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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OF THE CAPITAL GROUP OF

BANK HANDLOWY W WARSZAWIE S.A.

FOR THE THIRD QUARTER 2019

NOVEMBER 2019

SELECTED FINANCIAL DATA		PLN '000		EUR '000***
	Third quarter accruals	Third quarter accruals	Third quarter accruals	Third quarter accruals
	period from 01.01.19 to 30.09.19	period from 01.01.18 to 30.09.18	period from 01.01.19 to 30.09.19	period from 01.01.18 to 30.09.18
Data related to the interim condensed consolidated financial statements				
Interest income and similar	1,051,190	976,916	243,975	229,673
Fee and commission income	496,213	481,459	115,168	113,191
Profit before tax	433,046	631,835	100,508	148,545
Net profit	306,291	486,696	71,088	114,422
Comprehensive income	366,602	517,047	85,086	121,558
Net cash flows	(3,751,154)	199,748	(870,622)	46,961
Total assets*	51,979,130	49,304,714	12,088,170	11,466,213
Amounts due to banks*	4,995,628	1,402,233	1,161,774	326,101
Amounts due to customers*	36,443,155	38,334,345	8,475,152	8,914,964
Equity	6,934,685	7,056,750	1,585,578	1,641,105
Ordinary shares	522,638	522,638	119,498	122,358
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)	53.07	54.01	12.14	12.56
Total capital adequacy ratio (%)*	16.3	16.8	16.3	16.8
Earnings per share (PLN / EUR)	2.34	3.72	0.54	0.87
Diluted earnings per share (PLN / EUR)	2.34	3.72	0.54	0.87
Data related to the interim condensed standalone financial statements				
Interest income and similar	1,050,515	976,051	243,819	229,470
Fee and commission income	470,289	453,917	109,152	106,716
Profit before tax	431,040	645,564	100,042	151,772
Net profit	304,861	500,918	70,757	117,766
Comprehensive income	365,086	531,401	84,734	124,933
Net cash flows	(3,751,045)	199,748	(870,597)	46,961
Total assets*	51,892,083	49,242,024	12,067,926	11,451,633
Amounts due to banks*	4,995,516	1,402,124	1,161,748	326,075
Amounts due to customers*	36,516,842	38,395,885	8,492,289	8,929,276
Equity	6,883,471	7,007,052	1,573,868	1,629,547
Ordinary shares	522,638	522,638	119,498	122,358
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	52.68	53.63	12.05	12.47
Total capital adequacy ratio (%)*	16.0	16.5	16.0	16.5
Earnings per share (PLN/EUR)	2.33	3.83	0.53	0.9
Diluted earnings per share (PLN / EUR)	2.33	3.83	0.53	0.9
Declared or paid dividends per share (PLN/EUR)**	3.74	4.11	0.86	0.96

** Comparative balance data according as at 31 December 2018.*
*** The presented ratios relate respectively to dividend paid in 2019 from the distribution of 2018 profit and dividend paid in 2018 from the appropriation of the 2017 profit.*
**** The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 30 September 2019 – 4.3736 (as at 31 December 2018: PLN 4.3000; as at 30 September 2018 – PLN 4.2714); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the third quarter of 2018 - PLN 4.3086 (in the third quarter of 2018: PLN 4.2535).*

Contents

Condensed consolidated income statement

PLN '000	For the period	Third quarter period from 01.07.19 to 30.09.19	Third quarter accruals period from 01.01.19 to 30.09.19	Third quarter period from 01.07.18 to 30.09.18	Third quarter accruals period from 01.01.19 to 30.09.19
Interest income		331,854	972,979	316,601	934,911
Similar income		29,574	78,211	15,351	42,005
Interest expense and similar charges		(69,796)	(193,857)	(51,228)	(148,431)
Net interest income		**291,632**	**857,333**	**280,724**	**828,485**
Fee and commission income		164,015	496,213	158,260	481,459
Fee and commission expense		(22,329)	(67,381)	(23,164)	(65,951)
Net fee and commission income		**141,686**	**428,832**	**135,096**	**415,508**
Dividend income		**1,040**	**10,900**	**486**	**9,436**
Net gain/(loss) on trading financial instruments and revaluation		**98,640**	**286,282**	**94,452**	**287,195**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**19,440**	**73,587**	**8,534**	**87,727**
Net gain/(loss) on equity investments and other at fair value through income statement		**3,130**	**16,329**	**3,372**	**10,164**
Net gain/(loss) on hedge accounting		**(310)**	**(1,068)**	**-**	**3,682**
Other operating income		4,838	18,020	4,602	27,372
Other operating expenses		(7,164)	(21,674)	(8,258)	(22,129)
Net other operating income and expense		**(2,326)**	**(3,654)**	**(3,656)**	**5,243**
General administrative expenses		**(254,695)**	**875,54**	**(258,706)**	**(847,676)**
Depreciation and amortization		**(21,452)**	**(64,032)**	**(16,793)**	**(54,154)**
Profit on sale of other assets		**(265)**	**(296)**	**-**	**(836)**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments		**(91,192)**	**(225,954)**	**(19,215)**	**(51,739)**
Operating income		**185,329**	**502,720**	**224,294**	**693,035**
Share in net profits of entities measured using equity method*		**-**	**-**	**(246)**	**9**
Tax on certain financial institutions		**(25,469)**	**(69,674)**	**(19,276)**	**(61,209)**
Profit before tax		**159,860**	**433,046**	**204,772**	**631,835**
Income tax expense		**(46,195)**	**(126,755)**	**(46,288)**	**(145,139)**
Net profit		**113,665**	**306,291**	**158,484**	**486,696**
Including:					
Net profit attributable to Bank's shareholders			306,291		486 696
Weighted average number of ordinary shares (in pcs)			130 659 600		130 659 600
Earnings per share (in PLN)			2.34		3.72
Diluted net earnings per share (in PLN)			2.34		3.72

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

Condensed consolidated statement of comprehensive income

PLN '000	Third quarter period from 01.07.19 to 30.09.19	Third quarter accruals period from 01.01.19 to 30.09.19	Third quarter period from 01.07.18 to 30.09.18	Third quarter accruals period from 01.01.18 to 30.09.18
Net profit	**113,665**	**306,291**	**158,484**	**486,696**
Other comprehensive income, that might be subsequently reclassified to income statement:				
Changes of financial assets measured at fair value through other comprehensive income	44,579	60,225	(7,562)	30,225
Currency translation differences	143	86	(106)	126
Other comprehensive income net of tax	**44,722**	**60,311**	**(7,668)**	**30,351**
Total comprehensive income	**158,387**	**366,602**	**150,816**	**517,047**
Including:				
Comprehensive income attributable to Bank's shareholders	158,387	366,602	150,826	517,047

Condensed consolidated statement of financial position

PLN '000	as at	30.09.2019	31.12.2018
ASSETS			
Cash and balances with the Central Bank		3,421,537	7,272,193
Amounts due from banks		905,173	1,333,977
Financial assets held-for-trading		5,296,919	2,237,076
Debt financial assets measured at fair value through other comprehensive income		16,631,003	14,241,363
Equity investments measured using equity method*		-	10,399
Equity and other instruments measured at fair value through income statement		61,573	48,768
Amounts due from customers		23,275,791	21,949,014
Tangible fixed assets		499,336	364,261
Intangible assets		1,405,597	1,418,794
Current income tax receivables		2,111	1,744
Deferred tax asset		238,030	204,207
Other assets		242,060	222,918
Total assets		**51,979,130**	**49,304,714**
LIABILITIES			
Amounts due to banks		4,995,628	1,402,233,
Financial liabilities held-for-trading		1,993,915	1,609,382,
Hedging derivatives		14,335	-
Amounts due to customers		36,443,155	38,334,345
Provisions		88,662	29,984
Current income tax liabilities		45,557	66,297
Other liabilities		1 463,193	805,723
Total liabilities		**45,044,445**	**42,247,964**
EQUITY			
Ordinary shares		522,638	522,638
Share premium		3,003,290	3,003,290
Revaluation reserve		144,597	84,372
Other reserves		2,871,517	2,883,838
Retained earnings		392,643	562,612
Total equity		**6,934,685**	**7,056,750**
Total liabilities and equity		**51,979,130**	**49,304,714**

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

Condensed consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2019	**522,638**	**3,003,290**	**84,372**	**2,883,838**	**562,612**	**-**	**7,056,750**
Total comprehensive income, including:	-	-	60,225	86	306 291	-	366 602
Net profit	-	-	-	-	306 291	-	306 291
Currency translation differences from the foreign operations' conversion	-	-	-	86	-	-	86
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	60,225	-	-	-	60,225
Dividends paid	-	-	-	-	(488,667)	-	(488,667)
Transfer to capital	-	-	-	(12,407)	12,407	-	-
Balance as at 30 September 2019	**522,638**	**3,003,290**	**144,597**	**2,871,517**	**392 643**	**-**	**6 934 685**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2018	**522,638**	**3,003,969**	**(9,118)**	**2,895,598**	**525,796**	-	**6,938,883**
Impact of adopting IFRS 9	-	-	(796)	-	(74,784)	-	(75,580)
Restated balance as at 1 January 2018	**522,638**	**3,003,969**	**(9,914)**	**2,895,598**	**451,012**	**-**	**6,863,303**
Total comprehensive income, including:	-	-	30,225	126	486,696	-	517,047
Net profit	-	-	-	-	486,696	-	486,696
Currency translation differences from the foreign operations' conversion	-	-	-	126	-	-	126
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	30,225	-	-	-	30,225
Dividends paid	-	-	-	-	(537,011)	-	(537,011)
Transfer to capital	-	(679)	-	(9,080)	9,759	-	-
Balance as at 30 September 2018	**522,638**	**3,003,290**	**20,311**	**2,886,644**	**410,456**	**-**	**6,843,339**

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

Condensed consolidated statement of cash flows

PLN '000	Third quarter accruals period from 01.01.19 to 30.09.19	Third quarter accruals period from 01.01.18 to 30.09.18
Cash at the beginning of the reporting period	**7,474,978**	**514,585**
Cash flows from operating activities	(3,242,564)	821,690
Cash flows from investing activities	(5,754)	(48,995)
Cash flows from financing activities	(502,836)	(572,947)
Cash at the end of the reporting period	**3,723,824**	**714,333**
Increase/(decrease) in net cash	**(3,751,154)**	**199,748**

Supplementary notes to the interim condensed consolidated financial statements

1 General information about the Bank and the Capital Group

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

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

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

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

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

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

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

In the third quarter of 2019 there was no change in the structure of Group's comparing to the second quarter of 2019.

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

The Group consists of the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2019	31.12.2018
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	-
Entities measured using equity method			
Handlowy-Inwestycje Sp. z o.o.	Warsaw	-	100.00

2 Declaration of conformity

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

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

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, No. 757, as amended) the Bank is obliged to publish its financial results for the 9 month period ended 30 September 2019 which is deemed to be the current interim financial reporting period.

3 Significant accounting policies

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

The interim condensed consolidated financial statements of the Group have been prepared for the period from

1 January 2019 to 30 September 2019 and for the consolidated statement of financial position as at 30 September 2019. Comparative financial data are presented for the period from 1 January 2018 to 30 September 2018 and for the consolidated statement of financial position as at 31 December 2018.

