high quality services in structured trade finance. The highlights of this segment in the second quarter 2012 include:

- a substantial growth of business in the Bank's largest supplier finance program for the largest chain store in Poland, where suppliers selected by the buyer obtain financing from the Bank in the form of non-recourse factoring;
- completing a structured factoring transaction for one of the biggest construction chemicals manufacturers in Poland.

Another important event in the second quarter of 2012 was the participation of the Bank, as a lender, in one of the largest buyer credit transactions on the Polish market. This transaction, with the participation of a syndicate of international financial institutions and Korporacja Ubezpieczeń Kredytów Eksportowych S.A., was one of the largest transactions supporting and promoting Polish exports in 2012 in Poland. The Bank's share in this transaction was EUR 51 million.

Custody services

The Bank has a leading position on the market of custodian banks in Poland. The Bank offers both custody services to foreign institutional investors and depository services to domestic financial entities, including in particular pension funds, investment funds and unit-linked insurance funds.

As at 30 June 2012, the Bank managed almost 14,000 securities accounts.

In parallel, the Bank acted as the depository for five open pension funds: Amplico OFE, Aviva OFE, Aviva BZ WBK, ING OFE, Pekao OFE, Nordea OFE, for two voluntary pension schemes: MetLife Amplico DFE, Nordea DFE, and for two employee pension funds: Employee Pension Fund PZU

“Sunny Autumn” (Pracowniczy Fundusz Emerytalny PZU “Słoneczna Jesień”) and Employee Pension Fund of Telekomunikacja Polska S.A.

The Bank acted as the depository for investment funds managed by the following Investment Fund Companies: BZ WBK TFI S.A., PKO TFI S.A., Pioneer Pekao TFI S.A., Legg Mason TFI S.A., Aviva Investors Poland TFI S.A.

Brokerage services

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

In the second quarter of 2012, DMBH acted as a broker in 10.6% of secondary-market share trading (excluding calls), ranking second in the market. Over that period, the value of transactions executed through DMBH on the Warsaw Stock Exchange (“WSE”) was PLN 9.2 bn, a decrease by 37.9% compared to the corresponding period of the previous year, while the value of WSE trade declined by 39.1%.

At the end of the second quarter of 2012, DMBH held almost 9,600 investment accounts. The number grew by 6.3% compared to the end of the second quarter of 2011.

The number of accounts grew slightly month by month in the second quarter of 2012, with the highest growth recorded in April 2012 (+0.5%), which was connected with the public offering of series P shares of Bank Ochrony Środowiska S.A. and series AA investment certificates of Investor Gold FIZ.

No significant changes were observed in DMBH market-making activity at WSE in the second quarter of 2012. At the end of June 2012, DMBH acted as a market maker for 40 financial instruments – company shares, forward and futures contracts, becoming one of the leading brokerage offices performing this function at WSE.

In the second quarter of 2012, Dom Maklerski Banku Handlowego S.A. carried out the following transactions:

- KRKA, d.d. – DMBH acted as an investment company to support KRKA in the admission to trading process at GPW (April 2012);
- Dom Maklerski TMS Brokers S.A. – DMBH acted as an intermediary in a tender offer announced by Nabbe Investments worth PLN 114m (April 2012);
- Dom Maklerski TMS Brokers S.A. – DMBH acted as an intermediary in a squeeze out announced by Nabbe Investments worth PLN 15m (June 2012);
- Centrum Klima S.A. – DMBH acted as an intermediary in a tender offer announced by Lindab AB worth PLN 56m (June 2012);

The performance of DMBH is largely determined by the activity of institutional investors who, in turn, are directly dependent on new capital inflows and on the situation on the domestic stock market. Reduced transfers of funds to open pension funds should not substantially affect the demand for shares from those institutions, due to the higher exposure limits for equity instruments. In view of the expected higher supply from the State Treasury, investors may put their share purchase decisions on hold in the short term, however in the longer term, the increased numbers of shares in free float should boost their activity.

Summary Income Statement and Balance Sheet*

| Company's Name | Headquarter | Participation interest of the Bank in equity % | Balance sheet as at 30.06.2012 PLN '000 | Equity as at 30.06.2012 PLN '000 | Net financial result for 01.01-30.06.2012 PLN '000 |
|-------------------------------------|-------------|------------------------------------------------|--------------------------------------------|-------------------------------------|-------------------------------------------------------|
| Dom Maklerski Banku Handlowego S.A. | Warszawa | 100.00 | 730,143 | 93,065 | 6,019 |

*Unaudited data

Leasing services

The Group carries out its leasing business through Handlowy Leasing Sp. z o.o. ("Handlowy-Leasing", "HL"), a wholly-owned subsidiary of the Bank.

The value of new leased assets in the second quarter of 2012 was PLN 60.3 million, meaning a 8% decline compared to PLN 65.6 million in leased assets in the second quarter of 2011.

The structure of those assets was as follows: means of transport accounted for 57.5%, while machinery and equipment accounted for 42.5%.

Net asset value of leases

| PLN million | Q2 2012 | Q2 2011 | Change | |
|-------------------------------------------|---------|---------|-------------|-------|
| | | | PLN million | % |
| Value of leases contracted in the period: | 60.3 | 65.6 | (5.3) | (8%) |
| for vehicles | 34.7 | 53.2 | (18.5) | (35%) |
| for machinery and equipment | 25.6 | 12.4 | 13.2 | 106% |

Summary Income Statement and Balance Sheet*

| Company's Name | Headquarters | Participation interest of the Bank in equity % | Balance sheet as at 30.06.2012 PLN '000 | Equity as at 30.06.2012 PLN '000 | Net financial result for 01.01-30.06.2012 PLN '000 |
|-----------------------------|--------------|------------------------------------------------|-----------------------------------------|----------------------------------|----------------------------------------------------|
| Handlowy-Leasing Sp. z o.o. | Warszawa | 100.00 | 694,973 | 155,054 | 4,690 |

