TRANSLATION

citi handlowy

2016 Semi-annual Report of the Capital Group of Bank Handlowy w Warszawie S.A.

August 2016

SELECTED FINANCIAL DATA	In PLN '000		In EUR '000***	
	First half of 2016	First half of 2015	First half of 2016	First half of 2015
Condensed Interim Consolidated Financial Statements data				
Interest income	623,641	599,668	142,368	145,054
Fee and commission income	321,186	348,776	73,322	84,366
Profit before tax	408,629	459,025	93,284	111,034
Net profit	326,349	367,217	74,500	88,826
Comprehensive income	319,661	144,674	72,974	34,995
Increase of net cash	(1,265,144)	3,884,522	(288,813)	939,629
Total assets*	44,183,297	49,506,792	9,983,798	11,617,222
Amounts due to banks*	2,350,657	6,963,561	531,162	1,634,063
Amounts due to customers*	31,501,308	31,586,303	7,118,135	7,412,015
Equity	6,558,730	6,584,517	1,482,031	1,569,835
Share capital	522,638	522,638	118,097	124,604
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	50.20	50.39	11.34	12.01
Total capital adequacy ratio (in %)*	17.0	17.1	17.0	17.1
Earnings per share (PLN/EUR)	2.50	2.81	0.57	0.68
Diluted earnings per share (PLN/EUR)	2.50	2.81	0.57	0.68
Condensed Interim Stand-alone Financial Statements data				
Interest income	622,721	597,037	142,158	144,418
Fee and commission income	300,443	323,992	68,586	78,371
Profit before tax	419,562	468,995	95,779	113,445
Net profit	338,256	378,163	77,219	91,474
Comprehensive income	330,828	155,699	75,523	37,662
Increase of net cash	(1,265,019)	3,884,344	(288,784)	939,586
Total assets*	43,607,675	51,472,022	9,853,728	12,271,605
Amounts due to banks*	2,334,988	9,375,472	527,621	2,235,236
Amounts due to customers*	31,572,696	26,189,673	7,134,266	6,243,962
Equity	6,501,807	6,533,483	1,469,169	1,557,668
Share capital	522,638	522,638	118,097	124,604
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	49.76	50.00	11.24	11.92
Total capital adequacy ratio (in %)*	16.8	16.8	16.8	16.8
Earnings per share (PLN/EUR)	2.59	2.89	0.59	0.70
Diluted earnings per share (PLN/EUR)	2.59	2.89	0.59	0.70
Declared or paid dividends per share (PLN/EUR)**	4.68	7.43	4.68	1.77

**Comparative data according to balance sheet as at 31 December 2015.*

***The presented ratios relate respectively to dividend approved for the distribution of 2015 profit and dividend paid in 2015 from the distribution of 2014 profit.*

****The following exchange rates were applied to convert PLN to EUR: for the statement of financial position items- average NBP exchange rate as at 30 June 2016: EUR 1 = PLN 4.4255 (as at 31 December 2015: PLN 4.2615; as at 30 June 2015: PLN 4.1944); for the income statement, the statement of comprehensive income and the cash flow statement items – the rate is calculated as the arithmetic mean of NBP exchange rates prevailing as at the last day of each month of the first half of 2016: EUR 1 = PLN 4.3805 (in the first half of 2015: PLN 4.1341).*

TRANSLATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP OF BANK HANDLOWY W WARSZAWIE S.A. FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2016

AUGUST 2016

CONTENTS

Condensed consolidated income statement

For a period		II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
PLN'000	Note				
Interest and similar income	6	316,430	623,641	289,594	599,668
Interest expense and similar charges	6	(64,095)	(123,920)	(49,584)	(102,882)
Net interest income	6	**252,335**	**499,721**	**240,010**	**496,786**
Fee and commission income	7	159,670	321,186	175,425	348,776
Fee and commission expense	7	(20,557)	(39,433)	(16,800)	(38,744)
Net fee and commission income	7	**139,113**	**281,753**	**158,625**	**310,032**
Dividend income		**7,333**	**7,334**	**7,177**	**7,177**
Net income on trading financial instruments and revaluation	8	**107,006**	**145,236**	**71,953**	**157,626**
Net gain on debt investment securities available-for-sale		**14,301**	**20,925**	**20,342**	**118,800**
Net gain on equity investment instruments available-for-sale	22	**93,907**	**93,907**	**-**	**-**
Net gain/(loss) on hedge accounting		**3,404**	**7,561**	**910**	**910**
Other operating income	9	8,467	26,162	7,891	21,216
Other operating expense	9	(6,222)	(13,843)	(9,193)	(23,783)
Net other operating income and expense	9	**2,245**	**12,319**	**(1,302)**	**(2,567)**
General administrative expenses	**10**	**(283,886)**	**(578,394)**	**(293,924)**	**(589,262)**
Depreciation and amortization		**(17,345)**	**(35,894)**	**(17,521)**	**(35,113)**
Profit on sale of other assets		**78**	**87**	**68**	**72**
Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees	**11**	**(20,011)**	**(14,492)**	**(1,977)**	**(5,484)**
Operating income		**298,480**	**440,063**	**184,361**	**458,977**
Share in net profits of entities valued at equity method		**79**	**78**	**36**	**48**
Tax on some financial institutions		**(18,375)**	**(31,512)**	**-**	**-**
Profit before tax		**280,184**	**408,629**	**184,397**	**459,025**
Income tax expense	**12**	**(58,206)**	**(82,280)**	**(34,217)**	**(91,808)**
Net profit		**221,978**	**326,349**	**150,180**	**367,217**
Including:					
Net profit attributable to Bank's shareholders			326,349		367,217
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			2.50		2.81
Diluted net earnings per share (in PLN)			2.50		2.81

Explanatory notes on pages: 12-42 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of comprehensive income

For a period		II quarter	I half of the year	II quarter	I half of the year
		01.04. - 30.06. 2016	01.01. - 30.06. 2016	01.04. - 30.06. 2015	01.01. - 30.06. 2015
PLN'000	Note				
Net profit		**221,978**	**326,349**	**150,180**	**367,217**
Other comprehensive income, that might be subsequrently reclassified to profit or loss					
Changes in value of available-for-sale financial assets	13	(102,059)	(7,445)	(199,353)	(222,455)
Currency translation differences		204	757	788	(88)
Other comprehensive income net of tax		**(101,855)**	**(6,688)**	**(198,565)**	**(222,543)**
Total comprehensive income		**120,123**	**319,661**	**(48,385)**	**144,674**

Including:					
Comprehensive income attributable to Bank's shareholders			319,661		144,674

Explanatory notes on pages: 12-42 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of financial position

PLN'000	As at Note	30.06.2016	31.12.2015
ASSETS			
Cash and balances with the Central Bank		823,965	2,170,237
Amounts due from banks	14	773,686	757,103
Financial assets held-for-trading	15	2,289,130	6,987,284
Hedging derivatives		-	1,795
Debt securities available-for-sale	16	19,754,061	18,351,259
Equity investments valued at equity method		10,499	7,768
Equity investments available for sale		21,482	67,744
Amounts due from customers	17	17,866,828	18,975,471
Tangible fixed assets		343,791	354,080
Intangible assets		1,366,681	1,371,879
Current income tax receivables		20,634	20,673
Deferred tax asset	18	166,085	161,586
Other assets		744,527	277,985
Non-current assets held-for-sale		1,928	1,928
Total assets		**44,183,297**	**49,506,792**
LIABILITIES			
Amounts due to banks	19	2,350,657	6,963,561
Financial liabilities held-for-trading	15	1,618,492	3,247,523
Hedging derivatives		97,405	112,383
Amounts due to customers	20	31,501,308	31,586,303
Provisions		11,981	23,494
Other liabilities		2,044,724	722,872
Total liabilities		**37,624,567**	**42,656,136**
EQUITY			
Ordinary shares		522,638	522,638
Share premium		3,003,082	3,001,525
Revaluation reserve		(171,058)	(163,613)
Other reserves		2,884,770	2,869,509
Retained earnings		319,298	620,597
Total equity		**6,558,730**	**6,850,656**
Total liabilities and equity		**44,183,297**	**49,506,792**