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

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

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

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

The most significant estimates made for the 9 month period ended 30 September 2019, concern:
- expected credit losses of financial assets,
- measurement of the fair value of derivatives,
- employee benefits.

Standards and interpretations awaiting European Union's approval:
- IFRS 17 „Insurance" replacing IFRS 4 „Insurance contracts" and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities. Standard eliminates differences in accounting of insurance contracts depending on local jurisdictions, allowed by IFRS 4,
- Changes in the Conceptual Framework introducing comprehensive clarifications in respect of financial reporting, among others regulating the area of measurement and its basis, presentation and disclosures, derecognition of assets and liabilities from balance sheet, and update and explanations of certain definitions,
- IFRS 3 'Business combinations' amendment - introducing a clarification of the definition of a project that helps to distinguish between acquisitions as a group of assets or a project,
- IAS 1 and IAS 8 amendments– changing definition of materiality,
- Amendments to IFRS 9, IAS 39 and IFRS 7 issued on 26 September 2019, relating to interest rate benchmark (IBOR) reform, amending requirements for hedge accounting, in particular allowing not to terminate hedge accounting with respect to IBOR reform,

will not have significant impact on the financial statements.

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

IFRS 16 Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group elected to apply the following practical expedients:

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

Initial application of IFRS 16

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

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

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

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

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

Reconciliation of Lease Liabilities

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

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

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

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

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

Foreign currency

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

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

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

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

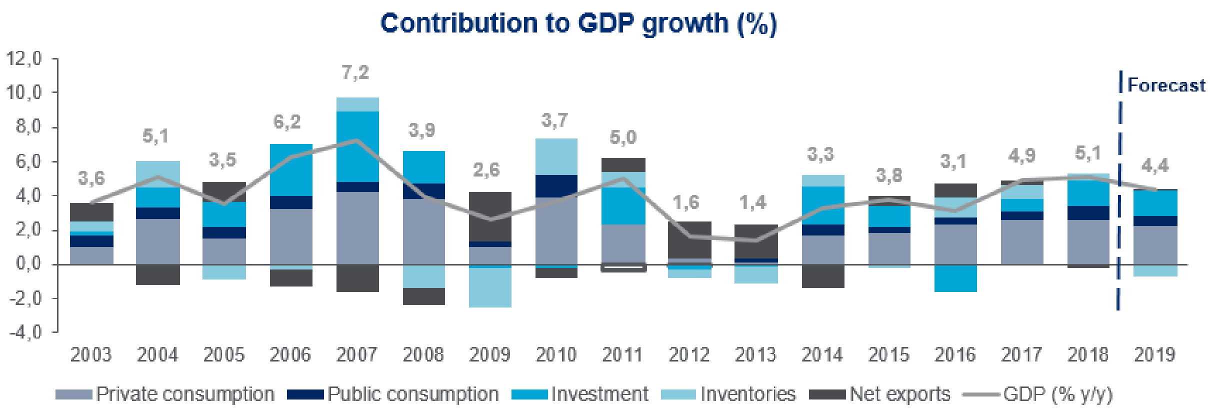
PLN		30 September 2019	31 December 2018	30 September 2018
1	USD	4.0000	3.7597	3.6754
1	CHF	4.0278	3.8166	3.7638
1	EUR	4.3736	4.3000	4.2714

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

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

In the third quarter of 2019, GDP growth most probably slowed down from 4.5% recorded in the second quarter of 2019, but was still relatively high nearing 4%. The growth is still driven by domestic demand, including, above all, individual consumption. Monthly economic data revealed reduction of the activity. Industrial output slowed down to 3.3% from 4.9%, similarly construction output – to 5.6% from 8.5%, and retail sales – to 4.8% from 6.9%. Lower domestic data resulted from lower activity in industry in Germany and in the eurozone, as well as the weakening of domestic demand. That was signaled by the PMI index staying at the level below 50 points, while its detailed structure indicated the lowest share of new orders for more than 10 years. Still, the industrial performance was good, being supported by relatively weak zloty and increasing share of Polish export in the import of the eurozone. The slowdown in construction output was caused, among other things, by a very high statistical basis from 2018 and lower increase of the inflow of European funds. In the case of retail sales, we believe that its growth was hurdled only temporarily, while sales themselves should be supported by the situation on the labor market, which is still good.

The results of surveys conducted by the National Bank of Poland reveal that the peak of wage pressure was reached in the preceding quarters, but the growth rate of wages in the corporate sector increased and in the third quarter reached 6.9% YoY against 6.7% in the second quarter of 2019. Employment slowed down to 2.6% from 2.8%, but the unemployment rate continued to drop and in September 2019 reached another historically low level of 5.1% against 5.3% at the end of June and 5.8% at the end of 2018. What is more, consumer confidence indices are still close to record-high levels, while the growth rate of household loans remains moderate. Private consumption can be stimulated by a high growth rate of wages as well as increase in tax transfers for households, covering extension of the 500+ program, additional retirement pension and reduction of the lower PIT rate.



Source: Chief Statistical Offce, Citi Handlowy forecasts

Prices of consumer goods and services rose by 2.8% YoY in the third quarter of 2019, as compared to 2.4% YoY in the second quarter and 1.2% in the first quarter of 2019. An inflation growth was partially caused by acceleration of food prices and increase in net inflation. Food prices grew faster than the year before due to unfavorable weather conditions and increased demand on pig meat on foreign markets. Also great domestic demand contributed to the increase in net inflation. At the same time, relatively low oil price limited it. In subsequent months of the current year, the Group expects further increase of inflation (to ca. 3.0% at the end of the year) and above the upper limit of the inflation target of 3.5% at the beginning of 2020. In subsequent months of the next year inflation will most probably drop below the inflation target of 2.5% in the context of continuing economic slowdown as well as the downward trend in the growth of food prices.

The Monetary Policy Council (RPP) did not change interest rates which have been kept at the present levels since March 2015. Most of the members of the Monetary Policy Council warned that despite increase of inflation and good economic performance there was no need to change interest rates. They justified their decisions with expected slowdown of the growth and temporary nature of the increased inflation. Furthermore, they also drew attention to threats for the economy coming from abroad such as Brexit and trade tensions between the United States and their major trade partners. The factors discussed above may contribute to maintenance of stable parameters of the monetary policy even until the end of the Council's term.

After a several quarters of exceptional stability, zloty apparently lost against euro in the first half of the quarter, to ca. 4.40. It could be the effect of, among other things, rising concerns on the reappearing issue of foreign currency loans and consequences for the banking sector and financial market. The EUR/PLN rate ended up at the end of September 2019 at the level of 4.37 against 4.24 at the end of June. The USD/PLN rate, in turn, increased in the third quarter of 2019 to 4.0 from 3.73.

In the third quarter of 2019 the bond yield decreased and the bond yield curve continued to flatten. Enhancement of the bond market and drop of swap rates to some extent resulted from the dovish stance of the Monetary Policy Council as well as decrease of yield on underlying debt markets. Decrease of yield of treasury bonds in the United States and Germany was a consequence of rising concerns about global economic growth in view of increasing trade tension between the USA and their major trade partners. Concerns about global situation led to relaxation of the monetary policy by main central banks, Fed and ECB, which then translated into lower market rates. The yield on 2-year bonds fell from the end of June to the end of September by 11 base points to 1.52%, while the yield on 10-year bonds fell as much as by 40 base points to 2.0%, temporarily approaching even 1.70%. The flattening of the bond yield curve took place despite increase of the credit spread for long-term bonds. 3M WIBOR remained at 1.71%.

2. Capital market situation

The third quarter of 2019 turned out not so much successful for holders of shares of WSE-listed companies. The situation on the domestic stock market was determined by global factors, to name a few: another stage of a trade war between the USA and China, deteriorating macroeconomic data of the biggest global economies, possible no-deal Brexit. Among local factors, there are some concerns related to the issue of foreign currency loans, which affected banks' stock price performance.

Within the discussed period, all main indices lost in value. The widest index of the market, WIG, fell by 4.8% as compared with the level at the end of June. The performance of the index of the biggest companies, WIG20, fell by 6.6% (4.3% taking into account dividends). The mid-cap index mWIG40 lost in value by 9.3%. In turn, the value of the index covering small companies dropped by 2.9% against the level at the end of June.

From the perspective of sectors, one should take a closer look at fuel and computer game companies, whose values increased by: 7.6% and 5.9%, respectively. In turn, the biggest pressure affected the mining industry (for which the subindex fell by 26.1%) and chemical industry (WIG-Chemia lost 18.6%).

For another quarter in a row the number of companies listed on the main market of the WSE was reduced. In the last three months, there were two debuts on the WSE (two entities moved from NewConnect without stock offering), at the same time stocks of four companies were withdrawn from trading. At the end of September trade on the main market covered stocks of 458 companies (including 49 foreign) with total capitalization reaching almost PLN 1,113 billion (a drop both within a quarter, by 4.2%, and a year, by 13.2%).

Equity market indices as of 30 September 2019

Index	30 September 2019	30 June 2019	Change (%) QoQ	30 September 2018	Change (%) YoY
WIG	57,320.30	60,187.43	(4.8%)	58,974.76	(2.8%)
WIG-PL	58,544.60	61,462.31	(4.7%)	60,176.51	(2.7%)
WIG-div	1,033.45	1,053.47	(1.9%)	1,098.26	(5.9%)
WIG20	2,173.29	2,327.67	(6.6%)	2,285.11	(4.9%)
WIG20TR	3,956.69	4,132.41	(4.3%)	4,031.51	(1.9%)
WIG30	2,463.49	2,675.56	(7.9%)	2,602.45	(5.3%)
mWIG40	3,701.37	4,082.45	(9.3%)	4,168.97	(11.2%)
sWIG80	11,484.02	11,821.16	(2.9%)	11,483.58	0.0%
Sector sub-indices					
WIG-Banki	7,142.19	7,908.32	(9.7%)	7,876.32	(9.3%)
WIG-Budownictwo	1,880.09	2,092.92	(10.2%)	1,895.85	(0.8%)
WIG-Chemia	8,665.92	10,645.19	(18.6%)	9,829.87	(11.8%)
WIG-Energia	1,946.72	2,239.32	(13.1%)	2,208.13	(11.8%)
WIG-Games	16,171.76	15,276.11	5.9%	-	-
WIG-Górnictwo	2,647.44	3,580.94	(26.1%)	3,439.57	(23.0%)
WIG-Informatyka	2,387.55	2,396.24	(0.4%)	2,033.55	17.4%
WIG-Leki	5,345.73	5,410.86	(1.2%)	5,863.35	(8.8%)
WIG-Media	5,205.80	5,312.94	(2.0%)	4,524.72	15.1%
WIG-Motoryzacja	3,458.26	3,695.27	(6.4%)	4,100.79	(15.7%)

Index	30 September 2019	30 June 2019	Change (%) QoQ	30 September 2018	Change (%) YoY
WIG-Nieruchomości	2,300.65	2,245.46	2.5%	2,033.93	13.1%
WIG-Odzież	5,870.39	5,716.38	2.7%	6,681.34	(12.1%)
WIG-Paliwa	7,260.24	6,745.59	7.6%	7,362.82	(1.4%)
WIG-Spożywczy	3,124.23	3,293.69	(5.1%)	3,441.51	(9.2%)

Source: WSE, DMBH.