*Unaudited data

2. Consumer Banking

2.1. Summary of the segmental results

| PLN '000 | Q2 2012 | Q2 2011 | Change | |
|-----------------------------------------------------------|----------------|----------------|---------------|---------------|
| | | | PLN '000 | % |
| Net interest income | 194,976 | 186,950 | 8,026 | 4.3% |
| Net fee and commission income | 86,203 | 87,664 | (1,461) | (1.7%) |
| Dividend income | 3,714 | 4,374 | (660) | (15.1%) |
| Net income on trade financial instruments and revaluation | 9,528 | 6,904 | 2,624 | 38.0% |
| Net other operating income | (6,037) | (4,401) | (1,636) | 37.2% |
| Total income | 288,384 | 281,491 | 6,893 | 2.4% |
| General administrative expenses and depreciation | (192,115) | (213,979) | 21,864 | (10.2%) |
| Profit/(loss) on sale of tangible fixed assets | 5 | 34 | (29) | (85.3%) |
| Net impairment losses | (12,996) | (28,883) | 15,887 | (55.0%) |
| Profit before tax | 83,278 | 38,663 | 44,615 | 115.4% |
| Cost/Income | 67% | 76% | | |

The key highlights that impacted the gross profit of Consumer Bank in the second quarter of 2012 versus the corresponding period of 2011 were as follows:

- net interest income increased, driven by higher mortgage and cash loan interest income. Interest expenses slightly fell in this period when compared to the previous year, despite increased deposit balances attributable to implementation of the strategy concentrated on operating accounts;
- net fee and commission income slightly decreased, especially in the area of investment products where commissions from distribution of investment funds declined YoY due to shift in client's

preferences to invest in less risky products;

- operating expenses decreased as a result of branch network optimization. Additionally, when compared to the second quarter of 2011, the Group saw lower expenses on marketing activities and direct sales channels. Still, there was a growth in technological infrastructure costs versus the same period of 2011;
- net impairment losses declined, reflecting changes in the credit policy made over the past years and their positive impact on the quality of consumer loans' and credit cards' portfolio. In the second quarter of 2012, a part of retail impaired exposures of value of PLN 89.5 million (written-off the Bank's balance sheet in full) was sold for PLN 14.2 million.

2.2. Selected business data

| | Q2 2012 | Q1 2012 | Q2 2011 | Change QoQ | Change YoY |
|-------------------------------------------------------------------------|---------|---------|---------|---------------|---------------|
| Number of individual customers* | 949,822 | 961,445 | 987,079 | (11,623) | (37,257) |
| Number of current accounts, including: | 667,390 | 663,170 | 628,483 | 4,220 | 38,907 |
| number of operating accounts* | 183,642 | 182,713 | 169,158 | 929 | 14,484 |
| Number of operating accounts newly acquired during the reported period* | 19,880 | 21,404 | 30,672 | (1,524) | (10,792) |
| Number of saving accounts | 220,738 | 221,871 | 217,882 | (1,133) | 2,856 |
| Number of credit cards, including: | 819,701 | 834,326 | 871,299 | (14,625) | (51,598) |
| co-branded cards | 471,434 | 476,568 | 483,932 | (5,134) | (12,498) |
| Number of active credit cards | 738,517 | 749,465 | 778,454 | (10,948) | (39,937) |
| Number of debit cards, including: | 462,444 | 479,488 | 468,882 | (17,044) | (6,438) |
| PayPass cards | 377,824 | 350,548 | 269,742 | 27,276 | 108,082 |

* The comparative data for Q2 2012 differ from the data presented in the Q2 2011 Consolidated Report due to a change in the calculation methodology.

The total number of individual customers as at the end of the second quarter of 2012 amounted nearly 950 thousand versus 987 thousand in the corresponding period of the previous year. Simultaneously the total number of the operational accounts increased (by 8.6% YoY) to nearly 184 thousand as at the end of the second quarter of 2012.

2.3. Business activities and achievements

Credit Cards

As at the end of the second quarter of 2012, the total number of credit cards was 820,000.

According to the data available at the end of the first quarter of 2012, the Bank maintained its leading position on the credit card market in terms of transaction value, with a market share of 22.5%. Furthermore, the Bank stayed in the lead in terms of the value of credit card loans – the market share as at the end of the second quarter of 2012 was 18.8% compared to 18.5% as at the end of the first quarter 2012 and 18.0% as at the end of the second quarter of 2011.

In order to stimulate credit card payments, the Bank carried out a number of promotions and contests where the clients could win non-cash prizes and money.

Bank Accounts

• Current Accounts

In the second quarter of 2012, the Bank held 667,000 individual accounts, which is an increase of 6.2% compared to the corresponding period of the previous year (end of June 2011: 628,000 accounts). 464,000 of them were the Polish zloty accounts, and 203,000 were foreign currency accounts. The total balance of accounts was almost PLN 2.4 billion, while at the end of the second quarter of 2011 it was PLN 2 billion. In order to increase the total balance of individual accounts, the Bank continued its policy of establishing customer relations and encouraging customers to actively use their individual accounts.

- **Savings Accounts**

The Bank held 221,000 savings accounts in the second quarter of 2012. The total balance of funds in the savings accounts was approx. PLN 2.5 billion, compared to 218,000 of savings accounts with the total balance of PLN 2.4 billion in the corresponding period of 2011.

Credit Products

- **Cash Loan**

In the second quarter of 2012, the total sales of personal loans amounted to PLN 225 million, which is the same as in the previous quarter of 2012 and 45% more than in the second quarter of 2011. In June 2012, marketing activity focused on micromarketing campaigns referring to the European Football Championship.

In April 2012, the Bank finished its campaign: "We will cut your instalments by PLN 250 on average" (*Przytniemy raty Twoich pożyczek średnio o 250 złotych*).

What is noteworthy is the increased sales in remote channels, which as compared to the second quarter of 2011 grew by 62%.

- **Mortgage Products**

At the end of the second quarter of 2012, the total balance of the mortgage portfolio amounted to PLN 759 million, which means an increase by 76% in relation to the end of the second quarter of 2011 and an increase by 14% in relation to the end of the first quarter of 2012.