Explanatory notes on pages: 12-42 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2016	**522,638**	**3,001,525**	**(163,613)**	**2,869,509**	**620,597**	**-**	**6,850,656**
Total comprehensive income, including:	-	-	(7,445)	757	326,349	-	319,661
Net profit	-	-	-	-	326,349	-	326,349
Currency translation differences from the foreign operations' conversion	-	-	-	757	-	-	757
Net valuation of available-for-sale financial assets	-	-	(7,445)	-	-	-	(7,445)
Dividends to be paid	-	-	-	-	(611,587)	-	(611,587)
Transfer to capital	-	1,557	-	14,504	(16,061)	-	-
Balance as at 30 June 2016	**522,638**	**3,003,082**	**(171,058)**	**2,884,770**	**319,298**	**-**	**6,558,730**

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

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2015	**522,638**	**3,000,298**	**52,873**	**2,893,523**	**941,428**	**-**	**7,410,760**
Total comprehensive income, including:	-	-	(216,486)	880	626,419	-	410,813
Net profit	-	-	-	-	626,419	-	626,419
Currency translation differences from the foreign operations' conversion	-	-	-	(6)	-	-	(6)
Net valuation of available-for-sale financial assets	-	-	(216,486)	-	-	-	(216,486)
Net actuarial profits on specific services program valuation	-	-	-	886	-	-	886
Dividends paid	-	-	-	-	(970,917)	-	(970,917)
Transfer to capital	-	1,227	-	(24,894)	23,667	-	-
Balance as at 31 December 2015	**522,638**	**3,001,525**	**(163,613)**	**2,869,509**	**620,597**	**-**	**6,850,656**

Explanatory notes on pages: 12-42 are integral part of the condensed interim consolidated financial statements.

Condensed consolidated statement of cash flows

PLN '000 For a period	01.01. - 30.06. 2016	01.01. - 30.06. 2015
A. Cash flows from operating activities		
I. Net profit	**326,349**	**367,217**
II. Adjustments to reconcile net profit or loss to net cash provided by operating activities:	**(1,983,364)**	**3,139,451**
Current and deferred income tax recognized in income statement	82,280	91,808
Share in net profits/(losses) of entities valued at equity method	(78)	(48)
Depreciation expense	35,894	35,113
Net impairment due to financial assets value loss	17,422	8,815
Net provisions (recoveries)	(7,336)	65
Net interest income	(499,721)	(496,786)
Dividend income from subsidiaries	(132)	-
Profit/loss on sale of investments	(74)	(72)
Net unrealized exchange differences	2,762	(15,657)
Other adjustments	(21,643)	(4,648)
Cash flows from operating income before changes in operating assets and liabilities	**(390,626)**	**(381,410)**
Change in operating assets (excl. cash and cash equivalents)	**3,987,714**	**1,807,958**
Change in amounts due from banks	64,968	(1,500,322)
Change in amounts due from customers	1,091,523	(677,852)
Change in debt securities available-for-sale	(1,341,118)	1,012,967
Change in equity investments	213	(77)
Change in financial assets held-for-trading	4,627,379	3,047,240
Change in derivative securities	1,795	(41,311)
Change in other assets	(457,046)	(32,687)
Change in operating liabilities (excl. cash and cash equivalents)	**(5,580,452)**	**1,712,903**
Change in amounts due to banks	(4,557,267)	4,408,910
Change in amounts due to customers	(85,899)	(3,572,873)
Change in liabilities held-for-trading	(1,629,031)	798,481
Change in amounts due to hedging derivatives	(14,978)	593
Change in other liabilities	706,723	77,792
Interest received	**687,289**	**625,026**
Interest paid	**(127,404)**	**(102,437)**
Income tax paid	**(88,708)**	**(53,237)**
III. Net cash flows from operating activities	**(1,185,838)**	**3,976,020**
B. Cash flows from investing activities		
Purchase of tangible fixed assets	(11,503)	(21,138)
Disposal of tangible fixed assets	1,254	2,528
Purchase of intangible assets	(12,105)	(11,666)
Disposal of fixed assets/liabilities held-for-sale	73	250
Dividends received	132	-
Net cash flows from investing activities	**(22,149)**	**(30,026)**
C. Cash flows from financing activities		
Paid dividends	(100)	(116)
Purchase of own shares	(2,711)	-
Repayment of long-term loans from financial sector	(58,168)	(68,156)
Net cash flows from financing activities	**(60,979)**	**(68,272)**
D. Exchange rates differences resulting from cash and cash equivalent calculation	**3,822**	**6,800**
E. Net increase/(decrease) in cash and cash equivalent	**(1,265,144)**	**3,884,522**
F. Cash and cash equivalent at the beginning of reporting period	**2,354,352**	**1,732,915**
G. Cash and cash equivalent at the end of reporting period (see note 24)	**1,089,208**	**5,617,437**

Explanatory notes on pages: 12-42 are integral part of the condensed interim consolidated financial statements.

Supplementary notes to the condensed interim consolidated financial statements

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

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

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

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

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

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

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

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

In the first half of 2016 there were no changes in the structure of Group's entities.

2. Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*, adopted by European Union, and other applicable regulations. These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 December 2015.

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

These condensed consolidated interim financial statements were approved by the Management Board on 23 August 2016.

3. Significant accounting policies

Condensed interim consolidated financial statements of the Group for the first half of 2016 have been prepared in accordance with accounting policies applied and summarized in the annual consolidated financial statements of the Group for the financial year ended 31 December 2015.

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

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

- amendments to IAS 1 – regards the materiality and decomposition of presentation of the financial statements,
- amendements to IFRS 11 – regards the requirement to apply the accounting rules for joint operations during acquisition of an interest in a joint operation,
- amendments to IAS 16 – excludes the possibility of depreciation of tangible assets based on revenues under this

measure,

- IAS 19 – regards the change in determining the discount rate for valuation of employee benefits,
- amendments to IAS 38 – excludes the possibility of amortization and depreciation of intangible assets based on revenues under this measure,
- amandements to IAS 27- enables using the ownership rights method in an entity's separate financial statements,
- annual improvements to IFRS cycle 2010-2012 and 2012-2014 – regards changes in the number of standardsthat have no significant effect on the Group.

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

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

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

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

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

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

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

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

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

4. Segment reporting

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

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

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

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

Institutional Banking

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

Consumer Banking

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

Consolidated income statement by business segment

For the period	01.01 – 30.06.2016			01.01 – 30.06.2015		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	220,919	278,802	499,721	216,478	280,308	496,786
Internal interest income, including:	(20,613)	20,613	-	(28,749)	28,749	-
Internal income	-	20,613	20,613	-	28,749	28,749
Internal expenses	(20,613)	-	(20,613)	(28,749)	-	(28,749)
Net fee and commission income	133,022	148,731	281,753	137,556	172,476	310,032
Dividend income	844	6,490	7,334	1,462	5,715	7,177
Net income on financial instruments and revaluation	128,705	16,531	145,236	142,329	15,297	157,626
Net gain on debt investment securities available-for-sale	20,925	-	20,925	118,800	-	118,800
Net gain on capital investment instruments available-for-sale	27,430	66,477	93,907	-	-	-
Net loss on hedge accounting	7,561	-	7,561	910	-	910
Net other operating income	14,180	(1,861)	12,319	6,821	(9,388)	(2,567)
General administrative expenses	(251,340)	(327,054)	(578,394)	(258,811)	(330,451)	(589,262)
Depreciation and amortization	(10,862)	(25,032)	(35,894)	(11,675)	(23,438)	(35,113)
Profit on sale of other assets	87	-	87	7	65	72
Net impairment loss on financial assets and provisions for granted financial liabilities and guarantees	17,135	(31,627)	(14,492)	(1,026)	(4,458)	(5,484)
Operating income	**308,606**	**131,457**	**440,063**	**352,851**	**106,126**	**458,977**
Share in net profits/(losses) of entities valued at equity method	78	-	78	48	-	48
Tax on some financial institutions	(22,778)	(8,734)	(31,512)	-	-	-
Profit before tax	**285,906**	**122,723**	**408,629**	**352,899**	**106,126**	**459,025**
Income tax expense			(82,280)			(91,808)
Net profit			**326,349**			**367,217**

As at:	30.06.2016			31.12.2015		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**37,601,720**	**6,581,577**	**44,183,297**	**43,034,095**	**6,472,697**	**49,506,792**
Total liabilities and shareholders equity, including:	**32,343,101**	**11,840,196**	**44,183,297**	**38,188,084**	**11,318,708**	**49,506,792**
Liabilities	27,139,831	10,484,736	37,624,567	32,930,579	9,725,557	42,656,136

5. Risk Management

Credit Risk

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

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

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

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

In the first half of 2016 there were no significant changes in credit risk management systems and processes.