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

	Q3 2019	Q2 2019	Change (%) QoQ	Q3 2018	Change (%) YoY
Shares (PLN million)*	100,435	94,116	6.7%	114,558	(12.3%)
Bonds (PLN million)	1,013	744	36.2%	513	97.7%
Futures (in thousand contracts)	3,819	3,048	25.3%	3,393	12.6%
Options (in thousand contracts)	144	143	0.6%	122	17.7%

**excluding calls*
Source: WSE, DMBH.

5 Banking sector

The data published by the National Bank of Poland show that the loans granted to businesses reached the level of PLN 369 billion as at the end of the third quarter of 2019 (+5.6% YoY). In terms of time to maturity, the highest growth rate was recorded by loans granted for 1 to 5 years (+11.2% YoY). Loans with time to maturity over 5 years were growing significantly slower (+4.5% YoY) while the negative growth rate levelling at -4.7% YoY was observed for loans with maturity up to 1 year.

By type, the highest rate of growth occurred for current loans (+7.0% YoY). Real property loans were growing slower (+4.7% YoY), while investment loans (+4.1% YoY) recorded the lowest growth rate.

Despite temporary deterioration of loan quality recorded in the half of the current year, the rate of non-performing loans (NPL) for loans granted to enterprises at the end of August reached 8.3%, that is by -0.6 p.p. less than in the preceding year. The best improvement was observed for the large companies loan portfolio, for which the NPL ratio declined by 0.9 p.p. YoY, to 5.0%, while the quality of the SME loan portfolio slightly declined to the level of 11.1%.

In terms of volumes, loans to households grew slightly more dynamically than companies' loans. Loans to households reached nearly PLN 747 billion as at the end of September 2019 (+7.3% YoY). It was the next consecutive quarter with consumer loans as growth leader (+9.5% YoY), ahead of real property loans (+7.5% YoY), which, however, were the unchallenged winner in terms of absolute value (an increase in volume by PLN 32 billion, fueled by PLN-denominated loans with a concurrent low decline rate of the volume of loans in foreign currencies (-2.2% YoY). In total, household loans for real property reached PLN 457 billion, of which PLN-denominated loans amounted to PLN 330 billion.

For more than a year now, the quality of the household loan portfolio, as measured using the NPL ratio, has amounted to approximately 6.0% despite a slight drop of the NPL ratio both in the area of mortgage loans (-0.2% YoY) as well as unsecured loans (-0.4% YoY).

Companies' deposits increased by +7.7% YoY and amounted to PLN 289 billion as at the end of the third quarter of 2019. Still low interest rates contributed to an increase structure in the deposit base, which grew only in the current deposit segment, which rose by +15.7% YoY, while term deposits declined by -7.9% YoY.

With respect to volumes, household deposits were growing even more dynamically than enterprises (+11.3% YoY), but their structures shared many features. Current deposits grew much faster (+16.3% YoY) than fixed-term deposits (+2.8% YoY). In consequence, the balance of liabilities of banks to households approached the level of PLN 871 billion.

In the first 8 months of 2019 (January – August), the banking sector earned the highest net profit after 2014, i.e. PLN 10.6 billion (+2.1% YoY) Improvement of performance still results from the increase of the volume in the first place, which is apparent in improvement of net interest income (+8.6% YoY) with high other income (+17.9%) and slight increase of net commission income (+1.0% YoY) at the same time. The total revenues of the banking sector reached PLN 48 billion, i.e. increased by 8.2% as compared to the same period last year. Higher income was accompanied by considerable increase of costs incurred by the banking sector (+6.8% YoY), including in particular the increase in fees payable to the BFG.The level of write-offs increased by +4.9% YoY, and net result of the sector was also affected by increase of encumbrances on account of bank tax (estimated at +3.6% YoY) resulting from increase of the tax base.

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

1. Consolidated statement of financial position

As of the end of the third quarter of 2019 total assets stood at PLN 52.0 billion, up by PLN 2.7 billion (or 5.4%) compared to the end of 2018.

Net amounts due from customers had the biggest share in the Group's total assets as of the end of the third quarter. They accounted for 44.8% of total assets as of the end of September 2019. The value of net amounts due from customers as of the end of the third quarter of 2019 amounted to PLN 23.3 billion, up by PLN 1.3 billion (or 6.0%) compared to the end of 2018.

The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities – institutional clients, rose to PLN 15.9 billion, i.e. by PLN 1.1 billion (or 7.5%) compared to the end of 2018. The above increase was due to corporate banking and commercial banking clients.

The volume of net loans made to individual customers rose by PLN 212 million (or 3.0%) to PLN 7.4 billion compared to the end of December 2018. The main driver of growth was mortgage loans, which in the third quarter of 2019 totaled to PLN 143 million.

The second largest asset item as of the end of the third quarter 2019 was debt investment financial assets, which amounted to PLN 16.6 billion, up by PLN 2.4 billion (or 16.8%) compared to the end of 2018 due to a higher volume of Polish treasury bonds.

Amounts due from customers

PLN '000	30.09.2019	31.12.2018	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	**2,912,518**	**2,146,815**	**765,703**	**35.7%**
Receivables related to reverse repo transactions	254,294	182,613	71,681	39.3%
Amounts due from non-financial sector entities, including:	**20,363,273**	**19,802,199**	**561,074**	**2.8%**
Institutional clients*	12,993,469	12,644,282	349,187	2.8%
Individual clients, including:	7,369,804	7,157,917	211,887	3.0%
unsecured receivables	5,533,562	5,508,151	25,411	0.5%
mortgage loans	1,836,242	1,649,766	186,476	11.3%
Total receivables from customers	**23,275,791**	**21,949,014**	**1,326,777**	**6.0%**

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

Amounts due from customers as per credit risk classification

PLN '000	30.09.2019	31.12.2018	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	**21,262,297**	**20,246,985**	**1,015,312**	**5.0%**
financial institutions	2,914,725	2,148,206	766,519	35.7%
non-financial sector entities	18,347,572	18,098,779	248,793	1.4%
institutional clients*	11,811,832	11,752,193	59,639	0.5%
individual customers	6,535,740	6,346,586	189,154	3.0%
Receivables not impaired (Stage 2), including	**1,814,963**	**1,642,100**	**172,863**	**10.5%**
financial institutions	10	**-**	10	-
non-financial sector entities	1,814,953	1,642,100	172,853	10.5%
institutional clients*	987,463	832,118	155,345	18.7%
individual customers	827,490	809,982	17,508	2.2%
Receivables impaired (Stage 3), including:	**971,471**	**669,671**	**301,800**	**45.1%**
financial institutions	**-**	-	-	-
non-financial sector entities	971,471	669,671	301,800	45.1%
institutional clients*	514,854	291,221	223,633	76.8%
individual customers	456,617	378,450	78,167	20.7%
Amounts due from matured transactions in derivative instruments (Stage 3)	**56,657**	**56,818**	**(161)**	**(0.3%)**
Total gross loans to customers, including:	**24,105,388**	**22,615,574**	**1,489,814**	**6.6%**
financial institutions	2,914,735	2,148,206	766,529	35.7%
non-financial sector entities	21,133,996	20,410,550	723,446	3.5%

PLN '000	30.09.2019	31.12.2018	Change	
			PLN '000	%
institutional clients*	13,314,149	12,875,532	438,617	3.4%
individual customers	7,819,847	7,535,018	284,829	3.8%
Impairment, including:	**(829,597)**	**(666,560)**	**(163,037)**	**24.5%**
Amounts due from matured transactions in derivative instruments	(50,738)	(50,859)	121	(0.2%)
Total net amounts due from customers	**23,275,791**	**21,949,014**	**1,326,777**	**6.0%**
Impairment provisions coverage ratio**	**80.2%**	**91.9%**		
institutional clients*	63.4%	81.5%		
individual customers	98.6%	99.6%		
Non-performing loans ratio (NPL)	**4.0%**	**3.0%**		

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

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

The gross value of receivables in the third quarter of 2019 did not include contractual interest in the amount of PLN 439 636 thousand accrued from the moment of transferring the exposure to Stage 3 (at the end of 2018 PLN 411 529 thousand). This does not affect the net value of the receivables qualified for Stage 3 because including them in gross value (in accordance with the guidelines of the Transition Resource Group for Impairment of Financial Instruments) would also increase expected credit losses by the same value.

As of the end of the third quarter of 2019 total amounts due to customers amounted to PLN 45.0 billion, up by PLN 2.8 billion (or 6.6%) compared to the end of 2018.

In the third quarter of 2019 amounts due to customers were the dominant source of financing of the Group's activity and as of September 30, 2019 they accounted for 70.1% of the Group's liabilities and equity. Total amounts due to customers as of the end of September 2019 amounted to PLN 36.4 billion, down by PLN 1.9 billion (or 4.9%) compared to the end of 2018, which was predominantly due to a high deposit base in the Institutional Banking segment (mainly in the area of public units).

On the other hand, amounts due to individual customers rose by PLN 1.3 billion (or 11.2) compared to the end of 2018, both in current accounts and time deposits (concentration in the strategic target group of customers) and they amounted to PLN 13.2 billion.

Amounts due to customers

PLN '000	30.09.2019	31.12.2018	Change	
			PLN '000	%
Current accounts, including:	**24,580,238**	**25,692,030**	**(1,111,792)**	**(4.3%)**
financial sector entities	647,287	704,512	(57,225)	(8.1%)
non-financial sector entities, including:	23,932,951	24,987,518	(1,054,567)	(4.2%)
institutional clients*, including:	13,937,901	15,607,453	(1,669,552)	(10.7%)
budgetary units	2,011,309	3,676,760	(1,665,451)	(45.3%)
individual clients	9,995,050	9,380,065	614,985	6.6%
Term deposits, including:	**11,536,834**	**12,405,418**	**(868,584)**	**(7.0%)**
financial sector entities	3,942,918	6,335,488	(2,392,570)	(37.8%)
non-financial sector entities, including:	7,593,916	6,069,930	1,523,986	25.1%
institutional clients*, including:	4,357,746	3,546,663	811,083	22.9%
budgetary units	139,386	69,706	69,680	100.0%
individual customers	3,236,170	2,523,267	712,903	28.3%
Total customers deposits	**36,117,072**	**38,097,448**	**(1,980,376)**	**(5.2%)**
Other amounts due to customers	**326,083**	**236,897**	**89,186**	**37.6%**
Total amounts due to customers	**36,443,155**	**38,334,345**	**(1,891,190)**	**(4.9%)**

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

2. Consolidated income statement

In the third quarter of 2019, the Group delivered a consolidated net profit of PLN 113.7 million, down by PLN 44.8 million (or 28.3%) compared to the third quarter of 2018. The lower net profit was driven by higher result on expected credit losses on financial assets by PLN 72.0 million (in the Institutional Banking segment). On the other hand, the Group recorded a strong increase in revenues, which were higher by PLN 33.9 million (i.e. 6.5%) and reached PLN 552.9 million.

The main determinants of the Group's operating result in the third quarter of 2019 when compared to the corresponding period of the previous year were the following:

- Net interest income increased by PLN 10.9 million (or 3.9%) compared to the third quarter of 2018 and amounted to PLN 291.6 million.