In the second quarter of 2012, the offer of a special home equity loan was extended to include all customers. Beforehand, the special offer was only addressed to customers with employment contracts and customers conducting business activity and qualified as professionals. The competitive offer is expected to increase the revenue share of home equity loans in the total sales of mortgage products.

The number of intermediaries cooperating with the Bank under the "Partnership Profit Program" (*Partnerski Program Zysków*) is constantly growing. The Partnership Profit Program promotes the recommendations of new partners, who collect bonus points for sold mortgage loans and can exchange them for attractive prizes. At the end of the second quarter of 2012, more than 300 active intermediaries participated in the Partnership Profit Program.

Insurance and Investment Products

- At the end of the second quarter of 2012, the total value of funds in investment products (including certificates of deposit, dual currency investments, unit-linked deposits and insurance products) purchased by customers through the Bank was 13% lower than the second quarter of 2011 figure, which was largely a consequence of the lower value of assets due to stock market falls over the last 12 months and increased write-offs.

The value of these funds totalled PLN 4.5 bn at the end of the second quarter of 2012, compared to PLN 5.2 bn at the end of the second quarter of 2011.

In that period, increased investments levels were recorded for the following products: government and corporate bonds (+11%), structured products in the form of investment-linked life insurance (+12%), regular-premium unit-linked insurance funds (+18%).

- Two new investment funds were added to the Bank's investment product portfolio in the second quarter of 2012 (one money market fund and one bond fund).
- With respect to structured products, in the second quarter of 2012 the Bank executed 11 subscriptions of structured bonds and 2 subscriptions of investment-linked life insurance.

2.4. Development of distribution channels

Mobile Banking

In the mobile banking area, in the second quarter of 2012 the Bank continued working on the development and promotion of the existing services and on tailoring them to the customers' needs.

In April 2012, the Bank made a new version of the CitiMobile service for mobile browsers available to its customers. The colour scheme and icons were changed. The modifications were aimed at making the CitiMobile interface even more intuitive and friendly. One of the improvements involved the option to remember the user, which speeded up logging in to subsequent CitiMobile sessions.

In the second quarter of 2012, a Warsaw-based MPT syndicate joined the group of companies offering their customers the option to pay using the Bank's FotoKasa service. Owing to that cooperation, the Bank's customers can pay by bank transfer for taxi rides. The transaction is processed on-line.

At the end of the second quarter of 2012, CitiMobile services were used by almost 85,000 customers, of which 11,000 logged in to CitiMobile for the first time in the second quarter of 2012.

The Bank intends to continue the development of mobile banking by ensuring that the CitiMobile application is supported by more operating systems and by promoting the mobile services that make the Bank stand out on the Polish market.

Internet Banking

The Bank's on-line banking development activities helped to increase the number of customers registered with the on-line banking service by 14% in the second quarter of 2012 in relation to the second quarter of 2011.

Furthermore, the option to pay for on-line purchases using the PayU system was also made available to customers in May 2012. This means that automatic on-line payments are supported by the Allegro.pl website, Allegro group services, and more than 7,500 on-line shops using the PayU system. In the same month, the Bank offered its customers a functionality allowing them to download confirmations of credit card transfers for bills paid through on-line banking as pdf files.

In the second quarter of 2012, the Bank made consistent efforts to increase the share of on-line credit card sales in the total sales. Owing to that, in the second quarter of 2012 the share of on-line sales of that product in the total sales of the Bank grew by more than 80% in relation to the corresponding period in 2011.

Moreover, in the second quarter of 2012, the Bank continued the development of electronic communications in social networking media. The Bank's Facebook fan page Rabatowcy.pl recorded a four-fold growth in the number of fans compared to the corresponding period in 2011. This means that 66,000 fans joined the fan page. On the other hand, Facebook activities as part of the promotion of CitiMobile services gathered a community of more than 46,000 fans

Direct and Indirect Customer Acquisition

- **Citibank at Work**

Citibank at Work is responsible for the sales services provided to the personnel of corporate customers at work, offering convenience, time savings and special bargains on the Bank's products and services.

In the second quarter of 2012, almost a thousand new customers were acquired, of whom 85% decided to regularly transfer their wages to their account with the Bank, making it their main account.

More than 80% of the customers who opened accounts with the Bank additionally decided to obtain a credit card from the Bank, which helped the Bank to maintain the best level ever in this respect in the history of the channel. For comparison, it was 58% of customers in the second quarter of 2011, and 76% in the first quarter of 2012.

The level of insurance sales is also showing an upward trend – in the second quarter of 2012, the average monthly penetration of product insurance was 43%, compared to 12% in the corresponding

period in 2011

The above-described results are an effect of the new sales strategy for the channel, focusing on sales quality and building long-term relationships with customers by selling bundled services instead of individual products.

- **Direct Sales**

The second quarter of 2012 brought about a 22% improvement in credit card sales through the Direct Sales channel compared to the figure for the corresponding period in 2011.

In line with the plans adopted in the first quarter of 2012, the Bank developed its stands at the airports of the biggest Polish cities. In April and May 2012, sales were continued at the Wrocław airport stand. Moreover, since April 2012, the Bank has been present in the new terminal in Gdańsk Rębiechowo, having relocated its stand from the previous terminal. The better location and visibility of the stand helped increase the sales at that airport by 30% compared to the the first quarter of 2012 performance.

The launch of a new stand at the Modlin airport is scheduled for mid-July 2012.

The Direct Sales channel maintains a high level of sales of credit card insurance. The average monthly insurance penetration level in the second quarter of 2012 was 43%. For comparison, the average monthly insurance penetration level in the corresponding period of 2011 was 15%.

3. Branch network

As at the end of the second quarter of 2012, the network of the Bank's branches included 96 outlets: L-type branches (former corporate branches, the CitiGold Wealth Management branches and the Investment Centre) and M-type branches (former multifunctional branches).