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

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

The risk rating defines the probability of failing to fullfil contract by the debtor from liabilities within 1 year period. Ratings from 1 to 4- inclusive are treated as the equivalent of ratings at investments level of external credit rating agencies, what implies that they indicate low or medium level of credit risk. Ratings below 4- indicate increased credit risk, wherein the rating 7 means high credit risk and low ability to service debt obligations, even in favorable macroeconomic conditions.

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

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

PLN '000	Note	30.06.2016	31.12.2015
Gross receivables due from the Central Bank		424,585	1,693,132
Gross receivables due from banks	14	774,306	758,853
Gross receivables due from institutional customers	17	11,877,784	13,124,432
Gross receivables due from individual customers	17	6,579,354	6,436,445
Debt securities held-for-trading	15	663,735	4,692,560
Derivative instruments	15	1,597,743	2,267,132
Hedging derivatives		-	1,795
Debt securities available-for-sale	16	19,754,061	18,351,259
Other financial assets		662,499	204,430
Contingent liabilities granted	30	18,498,209	18,047,534
		60,832,276	**65,577,572**

Commitment due to customers in terms of credit risk:

PLN '000	30.06.2016			31.12.2015		
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Receivables from institutional customers	Receivables from individual customers	Receivables from banks
Impaired receivables						
Individual assesment						
Gross amount	**312,738**	**10,311**	**-**	**337,170**	**11,349**	**-**
Impairment write-downs	263,059	6,167	-	290,809	5,523	-
Net amount	**49,679**	**4,144**	**-**	**46,361**	**5,826**	**-**

PLN '000	30.06.2016			31.12.2015		
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Receivables from institutional customers	Receivables from individual customers	Receivables from banks
Portfolio assesment						
Gross amount	**19,603**	**344,408**	**-**	**23,889**	**327,216**	**-**
Impairment write-downs	9,188	238,300	-	11,203	212,903	-
Net amount	**10,415**	**106,108**	**-**	**12,686**	**114,313**	**-**
Not impaired receivables						
By risk rating						
Risk rating 1-4-	8,276,644	-	682,519	9,640,258	-	591,378
Risk rating +5-6-	3,041,067	-	91,787	2,915,852	-	167,475
Risk rating +7 and greater	227,732	-	-	207,263	-	-
By delinquency						
no delinquency	-	5,957,230	-	-	5,847,336	-
1–30 days	-	212,471	-	-	202,475	-
31–90 days	-	54,934	-	-	48,069	-
Gross amount	**11,545,443**	**6,224,635**	**774,306**	**12,763,373**	**6,097,880**	**758,853**
Impairment write-downs	20,903	52,693	620	19,478	45,490	1,750
Net amount	**11,524,540**	**6,171,942**	**773,686**	**12,743,895**	**6,052,390**	**757,103**
Total net value	**11,584,634**	**6,282,194**	**773,686**	**12,802,942**	**6,172,529**	**757,103**

PLN '000	30.06.2016			31.12.2015		
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Receivables from institutional customers	Receivables from individual customers	Receivables from banks
Impairment write-downs for impaired receivables						
Impairment write-downs for individually assesed receivables	**263,059**	**6,167**	**-**	**290,809**	**5,523**	**-**
Impairment write-downs for portfolio assesed receivables	**9,188**	**238,300**	**-**	**11,203**	**212,903**	**-**
IBNR allowances						
By risk rating						
Risk rating 1-4-	2,873	-	205	2,716	-	131
Risk rating +5-6-	10,280	-	415	10,124	-	1,619
Risk rating +7 and greater	7,750	-	-	6,638	-	-
By delinquency						
No delinquency	-	18,878	-	-	16,993	-
1-30 days	-	11,974	-	-	11,083	-
31-90 days	-	21,841	-	-	17,414	-
	20,903	**52,693**	**620**	**19,478**	**45,490**	**1,750**
Total impairment write-downs	**293,150**	**297,160**	**620**	**321,490**	**263,916**	**1,750**

Receivables due from individual customers not impaired and without delay in payment in terms of overdue history

PLN'000	30.06.2016	31.12.2015
Receivables due from individual customers not impaired and without delay in payment, including:	**5,957,230**	**5,847,335**
receivables at least once have exceeded 30 days of delay in payment (but have not exceeded 90 days)	355,795	344,435
receivables at least once have exceeded 90 days of delay in payment	5,907	5,824

Receivables not impaired by delinquency:

PLN '000	30.06.2016			31.12.2015		
	Receivables from institutional customers	Receivables from individual customers	Receivables from banks	Receivables from institutional customers	Receivables from individual customers	Receivables from banks
Receivables with incurred but not reported (IBNR) losses						
Regular receivables	11,533,298	5,957,230	774,306	12,716,875	5,847,335	758,853
Overdue receivables, including:	12,145	267,405	-	46,498	250,545	-
1 – 30 days	7,304	54,934	-	44,897	202,475	-
Gross value	**11,545,443**	**6,224,635**	**774,306**	**12,763,373**	**6,097,880**	**758,853**

Structure of derivatives in terms of credit risk

PLN '000	30.06.2016			31.12.2015		
	Transactions with institutional customers	Transactions with individual customers	Transactions with to banks	Transactions with institutional customers	Transactions with individual customers	Transactions with to banks
Derivatives by risk rating						
Risk rating 1-4-	192,606	4,012	1,357,706	157,940	2,176	2,071,473
Risk rating+5-6-	18,531	-	24,538	14,696	-	21,581
Risk rating +7 and greater	350	-	-	1,061	-	-
Total	**211,487**	**4,012**	**1,382,244**	**173,697**	**2,176**	**2,093,054**

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

PLN '000	30.06.2016		31.12.2015	
	Debt securities held-for-trading	Debt securities available-for-sale	Debt securities held-for-trading	Debt securities available-for-sale
Issuer rating by Fitch agency				
A (including from A to AAA)	663,735	19,754,061	4,330,816	18,351,259
BBB+	-	-	361,744	-
Total	**663,735**	**19,754,061**	**4,692,560**	**18,351,259**

Other financial assets in amount of PLN 662 499 thousand on 30 June 2016 (PLN 204,430 thousand in the end of 2015) include receivables with delinquency over 90 days in amount of PLN 1,645 thousand (PLN 1,824 thousand in the end of 2015).

Structure of contingent liabilities in terms of risk rating:

PLN'000	30.06.2016		31.12.2015	
	Liabilities due to institutional customers	Liabilities due to banks	Liabilities due to institutional customers	Liabilities due to banks
Contingent liabilities granted by risk rating				
Risk rating 1-4-	9,706,065	601,840	9,737,033	260,594
Risk rating+5-6-	2,301,978	15,682	2,342,319	5,531

Risk rating +7and greater	55,564	-	117,362	-
Total	**12,063,607**	**617,522**	**12,196,714**	**266,125**

The granted contingent liabilities due to individual customers in terms of overdue history

PLN'000	**30.06.2016**	**31.12.2015**
Granted contingent liabilities due to individual customers, including:	**5,817,080**	**5,584,695**
contingent liabilities at least once have exceeded 30 days of delay in payment (but have not exceeded 90 days)	314,372	307,782
contingent liabilities at least once have exceeded 90 days of delay in payment	1,647	1,748

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

PLN'000	**30.06.2016**	**31.12.2015**
Gross amount		
Receivables with recognized impairment, including:	687,060	699,624
Individual assesment	323,049	348,519
Portfolio assesment	364,011	351,105
Receivables without recognized impairment	18,544,384	19,620,106
Total gross amount	**19,231,444**	**20,319,730**
Impairment write-downs		
Receivables with recognized impairment, including:	516,714	520,438
Individual assesment	269,226	296,332
Portfolio assesment	247,488	224,106
Receivables without recognized impairment	74,216	66,718
Impairment write-downs in total	**590,930**	**587,156**
Net amount		
Receivables with recognized impairment, including:	170,346	179,186
Individual assesment	53,823	52,187
Portfolio assesment	116,523	126,999
Receivables without recognized impairment	18,470,168	19,553,388
Total net amount	**18,640,514**	**19,732,574**
Ratio of impairment allowances to impaired receivables	**75.2%**	**74.4%**

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

As at 30 June 2016 in the Group, the financial effect of collaterals (mainly mortgage) for accepted individually assessed impaired amounts due to customers was PLN 38,527 thousand (as at 30 June 2015: PLN 48,997 thousand). This is the amount by which the level of impairment of the value assigned to this portfolio would be higher if the collaterals in flows were not included in the callculation of impairment.