  Interest income in the third quarter of 2019 grew by PLN 29.5 million (or 8.9%) compared to the corresponding period of 2018 and amounted to PLN 361.4 million. Excluding "Interest income from derivatives in hedge accounting", the comparable interest income increased in the third quarter of 2019 by PLN 21.2 million (or 6.4%). Interest income from amounts due from customers, which are the main source of interest income, amounted to PLN 243.5 million, up by PLN 5.6 million (or 2.6%) compared to the third quarter of 2018. The increase was attributable to the Consumer Banking segment (due to growing lending volumes), partially offset by the Institutional Banking segment (due to a lower margin). At the same time interest income from securities being the sum of financial assets measured at fair value through comprehensible income and debt securities held-for-trading increased by PLN 14.2 million (or 16.6%) year-on-year primarily due to higher volumes.

  Interest expenses in the third quarter of 2019 grew by PLN 18.6 million (or 36.2%) compared to the corresponding period of 2018. Excluding "interest expense for derivatives in hedge accounting", the comparable interest expenses increased in the third quarter of 2019 by PLN 10.0 million (or 19.5%). Interest expenses on amounts due to non-financial sector customers, constituting the main source of interest expenses, grew by PLN 5.3 million (or 13.8%), both in the Institutional Banking and Consumer Banking segments (due to higher volumes).

Net interest income

PLN '000	01.07 - 30.09.2019	01.07 - 30.09.2018	Change	
			PLN '000	%
Interest income	**331,854**	**316,601**	**15,253**	**4.8%**
Financial assets measured at amortized cost	**250,159**	**244,053**	**6,106**	**2.5%**
Balances with the Central Bank	1,858	1,585	273	17.2%
Amounts due from banks	4,761	4,488	273	6.1%
Amounts due from customers, in respect of:	243,540	237,980	5,560	2.3%
financial sector	13,868	14,035	(167)	(1.2%)
non-financial sector, including:	229,672	223,945	5,727	2.6%
credit cards	71,152	72,335	(1,183)	(1.6%)
Financial assets measured at fair value through comprehensive income	**81,695**	**72,548**	**9,147**	**12.6%**
Debt investment financial assets measured at fair value through comprehensive income	81,695	72,548	9,147	12.6%
Similar income	**29,574**	**15,351**	**14,223**	**92.7%**
Financial assets measured at fair value through the income statement	**18,062**	**12,989**	**5,073**	**39.1%**
Debt securities held-for-trading	18,062	12,989	5,073	39.1%
Liabilities with negative interest rate	**3,226**	**2,362**	**864**	**36.6%**
Derivatives in hedge accounting	**8,286**	**-**	**8,286**	**-**
	361,428	**331,952**	**29,476**	**8.9%**
Interest expense and similar charges on				
Financial liabilities measured at amortized cost	**(61,056)**	**(50,337)**	**(10,719)**	**21.3%**
Amounts due to banks	(16,062)	(11,713)	(4,349)	37.1%
Amounts due to customers	(43,895)	(38,564)	(5,331)	13.8%
Amounts due to financial sector entities	(12,285)	(15,529)	3,244	(20.9%)
Amounts due to non-financial sector entities	(31,610)	(23,035)	(8,575)	37.2%
Loans and advances received	-	(60)	60	-
Amounts due to Leasing	(1,099)	-	(1,099)	-
Other	-	-	-	-
Debt securities issue	-	-	-	-
Financial liabilities measured at fair value though financial result	**(8,740)**	**(891)**	**(7,849)**	**880.9%**
Assets with negative interest rate	(162)	(891)	729	(81.8%)
Derivatives in hedge accounting	(8,578)	-	(8,578)	-
	(69,796)	**(51,228)**	**(18,568)**	**36.2%**

PLN '000	01.07 - 30.09.2019	01.07 - 30.09.2018	Change PLN '000	Change %
Net interest income	**291,632**	**280,724**	**10,908**	**3.9%**

Net fee and commission income of PLN 141.7 million versus PLN 135.1 million in the third quarter of 2018 – up by PLN 6.6 million (or 4.9%). The above-mentioned growth was seen in the Institutional Banking segment, mainly in the recurring areas of activity – transactional and custody – supported by transactions on the securitization market. , partially offset by a decline in net fee and commission income in the Consumer Banking segment (lower fee and commission income from insurance and investment products).

Net fee and commission income

PLN '000	01.07 - 30.09.2019	01.07 - 30.09.2018	Change PLN '000	Change %
Fee and commission income				
Insurance and investment products distribution*	15,527	18,513	(2,986)	(16.1%)
Payment and credit cards	42,725	43,333	(608)	(1.4%)
Payment orders	27,938	26,850	1,088	4.1%
Custody services	23,437	21,475	1,962	9.1%
Brokerage activity	9,084	10,019	(935)	(9.3%)
Clients' cash on account management services	6,173	6,170	3	0.0%
Guarantees granted	4,718	4,673	45	1.0%
Financial liabilities granted	2,303	2,004	299	14.9%
Other	32,110	25,223	6,887	27.3%
Installment products in credit card	7,159	7,024	135	1.9%
	164,015	**158,260**	**5,755**	**3.6%**
Fee and commission expense				
Payment and credit cards	(8,681)	(10,635)	1,954	(18.4%)
Brokerage activity	(2,918)	(3,470)	552	(15.9%)
Fees paid to the National Depository for Securities (KDPW)	(5,118)	(4,236)	(882)	20.8%
Brokerage fees	(1,093)	(821)	(272)	33.1%
Custody fees	-	-	-	-
Other	(4,519)	(4,002)	(517)	12.9%
	(22,329)	**(23,164)**	**835**	**(3.6%)**
Net fee and commission income				
Insurance and investment products distribution	15,527	18,513	(2,986)	(16.1%)
Payment and credit cards	34,044	32,698	1,346	4.1%
Payment services	27,938	26,850	1,088	4.1%
Custody services	23,437	21,475	1,962	9.1%
Brokerage activity	6,166	6,549	(383)	(5.8%)
Clients' cash on account management services	6,173	6,170	3	0.0%
Guarantees granted	4,718	4,673	45	1.0%
Financial liabilities granted	2,303	2,004	299	14.9%
Fees paid to the National Depository for Securities (KDPW)	(5,118)	(4,236)	(882)	20.8%
Brokerage fees	(1 093)	(821)	(272)	33.1%
Other	27,591	21,221	6,370	30.0%
Net fee and commission income	**141,686**	**135,096**	**6,590**	**4.9%**

- Other operating income (i.e. non-interest and non-commission income) of PLN 119.6 million versus PLN 103.2 million in the third quarter of 2018 – up by PLN 16.4 million (or 15.9%) resulting primarily from higher gains from investment debt financial assets by PLN 10.9 million (or 127.8%) due to favorable conditions on the debt market compared to the corresponding period of the previous year.
- general administrative and depreciation expenses of PLN 276.1 million remained almost flat compared to the third quarter of 2018. Staff expenses remained at a stable level year on year, on the other hand general administrative expenses declined by PLN 3.6 million (or 2.7%) compared to the third quarter of 2018. The above decline was due to lower building maintenance and rent costs (offset by higher depreciation/amortization of leased tangible assets in connection with the implementation of IFRS 16), lower Bank Guarantee Fund costs (decline of the quarterly bank

guarantee fund charge – PLN 2.3 million in the third quarter of 2019 compared to PLN 3.5 million in the corresponding period of the previous year) and lower technology costs due to the renegotiation of the existing agreements.

The employment in the Group in the reporting period dropped by 274 FTEs.

General administrative expenses and depreciation expense

PLN '000	01.07 - 30.09.2019	01.07 - 30.09.2018	Change	
			PLN '000	%
Staff expenses	**(125,126)**	**(125,562)**	**436**	**(0.3%)**
Remuneration costs	(91,054)	(91,362)	308	(0.3%)
Bonuses and rewards	(20,084)	(20,726)	642	(3.1%)
Social security costs	(13,988)	(13,474)	(514)	3.8%
Administrative expenses	**(129,569)**	**(133,144)**	**3,575**	**(2.7%)**
Telecommunication fees and hardware purchase costs	(48,889)	(49,891)	1,002	(2.0%)
Costs of external services, including advisory, audit, consulting services	(13,258)	(13,401)	143	(1.1%)
Real estates maintenance and rent costs	(14,468)	(16,335)	1,867	(11.4%)
Advertising and marketing costs	(11,129)	(10,377)	(752)	7.2%
Costs of cash management services, costs of clearing services and other transaction costs	(10,049)	(8,759)	(1,290)	14.7%
Costs of external services related to distribution of banking products	(11,246)	(10,590)	(656)	6.2%
Postal services, office supplies and printmaking costs	(2,074)	(1,721)	(353)	20.5%
Training and education costs	(585)	(355)	(230)	64.8%
Banking and capital supervision costs	(33)	(276)	243	(88.0%)
Bank Guarantee Funds costs	(2,270)	(3,511)	1,241	(35.3%)
Other expenses	(15,568)	(17,928)	2,360	(13.2%)
Depreciation	**(21,452)**	**(16,793)**	**(4,659)**	**27.7%**
General administrative expenses and depreciation expense, total	**(276,147)**	**(275,499)**	**(648)**	**0.2%**

- Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments of PLN -91.2 million versus PLN -19.2 million in the third quarter of 2018. The increase was due to higher impairment write-offs in the Institutional Banking resulting mainly from higher provisions in the Commercial Banking business segment. On the other hand, the Consumer Banking segment reported a drop in impairment write-offs, due tothe loan portfolio seasoning and an increase in the the impairment loan portfolio recovery level.

Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments

PLN '000	01.07 - 30.09.2019	01.07 - 30.09.2018	Change	
			PLN '000	%
Provision for expected credit losses on amounts due from banks				
Provision creation	(1,184)	(1,352)	168	(12.4%)
Provision release	2,546	1,246	1,300	104.3%
	1,362	**(106)**	**1,468**	**(1,384.9%)**
Provision for expected credit losses **on amounts due from customers**				
Provision creation and reversals	**(36,940)**	**(19,514)**	**(17,426)**	**89.3%**
Provision creation	(87,760)	(54,248)	(33,512)	61.8%
Provision creation on past due derivative instruments	(38)	-	(38)	-
Provision release	51,915	35,184	16,731	47.6%
Provision release on past due derivative instruments	80	44	36	81.8%
Other	(1,137)	(494)	(643)	130.2%
Recoveries from debt sold (written-off)	**12**	**8**	**4**	**50.0%**
	(36,928)	**(19,506)**	**(17,422)**	**89.3%**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	-	-	-	-

PLN '000	01.07 - 30.09.2019	01.07 - 30.09.2018	Change	
			PLN '000	%
Provision release	1,003	47	956	2 034.0%
	1,003	**47**	**956**	**2 034.0%**
Provision for expected credit losses on financial assets	**(34,563)**	**(19,565)**	**(14,998)**	**76.7%**
				-
Created provisions for granted financial and guarantee commitments	(67,447)	(10,069)	(57,378)	569.8%
Release of provisions for granted financial and guarantee commitments	10,818	10,419	399	3.8%
Provision for expected credit losses for granted off-balance sheet commitments	**(56,629)**	**350**	**(56,979)**	**(16.279.7%)**
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	**(91,192)**	**(19,215)**	**(71,977)**	**374.6%**