In accordance with the Strategy Outline 2012-2015 and with a decision adopted by the Bank's Management Board to optimize the branch network, the Bank carried out the following operations in the second quarter of 2012:

- operations were discontinued in 42 selected branches in the following towns and cities: Białystok, Bełchatów, Bydgoszcz, Bytom, Dąbrowa Górnicza, Gdynia, Gliwice, Głogów, Gorzów Wielkopolski, Grudziądz, Elbląg, Inowrocław, Katowice, Konin, Legnica, Leszno, Lublin, Łomża, Łódź, Mielec, Piotrków Trybunalski, Poznań, Pruszków, Radom, Olsztyn, Opole, Ostrów Wielkopolski, Sosnowiec, Szczecin, Tomaszów Mazowiecki, Tychy, Warsaw, Włocławek, Wrocław and Zabrze;
- the range of deposit services for retail customers in the M-type branch (now an L-type branch) in Konin, at ul. Chopina 21b, was extended;

In line with the Bank's effectiveness strategy, and to ensure efficient customer service, cash payment points were opened in cooperation with Billbird and Brinks. They are located in those towns where the Bank decided to close down their only branch. They are a low-cost alternative to the basic service offered to Retail Banking and Corporate Banking customers. Eventually, customers will be able to carry out basic financial and non-financial transactions in those cash points. The cooperation started with cash payments and repayment of loans owed to the Bank.

The number of branches and other sales/customer service outlets

| | Q2 2012 | Q1 2012 | Q2 2011 | Change QoQ | Change YoY |
|-----------------------------------------------------------------|---------|---------|---------|------------|------------|
| Number of outlets: | 96 | 138 | 152 | (42) | (56) |
| L type | 38 | 44 | 43 | (6) | (5) |
| M type | 58 | 80 | 89 | (22) | (31) |
| S type | - | 14 | 20 | (14) | (20) |
| Other sales / customer service outlets: | | | | | |
| Plus outlets | - | - | 14 | - | (14) |
| Outlets of financial brokers (Open Finance, Expander and other) | 340 | 270 | 123 | 70 | 217 |

| | Q2 2012 | Q1 2012 | Q2 2011 | Change QoQ | Change YoY |
|-------------------------------------------|---------|---------|---------|------------|------------|
| Airports | 4 | 5 | 1 | (1) | 3 |
| BP petrol stations | - | - | 12 | - | (12) |
| Shopping centres | 16 | 16 | 26 | 0 | (10) |
| ZTM points | - | - | 13 | - | (13) |
| Cash desk (Billbird and Brinks) | 12 | - | - | 12 | 12 |
| Number of own ATMs | 120 | 135 | 133 | (15) | (13) |
| Euronet ATMs with logo of 'Citi Handlowy' | 1,015 | 950 | 900 | 65 | 115 |

Growth prospects

As regards the development in 2012, the Bank will continue its efforts to ensure top customer service. At the same time, the Bank will respond to market developments.

In 2012, in line with the adopted strategy, the CitiGrow program, aimed at sales quality and customer service harmonisation, will be continued in all branches in G9 markets (the biggest Polish cities, of strategic importance from the perspective of retail business development) and TIER1 (another group of markets, significant in terms of profitability). The network of bank branches will be actively supported by remote customer service channels (CitiPhone, on-line platform), providing 24/7 transaction services and tailored sales of bank products.

9 Rating

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

On 22 June 2012, Moody's lowered the Bank's long-term rating from "Baa1" to "Baa3", and the short-term rating from "Prime-2" to "Prime-3". The outlook on the ratings is stable. Beforehand, the ratings were under review for downgrade. The change of ratings was a consequence of the changed rating of Citibank N.A., the Bank's strategic shareholder. Citibank N.A. financial strength rating was lowered from "C-/baa1" to "D+/ baa3", i.e. to the same level as the financial strength rating of the Bank. The Citibank N.A. rating was changed on 21 June 2012. At the same time, the Bank's financial strength rating ("BFSR") was confirmed at "D+", while the outlook on the rating was changed from negative to stable. According to Moody's, the outlook change to stable reflects the high profitability of the Bank over the last three years, its strong and growing capital base, and the low loans to deposit ratio.

At the end of Q2 2012, Moody's rated the Bank as follows:

| | |
|-----------------------------------------------------------------------------------------------|---------------|
| Long-term local currency deposit rating | Baa3 |
| Long-term foreign currency deposit rating | Baa3 |
| Short-term local currency deposit rating | Prime-3 |
| Short-term foreign currency deposit rating | Prime-3 |
| Bank's financial strength rating (BFSR) | D+ |
| <i>Outlook on BFSR</i> | <i>Stable</i> |
| <i>Outlook on long-term and short-term local currency and foreign currency deposit rating</i> | <i>Stable</i> |

In the second quarter of 2012, the ratings from Fitch did not change (ratings were confirmed at the same levels on 14 June 2012). At the end of the second quarter of 2012, Fitch rated the Bank as follows:

| | |
|-------------------------------|------|
| Long-term Issuer Debt Rating | A- |
| Short-term Issuer Debt Rating | F2 |
| Viability rating (VR)* | bbb+ |
| Support rating | 1 |

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

The Standard & Poor's rating (developed on the basis of publicly available information) remained

unchanged in the second quarter of 2012 at "BBBpi" (rating confirmed on 13 December 2011).

10 Financial instruments disclosure

The increase of fair value of financial instruments classified as held-for-trading at 30 June 2012 in comparison to the end of 2011 was mainly connected with expected by the Bank changes in economic environment .

The loss of fair value of financial instruments classified as available-for-sale (AFS) was influenced by the reduction of involvement in money bills due to current liquidity management and take advantage of the changes in economical environment for increasing portfolio income.

Despite persistently high volatility of market factors and expectations about future interest rates, their impact on change in fair value of Bank's loans and deposits portfolios can be considered negligible - in relation to the size of the respective portfolios - due to their short term nature and relatively stable quality.

In the six-month period of 2012 the Group has not made any changes in principles of financial instruments' classification (presented in the consolidated statement of financial position at fair value) to the separate categories of fair value establishing method used (level I, level II, level III).