Forborne exposures are identified in the Group within the credit risk management. The Group takes into account "forborne" exposures according to the reporting requirements under the EBA/ITS/2013/03 Technical Standards and document 2012/852 issued by the ESMA.

The Group considers exposures as "forborne" that are in the process of troubled debt restructuring. This is a situation when the debtor is experiencing financial difficulties and BHW grants preferential financing conditions to the debtor that it would not otherwise consider (i.e., off-market terms). Preferential financing conditions are considered situations in which for example the yield of the modified facility is lower than the contractual yield prior to the restructuring and/or the yield on the modified loan is below a market yield for the relevant tenor and credit risk.

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

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

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

Exposure values in “forborne” status are insignificant, that is why Group monitors them at total level, without further portfolio splits.

PLN'000	As at	
	30.06.2016	**31.12.2015**
Receivables from customers		
Receivables without recognized impairment, including	17,770,078	18,861,253
non-financial sector entities	17,096,228	16,827,402
Corporate customers	10,871,593	10,729,522
Individual customers	6,224,635	6,097,880
Receivables with recognized impairment, including:	687,060	699,624
non-financial sector entities	669,927	682,490
Corporate customers, including:	315,208	343,925
„forborne”	72,025	74,991
Individual customers, including:	354,719	338,565
„forborne”	27,870	31,979
Total gross amount, including:	**18,457,138**	**19,560,877**
non-financial sector entities	17,766,155	17,509,892
Corporate customers, including:	11,186,801	11,073,447
„forborne”	72,025	74,991
Individual customers, including:	6,579,354	6,436,445
„forborne”	27,870	31,979
Impairment write-off	**(590,310)**	**(585,406)**
On „forborne” receivables	(60,654)	(62,073)
Total net amounts due from customers, including:	**17,866,828**	**18,975,471**
„forborne” receivables	39,241	44,897

Gross “Forborne” exposures by period of overdue:

PLN'000	As at	
	30.06.2016	**31.12.2015**
Not past due	50,099	54,634
Past due, including:	49,795	52,336
Past due less than 30 days	2,403	2,635
Past due 31 - 90 days	2,275	4,565
Past due over 90 days	45,117	45,136
Total gross amount	**99,894**	**106,970**

Liquidity Risk

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

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

In the first half of 2016 the Group has not implemented any changes in liquidity risk management processes, procedures, systems and policies.

The level of modified cash flow gap and the level of liquid assets as at 30 June 2016 and 31 December 2015 are shown below.

The cumulated liquidity gap as at 30 June 2016 in real terms:

PLN '000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	18,316,505	303,577	587,572	-	24,975,643
Liabilities	7,246,813	3,718,675	81,835	54,769	33,081,205
Balance-sheet gap in the period	**11,069,692**	**(3,415,098)**	**505,737**	**(54,769)**	**(8,105,562)**
Conditional derivative transactions – inflows	28,378,504	4,196,191	7,050,385	4,818,631	16,244,759
Conditional derivative transactions – outflows	28,364,374	4,178,718	6,954,062	4,898,476	16,409,702
Off-balance-sheet gap in the period	**14,130**	**17,473**	**96,323**	**(79,845)**	**(164,943)**
Cumulative gap	**11,083,822**	**7,686,197**	**8,288,257**	**8,153,643**	**(116,862)**

The cumulated liquidity gap as at 31 December 2015 in real terms:

PLN'000	Up to 1 month	More than 1 to 3 months	More than 3 months to 1 year	More than 1 year to 2 years	More than 2 years
Assets	20,838,740	313,024	410,630	196,967	27,747,431
Liabilities	12,603,752	2,682,201	87,424	59,609	34,073,806
Balance sheet gap in the period	**8,234,988**	**(2,369,177)**	**323,206**	**137,358**	**(6,326,375)**
Conditional derivative transactions – inflows	17,752,619	6,507,815	8,138,631	4,750,096	10,799,649
Conditional derivative transactions – outflows	17,618,109	6,565,980	8,125,367	4,761,800	10,976,369
Off-balance-sheet gap in the period	**134,510**	**(58,165)**	**13,264**	**(11,704)**	**(176,720)**
Cumulative gap	**8,369,498**	**5,942,156**	**6,278,626**	**6,404,280**	**(98,815)**

Liquid assets and cumulated liquidity gap up to 1 year:

PLN'000	30.06.2016	31.12.2015	Change
Liquid assets, including:	21,061,298	24,951,511	(3,890,212)
nostro account in NBP and stable part of cash	643,502	1,907,692	(1,264,190)
debt securities held-for-trading	663,735	4,692,560	(4,028,824)
debt securities available-for-sale	19,754,061	18,351,259	1,402,802
Cumulative liquidity gap up to 1 year	8,288,257	6,278,626	2,009,631
Coverage of the gap with liquid assets	Positive gap	Positive gap	-

Market risk

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

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

In the first half of 2016 the Group has not made any changes in market risk management processes, procedures, systems and policies.

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

The following risk measures are applied to bank portfolios:

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

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

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

It is assumed that:

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

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

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

Group's IRE measures as at 30 June 2016 and 31 December 2015 are presented below. The list is shown in the main currencies, i.e. PLN, USD and EUR which jointly account to over 90% of Group's balance sheet.

PLN'000	**30.06.2016**		**31.12.2015**	
	IRE 12M	**IRE 5L**	**IRE 12M**	**IRE 5L**
PLN	36,615	166,847	27,809	60,086
USD	7,973	5,079	(14,093)	(70,011)
EUR	5,300	(26,367)	14,002	18,278

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

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

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

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

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

The table below presents the risk measured with DV01 for the portfolio of securities available-for-sale, including the economic collateral contained in the hedge program (Fair Value Hedge Accounting Program), broken down by currency:

PLN'000	30.06.2016			Total in the period 01.01.2016 – 30.06.2016		
	Total	**Securities**	**IRS**	**Average**	**Maximum**	**Minimum**
PLN	(1,916)	(3,325)	1,409	(2,821)	(1,910)	(3,457)
USD	(304)	(679)	375	(370)	(295)	(955)
EUR	(737)	(737)	-	(651)	(208)	(808)

PLN'000	31.12.2015			Total in the period 01.01.2015 – 31.12.2015		
	Total	**Securities**	**IRS**	**Average**	**Maximum**	**Minimum**
PLN	(2,730)	(4,123)	1,393	(2,007)	(531)	(3,783)
USD	(933)	(1,365)	432	(524)	(25)	(1,455)
EUR	(208)	(208)	-	(191)	(89)	(562)

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

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

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

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

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

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

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

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

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

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

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

The values of significant exposures of the bank portfolios to the interest rates risk in terms of DV01 in the first half of 2016 are listed in the table below:

PLN '000	30.06.2016	31.12.2015	in the period 01.01.2016 - 30.06.2016		
			Average	Maximum	Minimum
PLN	361	(66)	25	728	(576)
EUR	(366)	(63)	(120)	85	(366)
USD	1	96	(37)	109	(106)

The currency structure of the positions in the first half of 2016 has not changed in comparison with the year 2015, as positions in LCY, USD and EUR were still the majority. The average exposure to interest rates risk PLN remained on a lower level to 2015, whereas EUR positions were on average higher. The average risk tendency for instruments denominated in PLN amounted to PLN 266 thousand and in EUR it was PLN 135 thousand. The highest exposures were taken in PLN and EUR and were respectively PLN (576) thousand and PLN (366) thousand.

The table below shows the level of risk measured using VaR (excluding exposures resulting from available-for-sale portfolio's economic securities), divided into currency risk and interest rate risk positions in the first half of 2016:

PLN'000	30.06.2016	31.12.2015	In the period 1.01.2016 – 30.06.2016		
			Average	Maximum	Minimum
FX risk	1,208	96	744	3,260	110
Interest rate risk	2,690	4,147	6,811	17,443	1,849
Spread risk	2,615	4,576	3,657	6,507	296
Overall risk	4,098	6,061	7,971	18,737	3,493

The overall average price risk of trade portfolios in the first half of 2016 decreaseded by 7.5% comparing to the average price risk in 2015 and reached the level of PLN 8.0 million, mainly because of the interest rate risk exposure. Considering maximum risk levels, in case of interest rate risk and price risk of the whole trading portfolio they slightly increased in comparison with the previous year. Maximum price risk amounted to PLN 18.7 million while in 2015 it settled at PLN 18.4 million.