3. Financial Ratios

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

Total financial ratios	**Q3 2019**	**Q3 2018**
ROE*	7.0%	10,1%
ROA**	0.9%	1,5%
Cost/Income	50%	54%
Loans/Deposits	65%	65%
Loans/Total assets	39%	48%
Net interest income/Revenue	53%	54%
Net fee and commission income/Revenue	26%	26%

** Sum of net profit for the last four quarters to the average equity for the last four quarters (excluding 75% of net profit for the current year).*
*** Sum of net profit for the last four quarters to the average assets for the last four quarters.*

Group employment*

In full time job equivalents (FTE)	**01.01 - 30.09.2019**	**01.01 - 30.09.2018**	**Change**	
			FTEs	**%**
Average employment in the first quarter	3,189	3,444	(255)	(7.4)
Employment at the end of quarter	3,122	3,396	(274)	(8.1)

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

Capital adequacy*

PLN '000	**30.09.2019**	**31.12.2018**
Common Equity Tier I before regulatory adjustments	6,629,287	6,417,720
Total regulatory adjustments to Common Equity Tier I	(1,680,943)	(1,447,617)
Common Equity Tier I	4,948,344	4,970,103
Tier I Capital	4,948,344	4,970,103
Own Funds	4,948,344	4,970,103
The total amount of risk exposure	30,370,952	29,518,145
Common Equity Tier 1 capital ratio	16.3%	16.8%
Tier 1 capital ratio	16.3%	16.8%
Total capital ratio	**16.3%**	**16.8%**

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

Leverage ratio*

PLN '000	30.09.2019	31.12.2018
Tier I Capital	4,948,344	4,970,103
Total leverage ratio exposures	56,912,033	53,337,796
Leverage ratio	**8.7%**	**9.3%**

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

Overview of RWAs

PLN '000			RWA		Minimum capital requirements
CRR			**30.09.2019**	**31.12.2018**	**30.09.2019**
	1	**Credit risk (excluding CCR)**	**23,707,913**	**22,766,188**	**1,896,633**
Article 438 (c) (d)	2	Of which the standardised approach	23,707,913	22,766,188	1,896,633
Article 107 Article 438 (c) (d)	**6**	**CCR**	**1,268,588**	**991,888**	**101,487**
Article 438 (c) (d)	7	Of which mark to market	885,838	634,313	70,867
Article 438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	2,775	1,750	222
Article 438 (c) (d)	12	Of which CVA	379,975	355,825	30,398
Article 438 (e)	**13**	**Settlement risk**	-	-	-
Article 449 (o) (i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**280,925**	**905 475**	**22,474**
	18	Of which standardised approach	280,925	905,475	22,474
Article 438 (e)	**19**	**Market risk**	**1,546,138**	**1,192,387**	**123,691**
	20	Of which the standardised approach	1,546,138	1,192,387	123,691
Article 438 (e)	22	Large exposures	-	155,742	-
Article 438 (f)	**23**	**Operational risk**	**3,567,388**	**3,506,465**	**285,391**
	25	Of which standardised approach	3,567,388	3,506,465	285,391
Article 437 (2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	590,275	536,513	47,222
	29	**Total**	**30,370,952**	**29,518,145**	**2,429,676**

In the third quarter of 2019 the Group fulfilled the capital adequacy requirements. Total capital ratio is calculated according to respective regulations.

As a result of a completed inspection, as at 22 July 2019, the Polish Financial Supervision Authority issued a recommendation according to the rules of recognition of compensation agreements according to Article 296 of the Capital Requirements Regulation. The Bank was recommended to obtain a suitable formal confirmation from PFSA that compensation agreements fulfill Article 296 of CRR. The PFSA in the post-inspection protocol, based on selected agreements verified during the inspection, did not object the compensation process.

In the third quarter Bank submitted to the PFSA a request to recognize the most significant netting agreement for the Bank as compliant with Article 296 of CRR. The Bank is preparing further applications. The Bank holds the full legal documentation and also has suitable procedures implemented, which according to the Bank's opinion, fulfill requirements of CRR.

7 Segment reporting

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

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

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

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

Institutional Banking

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

Consumer Banking

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

Consolidated income statement of the Group by business segment

For the period	01.01. – 30.09.2019			01.01. – 30.09.2018		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	378,335	478,998	857,333	379,987	448,498	828,485
Internal interest income, including:	(52,693)	52,693	-	(29,062)	29,062	-
Internal income	-	52,693	52,693	-	29,062	29,062
Internal expenses	(52,693)	-	(52,693)	(29,062)	-	(29,062)
Net fee and commission income	228,328	200,504	428,832	213,796	201,712	415,508
Dividend income	2,302	8,598	10,900	1,430	8,006	9,436
Net gain/(loss) on trading financial instruments and revaluation	265,693	20,590	286,283	265,966	21,229	287,195
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	73,587	-	73,587	87,727	-	87,727
Net gain/(loss) on equity investments and other measured at fair value through income statement	15,404	925	16,329	10,164	-	10,164
Net gain/(loss) on hedge accounting	(1,068)	-	(1,068)	3,682	-	3,682
Net other operating income	7,457	(11,111)	(3,654)	5,401	(158)	5,243
General administrative expenses	(420,034)	(455,506)	(875,540)	(377,450)	(470,226)	(847,676)
Depreciation and amortization	(14,845)	(49,187)	(64,032)	(13,661)	(40,493)	(54,154)
Profit on sale of other assets	(128)	(168)	(296)	(836)	-	(836)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(157,821)	(68,133)	(225,954)	(3,316)	(48,423)	(51,739)
Operating income	**377,210**	**125,510**	**502,720**	**572,890**	**120,145**	**693,035**
Share in net profits of entities measured using equity method	-	-	-	9	-	9
Tax on certain financial institutions	(51,604)	(18,070)	(69,674)	(44,891)	(16,318)	(61,209)
Profit before tax	**325,606**	**107,440**	**433,046**	**528,008**	**103,827**	**631,835**
Income tax expense			(126,755)			(145,139)
Net profit			**306,291**			**486,696**

State as at	30.09.2019			30.09.2018		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Total assets	**44,268,901**	**7,710,229**	**51,979,130**	**41,778,812**	**7,525,902**	**49,304,714**
Total liabilities and equity, including:	**35,902,354**	**16,076,776**	**51,979,130**	**34,822,272**	**14,482,442**	**49,304,714**
Liabilities	30,599,599	14,444,846	45,044,445	29,342,859	12,905,105	42,247,964

8 Activities of the Group

1. Institutional Banking

1.1. Summary of segment results

PLN '000	Q3 2019	Q3 2018	Change	
			PLN '000	%
Net interest income	129,380	128,264	1,116	0.9%
Net fee and commission income	79,500	68,808	10,692	15.5%
Net income on dividends	1,040	398	642	161.3%
Net gain/(loss) on trading financial instruments and revaluation	91,590	87,289	4,301	4.9%
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	19,440	8,534	10,906	127.8%)
Net gain/(loss) on equity investments and other measured at fair value through income statement	3,130	3,372	(242)	(7.2%)
Net gain/(loss) on hedge accounting	(310)	-	(310)	-
Net other operating income	1,644	385	1,259	327.0%
Total income	**325,414**	**297,050**	**28,364**	**9.5%**
General administrative expenses and depreciation	(113,993)	(110,990)	(3,003)	2.7%
Profit on sale of other assets	(129)	-	(129)	-
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(75,826)	3,938	(79,764)	-
Share in net profits of entities measured using equity method	-	(246)	246	-
Tax on certain financial institutions	(19,340)	(13,966)	(5,374)	38.5%
Profit before tax	**116,126**	**175,786**	**59,660**	**(33.9%)**
Cost/Income	**35%**	**37%**		

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

- increase in net interest income due to higher interest income from debt securities;
- increase in net fee and commission income due to securitization transactions made and increased activity in the custody business;
- increase in general administrative and depreciation expenses due to higher staff expenses;
- increase in write-offs resulting mainly from higher provisions in the corporate banking segment.

1.2. Institutional Bank and the Capital Markets

Institutional Bank

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

As at the end of the third quarter of 2019, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) was 5,700 i.e. increased by 1.3% as compared to the second quarter of 2019, when their number was 5,600. Through its commercial bank segment (small and medium-sized companies, large companies and the public sector) the Group cooperated with 3,200 of clients as at the end of the third quarter of 2019 (which means similar level as compared to the second quarter of 2019).

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

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

Assets

PLN million	30.09.2019	31.12.2018	30.09.2018	Change	Change

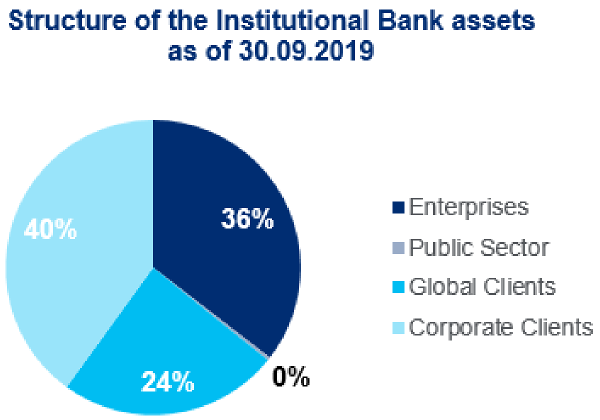
				(1)/(2)		(1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises*, including:	5,288	4,773	4,784	515	11%	504	11%
SMEs	1,571	1,582	1,531	(11)	(1%)	40	3%
MMEs	3,717	3,192	3,252	525	16%	465	14%
Public Sector	50	50	49	0	0%	1	2%
Global Clients	3,605	3,782	3,438	(177)	(5%)	167	5%
Corporate Clients	5,965	5,592	5,471	373	7%	494	9%
Other**	0	0	0	0	0%	0	0%
Total Institutional Banking	**14,907**	**14,198**	**13,742**	**709**	**5%**	**1 165**	**8%**

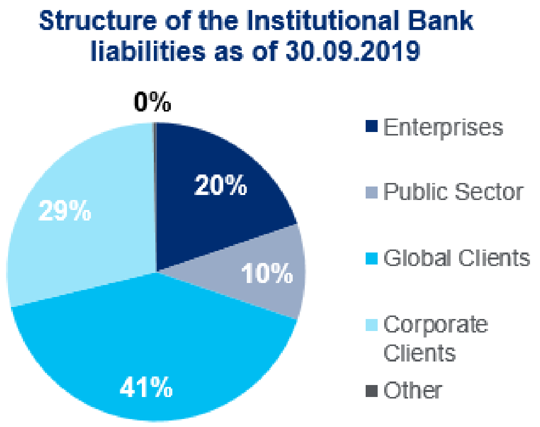
Liabilities

PLN million	30.09.2019	31.12.2018	30.09.2018	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises*, including:	4,408	4,376	3,743	32	1%	665	18%
SMEs	2,497	2,209	2,068	288	13%	429	21%
MMEs	1,910	2,167	1,675	(257)	(12%)	235	14%
Public Sector	2,322	4,083	2,166	(1,761)	(43%)	156	7%
Global Clients	9,160	8,484	7,956	676	8%	1,204	15%
Corporate Clients	6,340	8,645	7,278	(2,305)	(27%)	(938)	(13%)
Other**	74	69	74	5	7%	0	0%
Total Institutional Banking	**22,304**	**25,657**	**21,218**	**(3,353)**	**(13%)**	**1,086**	**5%**

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

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





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

1. Increased share in the area of banking services and transaction banking:

   - Winning the mandate for banking service and funding one of the biggest groups producing meat products and preparations in Poland;
   - Initiating co-operation with a leader of the developer industry in Europe,
   - Winning the mandate for banking services in Poland for the global leader in the e-commerce industry,
   - Opening an account for one of the biggest technological companies in the world specializing in, among other things, manufacturing batteries for electric cars,
   - Signing a co-operation agreement with one of the biggest networks of retailer stores in Poland concerning development of an eco-system for selling currencies,
   - Winning the mandate for services for a company of the new technologies sector which belongs to the leading international company extending its distribution channels and modern complementary services in the

automotive industry,
- Winning the mandate to issue a bank guarantee in the amount of PLN 44 million upon order of the leader of the construction sector. The guarantee is to secure a big infrastructure contract in Warsaw,
- Closing a EUR/PLN FX Swap transaction (EUR 81 million) with one of the biggest Internet providers and telecommunication operators in Poland.