In this period of 2012 the Group has transferred assets available for sale (AFS) from that category valued basing on significant non-market parameters (level III) to the category valued basing on significant market parameters (level II). The movement in the category refers to commercial debt securities and results from the model change valuated as at 31 December 2011 in the credit risk area, currently calculated basing on market data. The value of assets available for sale, which were transferred amounted PLN 928,728 thousand as at 30 June 2012.

In the 6 month period of 2012 the Group has not made any changes in financial assets classification that may result from asset's purpose or usage change.

11 Impairment and provisions

| PLN '000 | As at 1 January 2012 | Increases | | Decreases | | | As at 30 June 2012 | |
|-----------------------------------------------------------------|-------------------------|------------------------|--------------|-----------------------|-------------------------------------------------|-----------------------------------------|-----------------------|------------------|
| | | Write down creation | Other* | Write down release | Movement of receivables to write downs | Sale fo receivables/oth er assets | | Other* |
| Impairment of financial assets | | | | | | | | |
| Amounts due from banks | 63 | 405 | - | (198) | - | - | (1) | 269 |
| Amounts due from customers | 1,235,789 | 153,051 | 1,327 | (110,333) | (17,327) | - | (1,739) | 1,260,768 |
| | 1,235,852 | 153,456 | 1,327 | (110,531) | (17,327) | - | (1,740) | 1,261,037 |
| Off balance sheet liabilities reserve | 11,474 | 9,136 | - | (9,349) | - | - | - | 11,261 |
| Total financial assets and off balance sheet liabilities | 1,247,326 | 162,592 | 1,327 | (119,880) | (17,327) | - | (1,740) | 1,272,298 |
| Other assets impairment | | | | | | | | |
| Capital investment | 21,575 | - | - | - | - | - | - | 21,575 |
| Tangible assets available for sale | 2,615 | - | - | - | - | - | - | 2,615 |
| Other assets | 419 | 458 | - | (125) | (17) | - | - | 735 |
| Total other assets | 24,609 | 458 | - | (125) | (17) | - | - | 24,925 |
| Total impairment | 1,271,935 | 163,050 | 1,327 | (120,005) | (17,344) | - | (1,740) | 1,297,223 |
| Other provisions | | | | | | | | |
| Contentious issues | 23,440 | 5,844 | - | (485) | - | - | (5) | 28,794 |
| Restructuring | - | 42,208 | - | - | - | - | (9,201) | 33,007 |
| Total othr provisions | 23,440 | 48,052 | - | (485) | - | - | (9,206) | 61,801 |

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

| PLN '000 | As at 1 January 2011 | Increases | | | Decreases | | | As at 31 December 2011 |
|-----------------------------------------------------------------|-------------------------|------------------------|--------------|-----------------------|-------------------------------------------------|-----------------------------------------|----------|------------------------------|
| | | Write down creation | Other* | Write down release | Movement of receivables to write downs | Sale fo receivables/oth er assets | Other* | |
| Impairment of financial assets | | | | | | | | |
| Amounts due from banks | 493 | 1 276 | 13 | (1,719) | - | - | - | 63 |
| Amounts due from customers | 1,358,921 | 365,719 | 8,748 | (306,224) | (160,792) | (30,583) | - | 1,235,789 |
| | 1,359,414 | 366,995 | 8,761 | (307,943) | (160,792) | (30,583) | - | 1,235,852 |
| Off balance sheet liabilities reserve | 10,538 | 39,766 | - | (38,830) | - | - | - | 11,474 |
| Total financial assets and off balance sheet liabilities | 1,369,952 | 406,761 | 8,761 | (346,773) | (160,792) | (30,583) | - | 1,247,326 |
| Other assets impairment | | | | | | | | |
| Capital investment | 42,515 | - | - | - | - | (20,940) | - | 21,575 |
| Tangible assets available for sale | 68 | 2,547 | - | - | - | - | - | 2,615 |
| Other assets | 1,355 | 1,942 | - | (2,356) | (522) | - | - | 419 |
| Total other assets | 43,938 | 4,489 | - | (2,356) | (522) | (20,940) | - | 24,609 |
| Total impairment | 1,413,890 | 411,250 | 8,761 | (349,129) | (161,314) | (51,523) | - | 1,271,935 |
| Other provisions | | | | | | | | |
| Contentious issues | 21,702 | 2,652 | - | (894) | - | - | (20) | 23,440 |

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

In the period 1 January - 30 June 2012 and in 2011 the Group has not made any value actualization write downs due to value loss of tangible assets, intangible asses and write downs reversals involving this subject.

12 Provisions and assets due to differed income tax

| PLN '000 | 30.06.2012 | 31.12.2011 |
|---------------------------------------|----------------|----------------|
| Assets due to differed income tax | 800,494 | 921,989 |
| Provisions due to differed income tax | (505,972) | (586,668) |
| End of period balance | 294,522 | 335,321 |

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

13 Purchase and sale transactions of tangible assets

In the period 1 January - 30 June 2012 the value of purchased by the Group components of "fixed assets" equaled PLN 23,497 thousand (in 2011: PLN 55,917 thousand); the value of sold components equals PLN 961 thousand (in 2011: PLN 7,757 thousand).

As at 30 June 2012 the Group does not has significant contract liabilities due to purchase of fixed assets.

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

Between 1 January and 30 June 2012 in the Group has been no occurance of default or breach due to received credit agreement.

15 Seasonality or periodicity of business activity

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

16 Issue, redemption and repayment of debt and equity securities

Within the Debt Security of the Bank Issue Program, Bank effects the issue of certificates of deposit ('BPW'), total value of which as at 30 June 2012 was PLN 23,054 thousand (31 December 2011: PLN 25,336 thousand).