Capital instruments risk

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

Currency exposure

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

30 June 2016

PLN '000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	3,648,646	4,488,906	20,954,049	19,885,169	228,620
USD	3,848,109	3,301,178	15,869,618	16,452,735	(36,186)
GBP	48,739	303,031	376,995	123,158	(455)
CHF	343,232	175,146	870,619	1,035,158	3,547
Other currencies	10,412	282,191	1,635,373	1,361,217	2,377
	7,899,138	**8,550,452**	**39,706,654**	**38,857,437**	**197,903**

31 December 2015

PLN'000	Balance-sheet transactions		Contingent derivative transactions		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR	3,116,186	4,241,177	16,721,542	15,477,990	118,561
USD	5,456,076	3,469,607	9,206,843	11,198,528	(5,216)
GBP	28,907	380,021	437,048	46,580	39,354
CHF	310,154	123,080	656,060	845,258	(2,124)
Other currencies	106,768	251,291	2,970,751	2,839,821	(13,593)
	9,018,091	**8,465,176**	**29,992,244**	**30,408,177**	**136,982**

Operational risk

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

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

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

In the first half of 2016 the Group has not made any changes in control environment.

Capital adequacy

In the first half of 2016 the Group fulfilled the capital adequacy requirements. Capital adequacy ratio is calculated according to respective regulations.

6. Interest income

PLN '000	II quarter	I half of the year	II quarter	I half of the year
	01.04. - 30.06. 2016	01.01. - 30.06. 2016	01.04. - 30.06. 2015	01.01. - 30.06. 2015
Interest and similar income from:				
Balances with the Central Bank	4,716	9,125	3,712	8,335
Amounts due from banks	5,343	10,688	12,444	21,922
Amounts due from customers, in respect of:	203,071	402,964	184,616	387,532
financial sector	4,224	8,681	4,446	12,877
non-financial sector	198,847	394,283	180,170	374,655
Debt securities available-for-sale	86,656	166,404	69,889	130,670
Debt securities held-for-trading	16,644	34,460	18,933	51,209
	316,430	**623,641**	**289,594**	**599,668**
Interest expense and similar charges for				
Balances with the Central Bank	(82)	(82)	-	-
Amounts due to banks	(11,932)	(27,479)	(7,185)	(14,501)
Amounts due to financial sector entities	(16,558)	(28,441)	(11,302)	(24,877)
Amounts due to non-financial sector entities	(29,160)	(55,035)	(26,748)	(58,576)
Loans and advances acquired	(173)	(442)	(399)	(978)
Derivatives in hedge accounting	(6,190)	(12,441)	(3,950)	(3,950)
	(64,095)	**(123,920)**	**(49,584)**	**(102,882)**
Net interest income	**252,335**	**499,721**	**240,010**	**496,786**

Net interest income for the first half of 2016 includes income on impaired loans of PLN 7,085 thousand (for the first half of 2015: PLN 8,846 thousand).

7. Net fee and commission income

PLN '000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Fee and commission income				
Insurance and investment products distrubution	18,292	44,306	33,009	65,239
Payment and credit cards	42,733	82,170	43,030	88,133
Payment services	26,573	52,149	28,700	56,432
Custody services	27,881	55,768	29,807	61,625
Cash loans fees	393	932	366	1,044
Brokerage activity	10,669	20,755	11,244	24,799
Clients' cash on account management services	6,788	12,986	6,395	13,691
Guarantees granted	4,679	9,166	3,771	7,385
Financial liabilities granted	1,402	2,736	1,390	2,937
Other	20,260	40,218	17,713	27,491
	159,670	**321,186**	**175,425**	**348,776**
Fee and commission expense				
Payment and credit cards	(7,927)	(14,084)	(2,981)	(12,102)
Brokerage activity	(2,981)	(6,351)	(4,154)	(8,250)
Fees paid to the National Depository for Securities (KDPW)	(4,513)	(8,973)	(4,881)	(9,754)
Brokerage fees	(868)	(2,126)	(1,242)	(2,533)
Other	(4,268)	(7,899)	(3,542)	(6,105)
	(20,557)	**(39,433)**	**(16,800)**	**(38,744)**
Net fee and commission expense	**139,113**	**281,753**	**158,625**	**310,032**

The net commission result for the first half of 2016 comprises commission (other than income covered by the calculation of the effective interest rate), which is related to financial assets and liabilities not valued at fair value through profit or loss in the amount of PLN 94,488 thousand (for the first half of 2015: PLN 96,737 thousand) and commission expenses in the amount of PLN 16,333 thousand (for the first half of 2015: PLN 12,102 thousand).

8. Net income on financial instruments and revaluation

PLN '000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Net income on financial instruments valued at fair value through profit or loss				
Debt instruments	(19,577)	(31,270)	(53,467)	(14,390)
Equity instruments	(5,033)	(2,823)	(2,100)	(1,064)
Derivative instruments, including:	16,831	(10,176)	66,621	48,316
Interest rate derivatives	12,620	(12,762)	61,523	46,263
	(7,779)	**(44,269)**	**11,054**	**32,862**
Net income on FX operations				
Operations on FX derivative instruments	442,279	275,571	200,930	157,704
FX gains and losses (revaluation)	(327,494)	(86,066)	(140,031)	(32,940)
	114,785	**189,505**	**60,899**	**124,764**
Net income on financial instruments and revaluation	**107,006**	**145,236**	**71,953**	**157,626**

Net income on financial instruments and revaluation for the first half of 2016 includes movement in adjustment of the valuation of derivatives from adjustment of the valuation of derivatives reflecting the counterparty credit risk and own credit risk in the amount of PLN 5,650 thousand (for the first half of 2015: PLN (4,893) thousand).

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

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

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

9. Net other operating income and expense

PLN '000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Other operating income				
Income from provision of services for related parties	1,241	4,079	1,441	4,017
Income from office rental	2,412	4,825	2,390	4,772
Income from VAT settlement for previous years	-	5,845	-	-
Reversal of net provisions for litigation	1,120	3,875	-	-
Other	3,694	7,538	4,060	12,427
	8,467	**26,162**	**7,891**	**21,216**
Other operating expenses				
Amicable procedure and vindication expenses	(2,293)	(5,947)	(3,745)	(8,225)
Fixed assets held-for-sale maintenance cost	(29)	(68)	(60)	(121)
Net provision for litigation	-	-	341	(4,095)
Other	(3,900)	(7,828)	(5,729)	(11,342)
	(6,222)	**(13,843)**	**(9,193)**	**(23,783)**
Net other operating income	**2,245**	**12,319**	**(1,302)**	**(2,567)**

10. General administrative expenses

PLN '000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Staff expenses				
Remuneration costs, including:	(100,709)	(206,637)	(102,396)	(205,959)
Costs of retirement benefits	(7,088)	(14,442)	(6,151)	(12,590)
Bonuses and rewards including:	(23,074)	(46,260)	(24,636)	(49,430)
Payments related to own equity instruments*	682	(3,507)	(5,820)	(9,025)
Social security costs	(17,538)	(39,776)	(16,828)	(38,798)
	(141,321)	**(292,673)**	**(143,860)**	**(294,187)**
Administrative expenses				
Telecommunication fees and hardware purchase costs	(47,689)	(93,873)	(54,141)	(99,758)
Costs of external services, including advisory, audit, consulting services	(14,721)	(30,460)	(17,888)	(36,158)
Building maintenance and rent costs	(19,305)	(36,290)	(20,546)	(39,610)
Marketing costs	(8,421)	(13,619)	(4,882)	(8,921)
Costs of cash management services, costs of cleaning services and other transaction costs	(9,107)	(18,680)	(10,538)	(21,196)
Costs of external services related to distribution of banking products	(3,620)	(7,652)	(1,932)	(6,894)
Postal services, office supplies and printmaking costs	(3,021)	(5,848)	(2,686)	(5,778)
Training and education costs	(482)	(877)	(532)	(1,295)
Banking supervision costs	(2,700)	(5,296)	(2,464)	(5,069)

PLN '000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Costs paid to Bank Guarantee Fund	(17,163)	(34,478)	(16,836)	(33,672)
Other expenses	(16,336)	(38,648)	(17,619)	(36,724)
	(142,565)	**(285,721)**	**(150,064)**	**(295,075)**
General administrative expenses, total	**(283,886)**	**(578,394)**	**(293,924)**	**(589,262)**

*In the first quarter of 2016 a part of provisions was released due to changes in the Bank's approach to awards granted under the CAP, which resulted in a slight impact of its valuation on the II quarter's result. Additionally, in the second quarter of 2016 the provisions for equity awards granted in the form of phantom shares were released due to a decrease in the Bank's shares, which had a positive impact on the financial result.