2. Active support to clients in the area of lending activities:

    - Conducting two securitization transactions on the Polish market. In July the Bank was a co-provider of securitization transactions for a Polish bank of the total value of PLN 4.5 billion, which contributes to ca. 80% of the value of all transactions of this type on the Polish market (the funding provided by the Bank amounted to PLN 1.2 billion). While September saw the end of a record-high sales of leasing securities by PKO Leasing to a securitization special purpose entity (SSPE), amounting to PLN 2.5 billion. That transaction was arranged by the Bank together with PKO Bank Polski and Citigroup Global Markets. It was the first transaction in Poland to be structured according to the STS criteria (Simple, Transparent and Standardized securitization), which are part of the European Union Securitization Regulation,
    - Granting funds of EUR 50 million to one of the biggest global manufacturer of lithium-ion batteries for electric cars,
    - Granting a syndicated loan of PLN 197.5 million to a client producing mineral water and other types of bottled water.
    - Granting 3 long-term loans, 3 trade loans and 2 payment loans amounting to PLN 261 million to clients from the commercial banking segment,
    - Granting 2 revolving loans, 3 overdrafts and 1 promised financing, 1 guarantee and 1 letter of credit in the aggregate amount of PLN 102.5 million to clients from the commercial banking segment.

3. Providing active support to clients in the area of pro-environmental projects:

    - Granting funding of EUR 20 million for the leading recycling company in Poland for construction of an incineration plant.

4. Client acquisition: in the Commercial Bank segment the Bank attracted 57 new clients in the third quarter of 2019, including 5 Large Companies, 52 Small and Medium-Sized Companies. In the strategic and global client segments, the Bank established 8 new client relationships.

Activity and business achievements of the Treasury Division

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

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

For years, the Bank has been the leader on the securitization market. Thanks to its experience and local expertise combined with global know-how, the Bank is perceived as a professional and reliable partner for conducting such type of transactions, both in the context of obtaining funding and freeing up of capitals.

Transactional banking

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

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

Electronic banking

Following the advanced technology trends in the banking sector and in response to comprehensive needs of clients that use electronic and mobile solutions, the Bank has been improving the CitiDirect BE system. The focus is on automation and simplification of the process for setting up and handling payments. New mechanisms were introduced, which facilitate the management of user's entitlements by authorized system administrators, which reduce the need for exchange of traditional documentation. In this time works were also conducted to adjust the e-banking solutions to the ever-changing regulatory environment.

In the third quarter of 2019, the Bank processed nearly 8 million transactions via electronic channels.

Deposits and current accounts

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

Liquidity management products

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

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

Cross border (international) transfers

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

Card products

The Bank proceeds with the works for improvement of clients' experience. Since August 2019, apart from existing access to information on a card via the CitiManager platform, card holders has also gained the possibility to control official expenses while being out of their offices, on their smartphones or tablets. The mobile application CitiManager Mobile will enable card holders remote access to basic functions of the platform.

Payments and receivables: Direct Debit, SpeedCollect;

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

- Direct debit

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

- SpeedCollect

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

EU-funding advisory services

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

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

Trade finance products

The trade finance proposal of the Bank covers various solutions, such as letters of credit, bank guarantees, collection, trade credit, a supplier and distributor financing program and factoring.

At the request of the client, and in a setup adapted to the client's needs, the Bank offers trade finance services (factoring/supply chain financing), using the split payment mechanism. As the Bank carefully follows proposed regulatory changes and implements the introduced changes early on, it is able to successfully prepare the clients, processes and products for the new regulatory requirements.

The Trade Finance and Service Department offers a very strong support to its clients in digitization processes. As one of the pioneering banks on the market, the Bank engineered eGwarancje (electronic guarantees) for its clients and embarked on Qualified Electronic Signature in concluding agreements under Supplier Financing Program. The development of these areas resulted in an increase of the ratio of guarantees granted in electronic form to the level of 73% in September 2019.

The Bank maintains the position of one of the leaders of supply chain financing, with market share exceeding 23% (based on data provided by the Polish Factors Association for the third quarter of 2019), and the share of 3.8% in the entire market of factoring services.

All the activities performed by the Bank to ensure client satisfaction with the offered solutions are accompanied by regular questionnaires, testing client satisfaction, in which the Bank receives very high satisfaction rating.

Custody services

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

As at 30 September 2019, the Bank maintained over 14,000 securities accounts and collective accounts.

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

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

In the third quarter of 2019, the Bank started servicing two newly created investment funds and pension funds operating under the Employee Capital Plans programme (PPK).

Brokerage activities

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

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

In the third quarter of 2019, DMBH was the intermediary in in-session transactions accounting for 7.6% of equity turnover in the secondary market. The value of the in-session transactions concluded via DMBH in the equity market on the WSE was PLN 7.5 billion. In September 2019, DMBH was the leader of session trading on the Main Market of the WSE, with the market share reaching 8.2%. For the first three quarters of 2019 DMBH takes the second position in session trading on the Main Market of the WSE, and as a local member of the Stock Exchange it holds the biggest share in session trading, similarly as in 2018.

The number of investment accounts maintained by DMBH was 13,600 thousand as at the end of the third quarter of 2019, and decreased by 4.1% as compared to the same period in 2018. The drop in accounts resulted mainly from the fact that inactive accounts were closed.

Summary Income Statement and Statement of financial position

Company's Name	Headquarter	% of authorized capital held by the Bank	Total assets 30.09.2019	Total equity 30.09.2019	Net financial result for the period of 01.01–30.09.2019
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	485,791	98,822	1,275

Leasing activities

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

Summary Income Statement and Statement of financial position

Company's Name	Headquarters	% of authorized capital held by the Bank	Total assets 30.09.2019	Total equity 30.09.2019	Net financial result for the period of 01.01–30.09.2019
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,972	21,568	(338)

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q3 2019	Q3 2018	Change	
			PLN '000	%
Net interest income	162,252	152,460	9,792	6.4%
Net fee and commission income	62,186	66,288	(4,102)	(6.2%)
Dividend income	-	88	(88)	-
Net gain/(loss) on trading financial instruments and revaluation	7,051	7,163	(112)	(1.6%)
Net other operating income	(3,970)	(4,041)	71	(1.8%)
Total income	**227,519**	**221,958**	**5,561**	**2.5%**
General administrative expenses and depreciation	(162,154)	(164,509)	2,335	(1.4%)
Profit on sale of other assets	(136)	-	(136)	-
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(15,366)	(23,153)	7,787	(33.6%)
Tax on certain financial institutions	(6,129)	(5,310)	(819)	15.4%
Profit before tax	**43,734**	**28,986**	**14 748**	**50.9%**
Cost/Income	**71%**	**74%**		

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

- increase in net interest income due to higher volumes of asset products (+4% YoY) partially offset by higher interest expenses resulting from a significant increase in deposit balances (+17% YoY), which was due to an attractive promotional offer serving as a tool to acquire new clients from the affluent customer segment and as a result of increasing the sales of banking products to existing customers;
- decrease in net fee and commission income mainly from investment product sales as a result of a general decline in market sentiment;
- decrease in operating expenses attributable to saves from the initiatives aimed to optimize the cost base, partially reinvested in marketing and new technology solutions.

2.2. Selected business data

PLN '000	Q3 2019	Q2 2019	Q3 2018	Change QoQ	Change YoY
Number of individual customers	679.3	683.3	691.2	(4.0)	(11.9)
Number of current accounts, including:	458.9	459.6	461.0	(0.7)	(2.1)
number of operating accounts	99.0	99.4	101.1	(0.4)	(2.1)
Number of operating accounts acquired in the period	10.5	9.3	8.2	1.2	2.3
Number of saving accounts	139.1	139.1	141.1	-	(2.0)
Number of credit cards	659.3	667.3	687.9	(8.0)	(28.6)
Number of debit cards	240.8	242.6	246.8	(1.8)	(6.0)

Net amounts due from individual clients – management view

PLN '000	30.09.2019 (1)	30.12.2018 (2)	30.09.2018 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	5,533,561	5,508,151	5,464,763	25,410	0.5%	68,798	1.3%
Credit cards	2,747,001	2,721,397	2,683,538	25,604	0.9%	63,463	2.4%
Cash loans	2,726,360	2,723,192	2,724,897	3,168	0.1%	1,463	0.1%
Other unsecured receivables	60,200	63,562	56,328	(3,362)	(7.0%)	3,872	6.9%
Mortgage loans	1,836,242	1,649,766	1,607,090	186,476	10.6%	229,152	14.3%
Net client receivables	**7,369,803**	**7,157,917**	**7,071,853**	**211,886**	**2.9%**	**297,950**	**4.2%**

2.3. Key Business Highlights

Bank accounts

Current accounts

The number of personal accounts was above 459,000 as at the end of the third quarter of 2019 (as at the end of the third quarter of 2018 it was 461,000), of which 256,000 PLN-denominated accounts and 203,000 foreign currency accounts. As at the end of the third quarter of 2019, the total balance on the current accounts was over PLN 6.6 billion, i.e. increased by 10% as compared to the same period last year. This increase was achieved thanks to the Bank's strategy, focused on the acquisition of clients with medium and high income and on the enhancement of relationships with existing clients.

Savings accounts

The number of savings accounts was over 139,000 as at the end of the third quarter of 2019. The total balance of funds accumulated on those accounts amounted to over PLN 3.2 billion, as compared to 141,000 savings accounts with the total balance of PLN 2.7 billion in the same period last year.

Changes in the offering

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

- Promotional interest rates on term deposits;
- Promotional interest rates on savings accounts;
- Special offers for new Citi Priority Clients holding a balance in their accounts up to and above PLN 100 000;
- Citi Priority promotional online account, where clients who use the account on the Internet have access to all primary functionalities without charge;
- Recommendation program for Titi Priority, Citigold and Citigold Private Client segments.

As of 14 September 2019, the Bank raised the minimum thresholds for free-of-charge maintenance of a current account:

- Citigold: from PLN 300,000 to PLN 400,000,
- Citigold Private Client: from PLN 3 million to PLN 4 million.

Credit cards

As at the end of the third quarter of 2019, the number of credit cards was 659,300.