PLN '000

| Type of debt securities issued as at 30 June 2012 | Nominal value | Issuance date | Maturity date |
|---------------------------------------------------|---------------|---------------|---------------|
| Certificate of deposit | 2,075 | 04.05.2011 | 30.10.2012 |
| Certificate of deposit | 8,462 | 01.08.2011 | 01.08.2012 |
| Certificate of deposit | 4,470 | 01.09.2011 | 03.09.2012 |
| Certificate of deposit | 7,000 | 26.09.2011 | 26.09.2012 |
| Certificate of deposit | 1,027 | 02.12.2011 | 31.08.2012 |
| | 23,034 | | |

The movement in liabilities due to certificate of deposit issuance (nominal value)

| PLN '000 | 01.01 – 30.06.2012 | 01.01 – 31.12.2011 |
|-------------------------------------|-----------------------|-----------------------|
| As at 1 January | 25,325 | 11,529 |
| Increases | | |
| issuance | - | 62,607 |
| Decreases | | |
| buyout | 1,866 | 48,811 |
| repurchase before maturity | 425 | - |
| Balance as at the end of the period | 23,034 | 25,325 |

In the second quarter of 2012 the Bank has paid back BPW with nominal value of 1,193 thousand for which the maturity date was 2 April 2012 and bought back BPW before maturity in total amount of PLN 225 thousand for which the maturity date was respectively 3 September 2012 and 30 October 2012.

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

17 Paid or declared dividends

Dividends declared

In accordance with General Meeting of Shareholders' Resolution No 30/2012 of 20 June 2012, 2011 profit has been distributed, the resolution of dividend pay-out was adopted as well as dividend date and pay-out date were determined. From 2011 net profit PLN 360,620,496.00 was assigned for the pay-out, which means the pay-out for a single share was PLN 2.76. The number of shares subjected to dividend equals 130,659,600.

The date of determination the right to dividend was set on 5 July 2012 and the dividend will be paid out on 31 August 2012.

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

As at 30 June 2012 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

19 Changes in off-balance-sheet commitments

The detailed specification of off-balance-sheet commitments as at 30 June 2012 and changes in comparison with the end of 2011 are as follows:

| PLN '000 | State as at | | Change | |
|----------------------------------------------------------------|--------------------|--------------------|---------------------|---------------|
| | 30.06.2012 | 31.12.2011 | PLN '000 | % |
| Contingent liabilities granted | | | | |
| financial | 12,210,470 | 11,358,661 | 851,809 | 7.5% |
| Import letters of credit issued | 151,320 | 132,833 | 18,487 | 13.9% |
| Credit lines granted | 10,624,165 | 10,674,678 | (50,513) | (0.5%) |
| Subscription of securities granted to other issuers | 1,225,050 | 551,150 | 673,900 | 122.3% |
| other | 209,935 | - | 209,935 | - |
| guarantees | 1,930,498 | 2,090,982 | (160,484) | (7.7%) |
| Guarantees granted | 1,891,400 | 2,054,187 | (162,787) | (7.9%) |
| Export letters of credit confirmed | 23,177 | 5,385 | 17,792 | 330.4% |
| Other | 15,921 | 31,410 | (15,489) | (49.3%) |
| | 14,140,968 | 13,449,643 | 691,325 | 5.1% |
| Contingent liabilities received | | | | |
| financial (deposits to receive) | 1,464,771 | 6,000 | 1,458,771 | - |
| guarantees (guarantees received) | 4,782,362 | 3,807,088 | 975,274 | 25.6% |
| | 6,247,133 | 3,813,088 | 2,434,045 | 63.8% |
| Off-balance transactions (granted/received liabilities) | | | | |
| Current* | 4,658,603 | 4,279,555 | 379,048 | 8.9% |
| Forward** | 236,712,815 | 249,925,420 | (13,212,605) | (5.3%) |
| | 241,371,418 | 254,204,975 | (12,833,557) | (5.0%) |

*Foreign exchange and securities transactions with current value date

** Derivatives: FX, interest rate transactions and options

20 Changes in Group's structure

In the second quarter of 2012 the structure of the Group has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

21 Achievement of 2012 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2012.

22 Information about shareholders

As at the day of publishing the Interim Statement for the second quarter 2012 the list of shareholders who held at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

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

In the period between publishing the interim consolidated financial statements for the first quarter 2012

and publishing this report for the second quarter 2012 the structure of major shareholdings has not undergone any changes.

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

According to the best knowledge of the Bank – the dominant entity, the number of Bank's shares held by managing and supervising officers is presented below:

| Name and surname | Function | Number of shares on day of publishing the Interim Financial Statement for the second quarter 2012 | Number of shares on day of publishing the Interim Financial Statement for the first quarter 2012 |
|--------------------|------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Iwona Dudzińska | Member of the Managing Board | 600 | 600 |
| Andrzej Olechowski | Vice-chairman of Supervisory Board | 1,200 | 1,200 |
| Total | | 1,800 | 1,800 |

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

24 Information on pending proceedings

In the second quarter of 2012 there was no single proceeding regarding receivables and liabilities of the Bank or its subsidiary pending in court, public administration authority or an arbitration authority, the value of which would equal at least 10% of Bank's equity

The total value of all legal proceedings regarding receivables or liabilities, with the participation of the Bank and its subsidiaries, in the second quarter 2012 did not exceed 10% of the Bank's equity.

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

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

As at 30 June 2012, the Bank was a party to 34 proceedings regarding derivative transactions: in 25 proceedings it acted as a defendant and in 9 - as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of dispute refers mainly to the validity of the derivative transactions and client's liabilities demanded by the Bank with respect to those derivative transactions as well as potential claims regarding invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they question the validity of the agreements, dispute their liabilities towards the Bank and, in some cases, demand payments from the Bank. As at the day of financial statement preparation, in cases regarding term financial operations, one final and positive settlement regarding the derivative transactions proceedings to which the Bank is a party was made in the court, no final settlements were made for other cases.

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

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

In the first half of 2012 no significant reckonings were made due to final settlements.

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

In the second quarter of 2012, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

26 Information about guarantee agreements

At the end of the second quarter of 2012, the total value of sureties and guarantees given by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's shareholders' equity.

27 Other important information

Personal changes in the Bank

On 26 April 2012 Mrs Sonia Wędrychowicz-Horbatowska resigned from the position of Vice President of Management Board, effective 13 May, 2012.

On 21 May 2012 Mr Brendan Carney was appointed to position of Vice-President of the Management Board of the Bank

On 19 June 2012 Mr Alberto J. Verme resigned from the position of a Member of Bank's Supervisory Board.