Staff expenses include costs of the following benefits paid and payable to current and former members of the Bank's Management Board:

000' PLN	01.01 – 30.06.2016	01.01 – 30.06.2015
Short-term employee benefits (services)	6,497	5,677
Long-term employee benefits (services)	1,787	2,677
Rewards related to own equity instruments	1,155	4,361
	9,439	**12,715**

Change due to restructuring provision

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

000' PLN	01.01. – 30.06.2016		01.01. – 30.06.2015	
	Employment restructuring provisions	Branch network restucturing provisions	Employment restructuring provisions	Branch network restucturing provisions
Balance on January 1	**680**	**1,841**	**158**	**3,379**
Decreases:				
Provisions utilised	-	(869)	(158)	(988)
Provisions release	-	(533)	-	(700)
Balance at the end of period	**680**	**439**	**-**	**1,691**

PLN'000	01.01. – 31.12.2015	
	Employment restructuring provisions	Branch network restucturing provisions
Balance on January 1	**158**	**3,379**
Increases:		
Provisions created	680	1,309
Decreases:		
Provisions utilised	-	(2,147)
Reversal of provisions	(158)	(700)
Balance at the end of period	**680**	**1,841**

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

PLN'000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Impairment allowances for financial assets				
Amounts due from banks	(361)	(2,421)	(500)	(1,026)
Amounts due from customers	(46,976)	(87,445)	(47,168)	(99,983)
Receivables from matured derivative transactions	(8)	(15)	(72)	(442)
Other	-	-	274	-
	(47,345)	**(89,881)**	**(47,466)**	**(101,451)**
Reversals of impairment allowances for financial assets				
Amounts due from banks	608	3,552	583	3,530
Amounts due from customers	22,121	57,622	41,463	88,263
Receivables from matured derivative transactions	36	790	62	75
Recoveries from sold debts	37	8,162	61	161
Other	1,182	2,335	608	608
	23,984	**72,461**	**42,777**	**92,637**
Net impairment allowances financial assets	**(23,361)**	**(17,420)**	**(4,689)**	**(8,814)**
Created provisions for granted financial and guarantee commitments	(2,569)	(7,980)	(7,287)	(14,955)
Release of provisions for granted financial and guarantee commitments	5,919	10,908	9,999	18,285
Net impairment allowances provisions for granted financial and guarantee commitments	**3,350**	**2,928**	**2,712**	**3,330**
Net impairment allowances financial assets and provisions for granted financial and guarantees liabilities	**(20,011)**	**(14,492)**	**(1,977)**	**(5,484)**

12. Income tax expense

Recognized in the income statement

PLN '000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Current tax				
Current year CIT	(60,890)	(66,130)	(15,913)	(105,061)
Adjustments for prior years	-	(18,903)	-	(193)
	(60,890)	**(85,033)**	**(15,913)**	**(105,254)**
Deferred tax				
Net changes on temporary differences	2,684	2,753	(18,304)	13,446
	2,684	**2,753**	**(18,304)**	**13,446**
Income tax expense	**(58,206)**	**(82,280)**	**(34,217)**	**(91,808)**

Reconciliation of effective tax rate

PLN '000	II quarter 01.04. - 30.06. 2016	I half of the year 01.01. - 30.06. 2016	II quarter 01.04. - 30.06. 2015	I half of the year 01.01. - 30.06. 2015
Profit before tax	280,184	408,629	184,397	459,025
Income tax at the tax rate of 19%	(53,235)	(77,640)	(35,035)	(87,215)
Allowances for impairment losses not deductible for income	(1,101)	(808)	(369)	(1,755)
Taxable income not recognized in the income statement	(248)	(287)	(136)	(235)

Deductible expenses not recognized in the income statement	(3,942)	(3,872)	(34)	(194)
Non-taxable income	5,786	7,309	1,521	1,656
Other permanent differences, including other expenses not deductible for income	(5,466)	(6,982)	(164)	(4,065)
Income tax expense	**(58,206)**	**(82,280)**	**(34,217)**	**(91,808)**
Effective tax rate	**20.77%**	**20.14%**	**18.56%**	**20.00%**

Deferred tax recognized directly in equity

Deferred tax recognised directly in equity as at 30 June 2016 is related to debt and equity instruments available-for-sale and specific services program valuation and equals PLN 41,301 thousand (30 June 2015: PLN 41,161 thousand).

13. Statement of changes in other comprehensive income

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

PLN '000	Gross amount	Deferred income tax	Net amount
Balance as at 1 January 2016	**(201,990)**	**38,377**	**(163,613)**
Change in valuation of AFS	(30,118)	5,724	(24,394)
Valuation of AFS sold, recognised to income statement	20,925	(3,976)	16,949
Balance as at 30 June 2016	**(211,183)**	**40,125**	**(171,058)**

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

14. Amounts due from banks

PLN '000	30.06.2016	31.12.2015
Current accounts	265,687	184,445
Deposits	-	28,111
Credits and loans	4,043	4,461
Unlisted debt securities	28,960	28,455
Receivables due to purchased securities with repurchase agreement	203,442	215,166
Deposits pledged as collateral for derivative transactions and stock exchange transactions	272,174	286,641
Other receivables	-	11,574
Total gross value	**774,306**	**758,853**
Impairment write- downs	(620)	(1,750)
Total net value	**773,686**	**757,103**

Movement in amounts due from banks presents as follows:

PLN '000	01.01. – 30.06. 2016	01.01. – 30.06. 2015
As at 1 January	**(1,750)**	**(2,880)**
Increases (due to):		
Write- downs increase	(2,421)	(1,026)
Other	(1)	-

PLN '000	**01.01. – 30.06. 2016**	**01.01. – 30.06. 2015**
Decreases (due to):		
Write-downs release	3,552	3,530
Others	-	50
As at the end of period	**(620)**	**(326)**

As at 30 June 2016 and 31 December 2015 recognized impairment write-downs on amounts due from banks concerned incurred but not reported (IBNR) write-downs.

15. Financial assets and liabilities held-for-trading

Financial assets held-for-trading

PLN '000	**30.06.2016**	**31.12.2015**
Debt securities held-for-trading		
Bonds and notes issued by:		
Banks*	471	379,866
Other financial units	30,001	33,054
Government	633,263	4,279,640
	663,735	**4,692,560**
Including:		
Listed on the active market	636,696	4,297,762
Unlisted on the active market	27,039	394,798
Equity instruments held-for-trading	**27,652**	**27,592**
Including:		
Listed on the active market	27,652	27,592
Derivatives	**1,597,743**	**2,267,132**
Financial assets held-for-trading, total	**2,289,130**	**6,987,284**

*As at 30 June 2016 part of the securities (bonds) issued by banks in amount PLN 471 thousand is covered by guarantee of State Treasury (31 December 2015: PLN 406 thousand).

Financial liabilities held-for-trading

PLN '000	**30.06.2016**	**31.12.2015**
Liabilities related to short-sale of securities	14,029	988,102
Derivatives	1,604,463	2,259,421
Financial liabilities held-for-trading, total	**1,618,492**	**3,247,523**

As at 30 June 2016 and 31 December 2015 the Group did not hold any financial assets and liabilities designed at fair value through profit or loss initial recognition.

As at 30 June 2015 and 31 December 2016 derivative financial assets were not adjusted due to counterparty credit risk.