A high level of activation and transactions was maintained for newly-acquired clients. In the third quarter of 2019, the acquisition structure of credit cards was dominated by the Citi Simplicity card, with a share in acquisition exceeding 90%. The total debt on the credit cards increased to PLN 2.7 billion as at the end of the third quarter of 2019, which means that the Bank was still the leader in the credit card market, in terms of the credits granted on the credit cards, with a market share of 23.7%, according to data as at the end of September 2019.

Cash loans and cash loans associated with credit card accounts

The balance of unsecured loans (cash loans and loans on credit card accounts) amounted to PLN 2.7 billion as at the end of the third quarter of 2019 and was higher by 0.9 % as compared to the same period in 2018.

Total sales of unsecured loans, including cash loans for credit card holders amounted to PLN 315 million in the third quarter of 2019 and decreased by 3.7% versus the corresponding prior year period. In the same period, the instalment schemes within credit card limits increased by 3.2%.

Mortgage products

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

The mortgage products sold in the third quarter of 2019 reached PLN 143 million, i.e. increased by 19% comparing to the third quarter of 2018 when it stood at PLN 120 million. As at the end of that period, the mortgage portfolio amounted to PLN 1.8 billion as compared to PLN 1.6 billion in the corresponding period of 2018, i.e. increased by 14% YoY.

Insurance and investment products

As at the end of the third quarter of 2019, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were 1% higher than as at the second quarter 2019.

In the third quarter of 2019 the Bank executed 13 subscriptions of structured notes. Those notes were denominated in PLN (11 subscriptions) and USD (2 subscriptions).

The Bank's clients have been given the opportunity to use the investment advisory services related to bonds provided by Dom Maklerski Banku Handlowego S.A.

Development of distribution channels

Online banking

The online platform of the Bank for retail clients is built in a responsive technology, i.e. it aligns itself with a device used by the client. Modern design was inspired by comments of clients and extended functionality makes traditional channels unnecessary. One of the improvements is for credit card holders, which can manage their card limit, convert transactions into instalments or buy insurance products by themselves. Clients can create and update their investment profiles in accordance with the MIFID II regulation. In September, as Directive PSD2 came into force, also new functionalities were made available on the website in line with the strong customer authentication requirements.

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was 398,000 as at the end of the third quarter of 2019. The share of active Citibank Online users in the entire client portfolio of the Bank was 60% as at the end of the third quarter of 2019, i.e. it increased by 0.9 p.p. as compared to the third quarter of 2018.

At the same time, digital users accounted for 81.7% of all transactionally active clients at the end of the third quarter of 2019, which is an 0.7 p.p. increase as compared to the third quarter of 2018.

In the third quarter of 2019, the share of the credit cards sold via the online channel was about 45% of the whole credit card acquisition at the Bank.

Mobile banking

Responsive technology gives the client access to all functionalities in Citibank Online on any device they may use. In addition, clients have access to the mobile application which features such functions as: free Push notifications, which keep the client updated of changes on the account or card, and login activation with the use of a fingerprint or face recognition, which makes access to the application easier, which is highly appreciated by clients. In March 2019, a new module was launched specially dedicated to Citi credit card holders and in September the application for personal account holders was updated. Since September, customers have also benefited from simplified and intuitive navigation, a new graphic design and a mobile authorization service - Citi Mobile Token. The mobile application has also been adjusted to ensure strong authentication.

As at the end of the third quarter of 2019, the number of active users of mobile banking, i.e. those who used mobile banking at least once in every 90-day period via the application or Citibank Online in responsive technology, amounted to 212,000, which is a level comparable to the third quarter of 2018.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was 32%, i.e. increased by 0,9 p.p. as compared to the same period in 2018.

Indirect and Direct Customer Acquisition

Smart Ecosystem

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

In the third quarter of 2019, the Universal Bankers retail distribution channel continued its new client acquisition strategy while focusing on credit products: credit cards and cash loans. As in previous years, mobile sales force carried out its activities throughout Poland from local branches situated in six cities.

Universal Bankers supported also the creation of the Bank's image as an innovative institution, proposing modern solutions and focused on the clients' needs, through the presence at cultural and social events, such as concerts organized by the Bank's partner – the Live Nation agency.

Citigold and Citigold Private Client outlets

As at the end of the third quarter of 2019, there were 21 outlets dedicated to client service. The structure encompasses 11 Smart branches, 8 Hub Gold branches, Investment Centre and Corporate Branch.

In July 2019, the Smart branch located in CH Targówek in Warsaw in was closed. That operation fitted into the adopted Smart Ecosystem strategy, according to which the Bank focuses on services addressed to mass customers at commercial points with the highest turnout in the city. Following the optimization, in Warsaw operate three Smart branches located in shopping malls.

Changes to the network of outlets

Number of branches and other Points of Sale/touch points

	30.09.2019 (1)	31.12.2018 (2)	30.09.2018 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**21**	**23**	**23**	**(2)**	**(2)**

	30.09.2019 (1)	31.12.2018 (2)	30.09.2018 (3)	Change (1)/(2)	Change (1)/(3)
Hub Gold	8	7	7	1	1
Smart Hub Gold	1	2	2	(1)	(1)
Investment Center	1	1	1	0	0
Smart branch	10	12	12	(2)	(2)
Corporate branch	1	1	1	0	0
Other POS:					
Smart Mini	0	3	2	(3)	(2)

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

9 Rating

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

On October 7, 2019 Fitch as part of the annual review, affirmed all ratings of the Bank in the following levels:

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

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

In its justification, the Fitch stated that the Bank's ratings (IDRs) are driven by the Bank's intrinsic strength, as reflected in the viability rating and underpinned by potential majority shareholder support.
The Viability rating reflects an exceptionally low-risk business model and good capitalization together with high levels of liquidity.

10 Financial instruments disclosure

Fair value of financial assets and liabilities

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

PLN '000	30.09.2019		31.12.2018	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Cash and balances with the Central Bank	3,421,537	3,421,537	7,272,193	7,272,193
Amounts due from banks	905,173	905,173	1,333,977	1,333,896
Amounts due from customers	23,275,791	23,354,514	21,949,014	21,897,248
Financial liabilities				
Amounts due to banks	4,995,628	4,995,649	1,402,233	1,402,326
Amounts due to customers	36,443,155	36,438,551	38,334,345	38,332,779

Valuation methods and assumptions used for the purposes of fair value

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

- The fair value of financial instruments not quoted in active markets is determined using valuation techniques which are periodically assessed and verified. All the models are tested and approved before application. As far as possible, only observable data are used in the models, although in some areas, the Bank's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.
  The Group applies the following methods of measurement of particular types of derivative instruments:
  - FX forwards – discounted cash flows model;

- options – option market-based valuation model;
- interest rate transactions – discounted cash flow model;
- futures – current quotations.

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

Fair value included in consolidated statement of financial position

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

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

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

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

As at 30 September 2019

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	3,351,517	1,945,402	-	5,296,919
derivatives	-	1,945,401	-	1,945,401
debt securities	3,332,200	1	-	3,332,201
equity instruments	19,317	-	-	19,317
Hedging derivatives	-	-	-	-
Debt investment financial assets measured at fair value through other comprehensive income	16,631,003	-	-	16,631,003
Equity investments and other measured at fair value through income statement	1,047	-	60,526	61,573
Financial liabilities				
Financial liabilities held-for-trading	282,337	1,711,578	-	1,993,915
short sale of securities	282,337	-	-	282,337
derivatives	-	1,711,578	-	1,711,578
Hedging derivatives	-	14,335	-	14,335

As at 31 December 2018

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	955,120	1,281,956	-	2,237,076
derivatives	722	1,281,955	-	1,282,677
debt securities	931,171	1	-	931,172
equity instruments	23,227	-	-	23,227
Debt investment financial assets measured at fair value through other comprehensive income	14,241,363	-	-	14,241,363

PLN'000	Level I	Level II	Level III	Total
Equity investments and other measured at fair value through income statement	1,027	-	47,741	48,768
Financial liabilities				
Financial liabilities held-for-trading	351,323	1,258,059	-	1,609,382
short sale of securities	351,323	-	-	351,323
derivatives	-	1,258,059	-	1,258,059

On the 30th of September 2019 the amount of financial assets classified to the Level III includes the share of PLN 40,320 thousand in Visa Inc. and the share of PLN 20,205 thousand in other minority shareholding. On the 31st of December 2018 that amount includes the share of PLN 28,520 thousand in Visa Inc. and the share of PLN 19,222 thousand in other minority shareholding.

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

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

	01.01.-30.09.2019
PLN '000	Equity investments and other measured at fair value through income statement
As at 1 January 2019	**47,741**
Sale	(600)
Revaluation	13,385
As at the end of period	**60,526**

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

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

In the nine month period of 2019 the Group has not made any changes in classification criteria of financial instruments (presented in the consolidated statement of financial position at fair value) to each category reflecting the fair value (level I, level II, level III).

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

In the nine month period 2019 there was no change in the business or economic situation that could influence the fair value of Group's financial assets or liabilities, independently whether these assets and liabilities were presented in fair value or amortized cost.

As at 30 September 2019 there was change in fair value of financial instruments classified as financial assets held for trading in relation to the end of 2018 as a result of increase in the size of the securities portfolio. The increase in the size of the portfolio of financial instruments classified as financial assets held for trading as compared to the end of 2018 was mainly determined by the purchase of Polish securities denominated in PLN.

11 Provision for expected credit losses on financial assets and provisions for off–balance sheet commitments

Changes in the provision for expected credit losses on financial assets are presented in the table below:

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses as at 1 January 2019	**(3,910)**	**-**	**-**	**(3,910)**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Creations/Releases in the period through the income statement	1,608	-	-	1,608
Foreign exchange and other movements	(165)	-	-	(165)
Provision for expected credit losses as at 30 September 2019	**(2,467)**	**-**	**-**	**(2,467)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2019	**(56,110)**	**(74,776)**	**(535,674)**	**(666 560)**
Transfer to stage 1	(510)	510	**-**	**-**
Transfer to stage 2	1,518	(1,518)	-	-
Transfer to stage 3	73	6,813	(6,886)	-
Creations/Releases in the period through the income statement	2,744	(10,801)	(158,404)	(166,461)
Changes due to modification without derecognition (net)	(1)	-	(2,123)	(2,124)
Amounts written off	-	-	6,299	6,299
Foreign exchange and other movements	(198)	(52)	(501)	(751)
Provision for expected credit losses as at 30 September 2019	**(52,484)**	**(79,824)**	**(697,289)**	**(829,597)**

As at 30 September 2019, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

In the period from 1 January to 30 September 2019, as well as in 2018, the Group did not create write-offs for impairment of tangible fixed assets, intangible assets and reversals of write-offs of that title.