On 20 June 2012 the mandate of Member of Bank's Supervisory Board Mr Stephen Simcock has expired under the law.

On 20 June 2012 Mr Adnan Omar and Mr Zdenek Turek were assigned to the position of a Member of Bank's Supervisory Board.

28 Description of factors and events that might affect the Group's future financial performance

High public debt and recession in certain countries of the eurozone increase the uncertainty as regards the future situation on the European financial markets. A particular uncertainty arises from the likely exit of Greece from the eurozone, which may raise market concerns as regards the collapse of the entire eurozone. A further increase of risk aversion and concerns as regards spillover effects in other EU member states may contribute to the reduction of foreign capital inflows to Poland, and increase the depreciation pressure on the Polish currency. In particular, the FX market and debt market tensions could aggravate if the situation continues to worsen in large, "remote" economies of the eurozone.

The worsening of the economic situation in the eurozone or in China could contribute to a lower demand for Polish export products. In this scenario, the magnitude of the economic slowdown in Poland and the aggravation of the labour market situation could be deeper than expected, affecting the financial performance of companies and the situation of households.

Excess liquidity on international financial markets, arising from the asset purchase programs implemented by central banks to stimulate economic growth and to address financial markets anxiety, may lead to a substantial increase of raw material prices and keep the inflation rate at a high level. A potential dynamic price increase could lead to a reduction of real household income and consumption, while encouraging the Monetary Policy Council to increase the interest rates.

These factors may have an impact of the Group's performance in the subsequent periods.

Condensed interim financial statements of the Bank for the second quarter 2012

Condensed income statement

| | Second quarter period from 01.04.12 to 30.06.12 | Second quarter accruals period from 01.01.12 to 30.06.12 | Second quarter period from 01.04.11 to 30.06.11 | Second quarter accruals period from 01.01.11 to 30.06.11 |
|-----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|
| <i>PLN '000</i> | | | | |
| Interest and similar income | 504,564 | 1,032,382 | 462,579 | 913,606 |
| Interest expense and similar charges | (144,528) | (282,218) | (121,950) | (233,662) |
| Net interest income | 360,036 | 750,164 | 340,629 | 679,944 |
| Fee and commission income | 165,925 | 331,237 | 165,754 | 332,741 |
| Fee and commission expense | (21,126) | (44,816) | (17,298) | (33,915) |
| Net fee and commission income | 144,799 | 286,421 | 148,456 | 298,826 |
| Dividend income | 38,565 | 38,565 | 26,271 | 26,271 |
| Net income on trade financial instruments and revaluation | 103,652 | 218,196 | 47,486 | 135,501 |
| Net gain on debt investment securities | 46,139 | 119,068 | 10,090 | 11,334 |
| Other operating income | 7,831 | 20,788 | 9,246 | 20,350 |
| Other operating expenses | (11,680) | (26,086) | (8,759) | (18,364) |
| Net other operating income | (3,849) | (5,298) | 487 | 1,986 |
| General administrative expenses | (339,473) | (730,355) | (342,535) | (664,945) |
| Depreciation expense | (14,451) | (28,949) | (12,913) | (25,763) |
| Profit/(loss) on sale of tangible fixed assets | 13 | 62 | 65 | 2,276 |
| Net impairment losses | (19,280) | (32,715) | (12,758) | (54,654) |
| Profit before tax | 316,151 | 615,159 | 205,278 | 410,776 |
| Income tax expense | (54,527) | (117,334) | (39,206) | (79,569) |
| Net profit | 261,624 | 497,825 | 166,072 | 331,207 |
| Weighted average number of ordinary shares (in pcs) | | 130,659,600 | | 130,659,600 |
| Net earnings per share (in PLN) | | 3.81 | | 2.53 |
| Diluted net earnings per share (in PLN) | | 3.81 | | 2.53 |

Condensed statement of comprehensive income

| | Second quarter period from 01.04.12 to 30.06.12 | Second quarter accruals period from 01.01.12 to 30.06.12 | Second quarter period from 01.04.11 to 30.06.11 | Second quarter accruals period from 01.01.11 to 30.06.11 |
|--------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|
| <i>PLN '000</i> | | | | |
| Net income | 261,624 | 497,825 | 166,072 | 331,207 |
| Other comprehensive income: | | | | |
| Valuation of financial assets available-for-sale (net) | 4,009 | 118,575 | 44,203 | 20,249 |
| Total comprehensive income | 265,633 | 616,400 | 210,275 | 351,456 |

Condensed statement of financial position

| | State as at | 30.06.2012 | 31.12.2011 |
|-----------------------------------------|-------------|-------------------|-------------------|
| <i>PLN '000</i> | | | |
| ASSETS | | | |
| Cash and balances with the Central Bank | | 646,256 | 979,616 |
| Amounts due from banks | | 999,950 | 548,182 |
| Financial assets held-for-trading | | 6,932,026 | 5,801,713 |
| Debt securities available-for-sale | | 15,608,249 | 17,625,355 |
| Capital investments | | 263,604 | 303,626 |
| Amounts due from customers | | 14,214,093 | 14,049,241 |
| Tangible fixed assets | | 398,607 | 406,632 |
| Intangible assets | | 1,308,363 | 1,290,296 |
| Income tax assets | | 274,684 | 318,015 |
| deferred | | 274,684 | 318,015 |
| Other assets | | 265,337 | 193,676 |
| Fixed assets held-for-sale | | 25,662 | 25,662 |
| Total assets | | 40,936,831 | 41,542,014 |
| LIABILITIES | | | |
| Amounts due to banks | | 8,320,446 | 5,543,891 |
| Financial liabilities held-for-trading | | 3,643,835 | 4,840,447 |
| Amounts due to customers | | 21,213,854 | 24,130,225 |
| Amounts due to debt securities issuance | | 23,054 | 25,336 |
| Provisions | | 73,004 | 34,857 |
| Income tax liabilities | | 22,081 | 72,919 |
| current | | 22,081 | 72,919 |
| Other liabilities | | 1,029,191 | 538,752 |
| Total liabilities | | 34,325,465 | 35,186,427 |
| EQUITY | | | |
| Share capital | | 522,638 | 522,638 |
| Share premium | | 2,944,585 | 2,944,585 |
| Revaluation reserve | | 36,090 | (82,485) |
| Other reserves | | 2,610,228 | 2,249,555 |
| Retained earnings | | 497,825 | 721,294 |
| Total equity | | 6,611,366 | 6,355,587 |
| Total liabilities and equity | | 40,936,831 | 41,542,014 |