Derivative financial instruments as at 30 June 2016

PLN '000	**Notional value of derivatives with remaining life of**				**Total**	**Fair value**	
	less than three months	**between three months and one year**	**between one year and five years**	**more than five years**		**Assets**	**Liabilities**
Interest rate instruments	10,108,850	20,254,903	52,315,979	19,342,715	102,022,447	1,186,684	1,303,737
Currency instruments	32,907,134	5,774,776	3,067,120	43,528	41,792,558	337,375	227,084

Securities transactions	1,035,959	4,565	-	-	1,040,524	2,573	2,459
Commodity transactions	217,267	346,284	152,145	-	715,696	71,111	71,183
Derivative instruments total	**44,269,210**	**26,380,528**	**55,535,244**	**19,386,243**	**145,571,225**	**1,597,743**	**1,604,463**

Derivative financial instruments as at 31 December 2015

PLN '000	Notional value of derivatives with remaining life of				Total	Fair value	
	less than three months	between three months and one year	between one year and five years	more than five years		Assets	Liabilities
Interest rate instruments	29,606,742	25,704,772	65,253,560	17,039,073	137,604,147	1,833,332	1,910,807
Currency instruments	22,998,714	7,398,703	2,842,795	49,994	33,290,206	337,491	249,663
Securities transactions	1,807,542	11,051	-	-	1,818,593	1,575	4,252
Commodity transactions	175,897	446,005	260,071	-	881,973	94,734	94,699
Derivative instruments total	**54,588,895**	**33,560,531**	**68,356,426**	**17,089,067**	**173,594,919**	**2,267,132**	**2,259,421**

16. Debt securities available-for-sale

PLN '000	30.06.2016	31.12.2015
Bonds and notes issued by:		
Banks*	170,610	1,509,007
Other financial institutions	60,256	-
Central governments, including:	19,523,195	16,842,252
Covered bonds in fair value hedge accounting	5,052,801	4,657,996
Debt securities available-for-sale, total	**19,754,061**	**18,351,259**
Including:		
Listed instruments on the active market	19,754,061	17,730,251
Unlisted instruments on the active market	-	621,008

*As at 30 June 2016 part of securities (bonds) issued by other banks in the amount of PLN 170,610 thousand is covered by guarantee of State Treasury (31 December 2015: PLN 556,274 thousand)

17. Amounts due from customers

PLN '000	30.06.2016	31.12.2015
Amounts due from financial sector entities		
Loans, placements and advances	305,860	307,402
Debt securities unlisted	200,303	199,724
Receivables related to reverse repo transactions	12,823	1,356,247
Guarantee funds and deposits pledged as collateral	170,755	186,007
Other receivables	1,242	1,605
Total gross value	**690,983**	**2,050,985**
Impairment write-downs	(17,265)	(17,270)
Total net value	**673,718**	**2,033,715**
Amounts due from non-financial sector entities		
Loans and advances	15,747,976	15,254,953
Unlisted debt securities	922,453	1,075,891
Purchased receivables	1,060,405	1,102,720
Realized guarantees	1,056	1,577
Other receivables*	34,265	74,751
Total gross value	**17,766,155**	**17,509,892**

PLN '000	30.06.2016	31.12.2015
Impairment write-downs	(573,045)	(568,136)
Total net value	**17,193,110**	**16,941,756**
Total net value of receivables from customers	**17,866,828**	**18,975,471**

*As at 30 June 2016 position "Other receivables" contains leasing receivables in amount PLN 26,532 thousand (31 December 2015: PLN 66,895 thousand).

PLN'000	30.06.2016	31.12.2015
Portfolio impairment loss	(247,488)	(224,106)
Individual impairment loss	(269,226)	(296,332)
Incurred but not reported (IBNR)	(73,596)	(64,968)
Impairment allowances, total	**(590,310)**	**(585,406)**

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

PLN '000	01.01. – 30.06. 2016	01.01. – 30.06. 2015
As at 1 January	**(585,406)**	**(798,896)**
Increases (due to):		
Increase of write downs	(87,445)	(99,983)
Net write-offs on receivables from matured derivative transactions	-	(367)
Other	(10,933)	(3,060)
Decreases (due to):		
Release of net write-downs in the period for receivables in respect of matured derivative instrument transactions	775	-
Receivables derecognision	20,024	19,874
Write-downs release	57,622	88,263
Sale of receivables	15,053	-
Other	-	201
As at the end of period	**(590,310)**	**(793,968)**

Finance lease receivables

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

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

PLN '000	30.06.2016	31.12.2015
Gross finance lease receivables	27,060	68,127
Unrealized finance income	(528)	(1,232)
Net finance lease receivables	**26,532**	**66,895**

As at 30 June 2016 impairment for finance lease receivables amounted to PLN 5,596 thousand (as at 31 December 2015 amounted PLN 8,010 thousand).

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

18. Deferred income tax asset

PLN'000	**30.06.2016**	**31.12.2015**
Deferred income tax asset	453,624	568,132
Deferred income tax liability	(287,539)	(406,546)
Deferred income tax net asset	**166,085**	**161,586**

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

19. Amounts due to banks

PLN '000	**30.06.2016**	**31.12.2015**
Current accounts	1,710,452	681,202
Time deposits	492,844	4,460,693
Credits and loans received	147,358	198,203
Liabilities due to sold securities under repurchase agreements	-	1,623,456
Other liabilities	3	7
Total amounts due to banks	**2,350,657**	**6,963,561**

20. Amounts due to customers

PLN '000	**30.06.2016**	**31.12.2015**
Deposits from financial sector entities		
Current accounts	404,670	226,438
Deposits	4,163,514	3,154,694
	4,568,184	**3,381,132**
Deposits from non-financial sector entities		
Current accounts, including:	18,479,991	20,194,711
institutional customers	9,731,220	10,454,683
individual customers	7,852,497	7,074,422
budgetary units	896,274	2,665,606
Time deposits, including:	8,356,168	7,699,698
institutional customers	6,123,171	5,972,704
individual customers	1,615,637	1,667,610
budgetary units	617,360	59,384
	26,836,159	**27,894,409**
Total deposits	**31,404,343**	**31,275,541**
Other liabilities		
Securities sold under repurchase agreements	-	188,505
Other liabilities, including:	96,965	122,257
cash collateral	80,611	99,207
Total other liabilities	**96,965**	**310,762**
Total amounts due to customers	**31,501,308**	**31,586,303**

21. Financial assets and liabilities by maturity date

As at 30 June 2016

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Amounts due from banks (Gross)	14	774,306	570,400	521	203,385	-	-
Financial assets held-for-trading							
Debt securities held-for-trading	15	663,735	12,695	65,409	127,434	375,734	82,463
Financial assets available-for-sale							
Debt securities available-for-sale	16	19,754,061	-	-	182,037	15,259,353	4,312,671
Amounts due from customers (gross)							
Amounts due from financial sector entities	17	690,983	169,101	-	321,882	200,000	-
Amounts due from non-financial sector entities	17	17,766,155	7,383,627	1,493,012	2,122,587	5,332,787	1,434,142
Amounts due to banks	19	2,350,657	2,173,709	-	44,348	132,566	34
Amounts due to customers							
Amounts due to financial sector entities:	20	4,568,249	4,343,561	218,514	6,155	-	19
Amounts due to non-financial sector entities	20	26,933,059	25,989,727	662,604	269,546	11,129	53

As at 31 December 2015

PLN '000	Note	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Amounts due from banks (Gross)	14	758,853	519,475	4,408	38,000	196,970	-
Financial assets held-for-trading							
Debt securities held-for-trading	15	4,692,560	163,238	-	1,822,346	1,198,152	1,508,824
Financial assets available-for-sale							
Debt securities available-for-sale	16	18,351,259	-	-	131,604	11,781,131	6,438,524
Amounts due from customers (gross)							
Amounts due from financial sector entities	17	2,050,985	1,527,285	70,135	213,565	240,000	-
Amounts due from non-financial sector entities	17	17,509,892	7,456,761	1,357,325	2,328,206	4,904,883	1,462,717
Amounts due to banks	19	6,963,561	5,986,214	750,000	69,848	157,468	31
Amounts due to customers							
Amounts due to financial sector entities:	20	3,569,648	3,451,621	112,616	4,755	639	17
Amounts due to non-financial sector entities	20	28,016,655	27,237,673	519,395	247,844	11,690	53

22. Financial instruments disclosures

Fair value of financial assets and liabilities

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

PLN '000	Note	30.06.2016		31.12.2015	
		Balance value	Fair value	Balance value	Fair value
Assets					
Amounts due from banks	14	773,686	773,686	757,103	757,105
Amounts due from customers	17	17,866,828	17,873,810	18,975,471	19,051,525
Liabilities					
Amounts due to banks	19	2,350,657	2,350,762	6,963,561	6,963,525
Amounts due to customers	20	31,501,308	31,501,176	31,586,303	31,585,503

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

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

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

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

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

Valuation methods and assumptions used for the purposes of fair value

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

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

  The Group applies the following methods of measurement of particular types of derivativeinstruments:
  - FX forwards: discounted cash flow model;
  - options – option market-based valuation model;
  - interest rate transactions – discounted cash flow model;
  - futures – current quotations.