Condensed statement of changes in equity

| <i>PLN '000</i> | Share capital | Share premium | Revaluation reserve | Other reserves | Retained earnings | Total Equity |
|------------------------------|---------------|---------------|---------------------|----------------|-------------------|--------------|
| Balance as at 1 January 2012 | 522,638 | 2,944,585 | (82,485) | 2,249,555 | 721,294 | 6,355,587 |
| Total comprehensive income | - | - | 118,575 | - | 497,825 | 616,400 |
| Dividends to be paid | - | - | - | - | (360,621) | (360,621) |
| Transfer to capital | - | - | - | 360,673 | (360,673) | - |
| Balance as at 30 June 2012 | 522,638 | 2,944,585 | 36,090 | 2,610,228 | 497,825 | 6,611,366 |

| <i>PLN '000</i> | Share capital | Share premium | Revaluation reserve | Other reserves | Retained earnings | Total Equity |
|--------------------------------------------------|---------------|---------------|---------------------|----------------|-------------------|--------------|
| Balance as at 1 January 2011 | 522,638 | 2,944,585 | (44,848) | 2,251,691 | 748,026 | 6,422,092 |
| Total comprehensive income | - | - | 20,249 | - | 331,207 | 351,456 |
| Valuation of capital rewards program, including: | - | - | - | (2,789) | - | (2,789) |
| valuation change | - | - | - | (5,900) | - | (5,900) |
| deferred income tax | - | - | - | 3,111 | - | 3,111 |
| Dividends to be paid | - | - | - | - | (747,373) | (747,373) |
| Transfer to capital | - | - | - | 653 | (653) | - |
| Balance as at 30 June 2011 | 522,638 | 2,944,585 | (24,599) | 2,249,555 | 331,207 | 6,023,386 |

| <i>PLN '000</i> | Share capital | Share premium | Revaluation reserve | Other reserves | Retained earnings | Total Equity |
|--------------------------------------------------|---------------|---------------|---------------------|----------------|-------------------|--------------|
| Balance as at 1 January 2011 | 522,638 | 2,944,585 | (44,848) | 2,251,691 | 748,026 | 6,422,092 |
| Total comprehensive income | - | - | (37,637) | - | 721,294 | 683,657 |
| Valuation of capital rewards program, including: | - | - | - | (2,789) | - | (2,789) |
| valuation change | - | - | - | (5,900) | - | (5,900) |
| deferred income tax | - | - | - | 3,111 | - | 3,111 |
| Dividends paid | - | - | - | - | (747,373) | (747,373) |
| Transfer to capital | - | - | - | 653 | (653) | - |
| Balance as at 31 December 2011 | 522,638 | 2,944,585 | (82,485) | 2,249,555 | 721,294 | 6,355,587 |

Condensed summary statement of cash flows

| <i>PLN '000</i> | Second quarter accruals period from 01.01.12 to 30.06.12 | Second quarter accruals period from 01.01.11 to 30.06.11 |
|-----------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|
| Cash at the beginning of the reporting period | 1,044,107 | 3,301,549 |
| Cash flows from operating activities | (190,536) | (2,023,953) |
| Cash flows from investing activities | 3,879 | (26,590) |
| Cash flows from financing activities | (17,756) | (11,430) |
| Cash at the end of the reporting period | 839,694 | 1,239,576 |
| Increase / Decrease in net cash | (204,413) | (2,061,973) |

Condensed additional information

1. Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting, adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2011.

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 publish its financial results for the 6 month period ended 30 June 2012 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Condensed interim unconsolidated financial statements of the Bank for the first quarter of 2012 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide separate interim financial statements, on condition that it includes in the consolidated interim financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the condensed interim financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements.

Principles adopted in the preparation process of these condensed interim consolidated financial statement are consistent with the principles, described in the annual unconsolidated financial statements of the Bank as at 31 December 2011.

Other information and explanations concerning these condensed interim consolidated financial statements for the second quarter 2012 contain also all information and explanatory data essential for these condensed interim financial statements.

The summary of Bank's financial results for the second quarter of 2012 is presented below.

Bank's financial results

During the first of two quarters of 2012 the Bank has generated profit before tax of PLN 615 million, which is an increase from PLN 411 million comparing to the corresponding period of 2011, while the gross profit in the second quarter of 2012 amounted PLN 316 million comparing to the PLN 205 million

in the corresponding period of 2011.

The accrued (period from January to June) net profit was PLN 498 million, which is an increase of PLN 167 million comparing to the corresponding period of previous year, while the net profit in the second quarter was PLN 262 million comparing to the PLN 166 million of net profit in the corresponding period of 2011.

The significant impact on the Bank net profit in the second period had the increase of financial instruments result (trade financial instruments and revaluation, debt securities) by total of PLN 92 million (160.1%), increase in interest and commission income by PLN 16 million (3.2%), growth in dividend income by PLN 12 million (46.8%), increased net write-downs for impairment of financial assets by PLN 7 million (51.1%), decrease of financial result on other operating income and expenses as well as income on sale of fixed assets by PLN 4 million, decrease in banking activity costs and general administrative costs and depreciation by PLN 2 million (0.4%) and higher income tax burden by PLN 15 million (39.1%).

The consolidated quarter report for the second quarter of 2012 will be available on the website of Bank Handlowy w Warszawie S.A. at www.citihandlowy.pl

Signature of the Vice Director of
Financial Reporting and Control Department

Signature of the Vice President of
Management Board

Date and signature

Date and signature

13.08.2012

13.08.2012

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