- For valuation of securities' transactions current quotations are used. In case of lack of quotations, adequate models based on discount and forward curves, including decrease of credit spread, if needed, are used for valuation.

- The fair value of other assets and financial liabilities (excluding described above) are estimated in accordance to commonly accepted models of valuation based on discounted cash flow analysis, taking into account fluctuations in market interest rates and changes in margins during the financial period.

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

Fair value included in consolidated statement of financial position

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

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

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

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

As at 30 June 2016

PLN '000	Note	Level I	Level II	Level III	Total
Financial assets					
Financial assets held-for-trading	15	663,877	1,625,253	-	2,289,130
Derivatives		-	1,597,743	-	1,597,743
Debt securities		636,225	27,510	-	663,735
Equity instruments		27,652	-	-	27,652
Debt securities available-for-sale	16	19,583,451	170,610	-	19,754,061
Equity investments available for sale		924	-	17,355	18,279
Financial liabilities					
Financial liabilities held-for-trading	15	14,029	1,604,463	-	1,618,492
Short sale of securities		14,029	-	-	14,029
Derivatives		-	1,604,463	-	1,604,463
Hedge derivatives		-	97,405	-	97,405

As at 31 December 2015

PLN '000	Note	Level I	Level II	Level III	Total
Financial assets					
Financial assets held-for-trading	15	4,307,386	2,679,898	-	6,987,284
Derivatives		154	2,266,978	-	2,267,132
Debt securities		4,279,640	412,920	-	4,692,560
Equity instruments		27,592	-	-	27,592
Hedge derivatives		-	1,795	-	1,795
Debt securities available-for-sale	16	16,842,252	1,509,007	-	18,351,259
Equity investments available for sale		1,006	-	63,323	64,329
Financial liabilities					
Financial liabilities held-for-trading	15	988,485	2,259,038	-	3,247,523
Short sale of securities		988,102	-	-	988,102
Derivatives		383	2,259,038	-	2,259,421
Hedge derivatives		-	112,383	-	112,383

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

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

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

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

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

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

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

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

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

In the first half of 2016 the Group has made no transfers between levels of instruments' fair value due to established method of setting fair value.

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

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

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

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

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

23. Hedge accounting

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

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

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

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

Fair value of instruments within fair value hedge accounting of securities

PLN'000	30.06.2016		31.12.2015	
	Nominal value	Fair value	Nominal value	Fair value
Hedged instruments				
Debt securities available-for-sale				
Treasury bonds	4,521,073	5,052,801	4,431,015	4,657,996
Hedging instruments				
Derivative instruments				
Interest rate swaps – positive valuation	-	-	780,220	1,795

Interest rate swaps – negative valuation	4,521,073	97,405	3,650,795	112,383

24. Statement of cash flows

PLN'000	30.06.2016	31.12.2015
Cash related items:		
Cash in hand	399,380	477,105
Nostro current account in Central Bank	424,585	1,693,132
Current accounts in other banks (nostro, overdrafts on loro accounts)	265,243	184,115
	1,089,208	**2,354,352**

25. Seasonality or periodicity of business activity

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

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

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

27. Paid or declared dividends

Dividends declared

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

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

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

28. Changes in Group's structure

In the first half of 2016 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.

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

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

30. Changes in granted and received financial and guarantee commitments

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

PLN '000	As at		Change	
	30.06.2016	31.12.2015	PLN '000	%
Contingent liabilities				
financial	16,273,260	15,916,191	357,069	2.2%

PLN '000	As at		Change	
	30.06.2016	**31.12.2015**	**PLN '000**	**%**
Import letters of credit issued	219,504	160,065	59,439	37.1%
Lines of credit granted	14,462,756	14,618,126	(155,370)	(1.1%)
Deposits to issue	300,000	-	300,000	-
Underwritting	1,291,000	1,138,000	153,000	13.4%
guarantees	2,224,949	2,131,343	93,606	4.4%
Guarantees granted	2,191,485	2,101,477	90,008	4.3%
Export letters of credit confirmed	-	335	(335)	(100.0%)
Other	33,464	29,531	3,933	13.3%
	18,498,209	**18,047,534**	**450,675**	**2.5%**
Contingent liabilities received				
financial	962,100	-	962,100	-
guarantees	16,865,441	15,470,264	1,395,177	9.0%
	17,827,541	**15,470,264**	**2,357,277**	**15.2%**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	6,435,970	1,513,219	4,922,751	325.3%
Forward **	143,656,328	176,512,715	(32,856,387)	(18.6%)
	150,092,298	**178,025,934**	**(27,933,636)**	**(15.7%)**

**Foreign exchange and securities transactions with current value date*
***Derivatives: FX, interest rate transactions and options*

31. Information about shareholders

The table below present the list of shareholders that hold, at both 30 June 2016 and the day of publishing this consolidated financial statement for the first half of 2016, directly or indirectly by dependent units, at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital:

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

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

32. Information on pending proceedings

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

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

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

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

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

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

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

The Bank was a party to the proceeding initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa Europay payment system operators and banks - issuers of Visa cards and Europay/ Eurocard/ Mastercard and one of the addressee of the President of UOKiK's decision in the case. This procedure applies to practices limiting the competition on payment-cards market in Poland, by consisting in the joint determination of 'interchange fees' for transactions made by cards of Visa and Europay / Eurocard / Mastercard as well as limiting the access to market for operators who do not belong to the unions of card issuers and against whom proceedings have been initiated. The President of UOKiK's decision was a subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set up at the amount of PLN 1,775,720. On October 6, 2015 the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. The verdict is binding and enforceable. On 28 April 2016 the extraordinary appeal was sent to the Supreme Court by the Bank.

33. Transactions with the key management personnel

PLN'000	30.06.2016		31.12.2015	
	Members of the Management Board	Members of the Supervisory Board	Members of the Management Board	Members of the Supervisory Board
Loans granted	**1,241**	**-**	**1,103**	**-**
Deposits				
Current accounts	9,544	3,380	4,000	4,481
Term deposits	9,238	-	10,989	8,062
	18,782	**3,380**	**14,989**	**12,543**

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

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

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

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

34. Related parties

Transactions with related parties

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

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

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

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

Transactions with Citigroup Inc. entities

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

PLN '000	30.06.2016	31.12.2015
Receivables, including:	378,362	174,358
Placements	-	-
Liabilities, including:	1,248,739	4,338,922
Deposits	104,927	3,801,172
Loans received	15,569	41,337
Derivative		
Assets held-for-trading	1,078,458	1,337,826
Assets due to hedge derivative instruments	-	1,795
Liabilities held-for-trading	1,071,360	1,307,730
Liabilities due to hedge derivatives	76,124	90,464
Contingent liabilities granted	281,919	287,814
Contingent liabilities received	87,679	103,458
Contingent derivative transactions (liabilities granted/received), including:	89,267,854	96,302,028
Interest rate instruments	66,537450	79,711,721
Currency instruments	21,959,866	15,964,479
Securities transactions	412,690	184,842
Commodity transactions	357,848	440,986

PLN '000	01.01. – 30.06. 2016	01.01. – 30.06. 2015
Interest and commission income	18,431	24,933
Interest and commission expense	33,619	7,227

The Group receives income and incurs costs on derivative transactions with entities of Citigroup Inc. in order to hedge market risk. These are back to back derivative transactions, opposite to transactions with Group's other clients, and closing Group's own position. On 30 June 2016 net balance valuation of transactions on derivatives amounted to PLN (69 029) thousand (31 December 2015: PLN (58,573) thousand. The Bank runs a compression of derivative transaction portfolios' periodically. It is one of the risk-mitigation technique recommended by the "Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories" and the implementing regulations (EMIR Regulation). In accordance with the EMIR Regulation this in particular applies to the portfolios exceeding 500 derivative transactions.

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

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

PLN '000	01.01. – 30.06. 2016	01.01. – 30.06. 2015
General administrative expenses	94,373	101,296
Other operating income	4,079	5,302

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

35. Other significant information

Personal changes in the Bank's bodies.

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

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

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

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

Members of Management Board signatures

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