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 31 December 2017	**-**	**-**	**-**	**(1,111)**
Impact of adopting IFRS 9	-	-	-	(1,236)
Provision for expected credit losses as at 1 January 2018	**(2,223)**	**(124)**	-	**(2,347)**
Transfer to stage 1	(124)	124	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Creations/Releases in the period through the income statement	(1,309)	-	-	(1,309)
Foreign exchange and other movements	(254)	-	-	(254)
Provision for expected credit losses as at 31 December 2018	**(3,910)**	**-**	**-**	**(3,910)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due to customers				
Provision for expected credit losses as at 31 December 2017	**-**	**-**	**-**	**(587,783)**
Impact of adopting IFRS 9	-	-	-	(86,124)
Reclassification	-	-	-	5,178
Provision for expected credit losses as at 1 January 2018	**(54,767)**	**(76,847)**	**(537,115)**	**(668,729)**
Transfer to stage 1	(1,460)	1,460	-	-
Transfer to stage 2	1,040	(1,040)	-	-
Transfer to stage 3	-	270	(270)	-
Creations/Releases in the period through the income statement	(697)	1,569	(75,971)	(75,099)
Decrease in provisions due to write-offs	-	-	57,158	57,158
Decrease in provisions in connection with the sale of receivables	-	-	21,292	21,292
Foreign exchange and other movements	(226)	(188)	(768)	(1,182)
Provision for expected credit losses as at 31 December 2018	**(56,110)**	**(74,776)**	**(535,674)**	**(666,560)**

As at 30 September 2018, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

12 Deferred tax asset and provision

PLN '000	30.09.2019	31.12.2018
Deferred tax asset	772,603	540,524
Deferred tax provision	534,573	336,317
Net asset due to deferred income tax	**238,030**	**204,207**

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

13 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 30 September 2019 the value of purchased by the Group components of "tangible fixed assets" equaled PLN 18,075 thousand (in 2018: PLN 17,813 thousand) and the value of disposals of "tangible fixed assets" amounted to 670 thousand (in 2018: PLN 38 thousand).

As at 30 September 2019 the Group has no significant commitments to purchase of tangible fixed assets.

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

Between 1 January and 30 September 2019 in the Group has been no occurrence of default or breach due to received credit agreement.

15 Seasonality or periodicity of business activity

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

16 Issue, redemption and repayment of debt and equity securities

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

17 Paid (or declared) dividends

Dividends paid for 2018

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 2018 on June 5, 2019. The Meeting resolved to appropriate the amount of PLN 488,666,904.00 for the dividend payment (i.e. 74.82% of net profit), which means that the dividend per one ordinary share is PLN 3,74. 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 June 13, 2019 (the day of the dividend) and the day of the dividend payment for June 24, 2019 (the day of the dividend payment) and at that day the dividend was paid.

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

After 30 September 2019 there were no major events not included in the financial statement that could have a significant influence on the net result of the Group.

19 Changes in granted financial and guarantee commitments and other off-balance-sheet commitments

The detailed specification of granted financial and guarantee commitments as at 30 September 2019 and changes in comparison with the end of 2018 are as follows:

PLN '000	State as at		Change	
	30.09.2019	31.12.2018	PLN '000	%
Contingent liabilities granted				
Financial	**15,895,643**	**14,160,726**	**1,734,917**	**12.3%**
Import letters of credit issued	166,229	137,669	28,560	20.7%
Credit lines granted	15,700,145	14,023,057	1,677,088	12.0%
Other	29,269	-	29,269	-
Guarantees	2,387,550	2,636,600	(249,050)	(9.4%)
Guarantees granted	2,327,367	2,589,013	(261,646)	(10.1%)

PLN '000	State as at		Change	
	30.09.2019	31.12.2018	PLN '000	%
Export letters of credit confirmed	11,998	-	11,998	-
Other	48,185	47,587	598	1.3%
	18,283,193	**16,797,326**	**1,485,867**	**8.8%**
Contingent liabilities received				
Guarantees (guarantees received)	20,915,483	19,278,757	1,636,726	8.5%
	20,915,483	**19,278,757**	**1,636,726**	**8.5%**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	2,778,770	1,433,082	1,345,688	93.9%
Forward**	276,232,007	271,738,853	4,493,154	1.7%
	279,010,777	**273,171,935**	**5,838,842**	**2.1%**

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

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

20 Changes in Group's structure

In the third quarter of 2019 there was no change in the structure of Group's entities comparing to the end of the second quarter of 2019.

21 Fulfillment of 2019 forecast results

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

22 Information about shareholders

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

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

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

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

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

Name and surname	Function	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2019	Number of shares on day of publishing the Consolidated Financial Report for 2018	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2018
Andrzej Olechowski	Chairman of Supervisory Board	2,200	2,200	2,200
Total		**2,200**	**2,200**	**2,200**

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

24 Information on pending court proceedings

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

On January 2019, the Bank became aware of the filing of lawsuits by two previous agents, Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. with registered office in Warsaw and Rotsa Sales Direct Sp. z o.o. with registered office in Katowice. The lawsuits concerned claims related to agency agreements which in the past merged agents with the Bank.

As at 27 May 2019 Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. submitted a statement of claim for the payment of PLN 386,139,180.89 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 50,017,463.89 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement with covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, which was terminated in 2014. The Court has referred the matter to mediation proceedings. The deadline to replay to the statement of claim is three months since mediations finish. Mediation proceedings in progress.

Until the publication of this financial statements the Bank has not received summons from Rotsa Sales Direct Sp. z o.o.

In the Bank's opinion, the amount of claims filed by the companies is not justified. The Bank's position is confirmed by legally binding resolutions of legal actions taken by the companies against the Bank, which are beneficial for the Bank.

As at 30 September 2019, the Bank was, among others, a party to 19 court proceedings associated directly with derivative transactions that have not been legally terminated: in 12 proceedings the Bank acted as a defendant and in 7 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.

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

As of September 30, 2019. The Group is sued in 12 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 70 thousand and in 9 cases concerning a credit indexed to CHF for the total amount of PLN 1 218 thousand (most of the cases are in the first instance).

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 creates adequate reserves. The amount of created provisions was equal to PLN 3,167 thousand as at 30 June 2019 (PLN 3,221 thousand as at 31 December 2018).

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

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

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

26 Information about significant guarantee agreements

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

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

Intensifying international trade conflicts pose the major risk for the global economy. Already in the past year, tariffs imposed by the USA on China visibly hurdled the global trade in commodities. Such protectionist measures against trade partners of the USA may hurt the global economy even by approx. 1.0 p.p., indirectly weakening demand for Polish exports.

The process of Great Britain's exiting the European Union remains one of the major threats to economic growth in the European Union. If Great Britain left the Union without a deal, this could reduce growth in Poland, both through commercial channels as well as due to limitation of the inflow of the European funds.

There is also continuing uncertainty as to the scale of changes in the monetary policy in the eurozone and in the United States. Relaxation of the monetary policy by main central banks was to that date a positive factor supporting prices of domestic assets. However, if in the following months main central banks return to tightening monetary policy schemes, this may negatively impact risk appetite on international financial markets. In the scenario of restoration of interest rate hikes in the USA and the rising yields of US Treasury bonds, foreign capital may decide to exit emerging markets. Such events could lead to accelerated sales of domestic bonds by foreign investors and, as a result, the national currency would grow weaker and the interest rates on Treasury and corporate debts would increase.

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

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

The Group is carefully following the changes of the legal environment arising out of the courts' case law regarding mortgage loans indexed to foreign currencies, including the judgment of the Court of Justice of the European Union (CJEU), case no. C 260/18, of 3 October 2019. The Group has identified a number of doubts as regards interpretation of the above-mentioned judgment. As at the day of these financial statements, these doubts prevent a reliable and rational assessment of the influence of the judgment on proceedings pending before national courts and necessitate a thorough analysis of the relevant case law. Given the marginal share of mortgage loans indexed to CHF in the entire loan portfolio, the Group finds that any court rulings on these loans that are unfavorable to the Bank should not significantly affect the Group's financial situation.

On September 11, 2019, CJEU passed a ruling in the case C 383/18, indicating the following interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers (Directive): *"the right of the consumer to a reduction in the total cost of the credit in the event of early repayment of the credit includes all the costs imposed on the consumer."* Hence, according to the provisions of the Directive, the above-mentioned right of the consumer includes costs both related and not related to the duration of the contract. In performance of the banking activities falling under the definition of a consumer credit, the Bank charged commissions which were structurally not related to the duration of the contract, and thus not subject to reduction in the event of early repayment of a consumer credit. CJEU ruled on the interpretation of the provision of the Directive which is not directly binding upon domestic law entities and requires implementation into the national law, whose potential amendment, interpretation and application will be of significant importance in assessing customers' claims for the reimbursement of a part of commissions in the event of early repayment of a consumer credit.

In its practice, the Bank has taken into account the influence of the judgment on the interpretation of the national law, whereby the total cost of credit specified for consumer credit agreements concluded after the date of delivery of the judgment, will be accordingly reduced, in case of their repayment before the contractual date, and this reduction will apply to all costs incurred by the consumer.

The Group is conducting analyses in order to assess how the risk related to any claims related to the judgment may affect the Group's activity. However, as at the date of these financial statements, the Group has not completed the analysis to the extent necessary to reliably measure estimate values. Therefore, in the third quarter of 2019, the Bank did not create provisions for potential commission returns for customers who repaid consumer loans early.

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

Poland economic indicators (%)	2012	2013	2014	2015	2016	2017	2018F	2019F
GDP growth, yoy	1.6	1.4	3.3	3.8	3.1	4.9	5.1	4.4
Private consumption growth, yoy	0.8	0.3	2.6	3.0	3.9	4.5	4.5	4.3
Investment growth, yoy	(1.8)	(1.1)	10.0	6.1	(8.2)	4.0	8.7	8.2
CPI (eop)	2.4	0.7	(1.0)	(0.5)	0.8	2.1	1.1	3.0
Policy interest rate (eop)	4.25	2.50	2.00	1.50	1.50	1.50	1.50	1.50

Source: Citi Handlowy's estimates as of Octoberl 23, 2019.

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

Condensed income statement

PLN '000	For the period	Third quarter period from 01.07.19 to 30.09.19	Third quarter accruals period from 01.01.19 to 30.09.19	Third quarter period from 01.07.18 to 30.09.18	Third quarter accruals period from 01.01.18 to 30.09.18
Interest income		331,629	972,304	316,234	934,046
Similar income		29,574	78,211	15,351	42,005
Interest expense and similar charges		(70,080)	(194,702)	(51,492)	(149,402)
Net interest income		**291,123**	**855,813**	**280,093**	**826,649**
Fee and commission income		155,579	470,289	149,618	453,917
Fee and commission expense		(19,411)	(57,730)	(19,694)	(56,126)
Net fee and commission income		**136,168**	**412,559**	**129,924**	**397,791**
Dividend income		**-**	**10,779**	**122**	**23,703**
Net gain/(loss) on trading financial instruments and revaluation		**98,322**	**283,462**	**93,946**	**285,341**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**19,440**	**73,587**	**8,534**	**87,727**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**3,149**	**16,304**	**3,317**	**9,863**
Net gain/(loss) on hedge accounting		**(310)**	**(1,068)**	**-**	**3,682**
Other operating income		5,410	17,651	5,347	29,576
Other operating expenses		(7,161)	(21,613)	(8,251)	(21,992)
Net other operating income		**(1,751)**	**(3,962)**	**(2,904)**	**7,584**
General administrative expenses		**(248,674)**	**(856,922)**	**(253,263)**	**(829,276)**
Depreciation		**(21,289)**	**(63,485)**	**(16,602)**	**(53,652)**
Profit on sale of other assets		**(265)**	**(296)**	**-**	**(858)**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments		**(91,206)**	**(226,057)**	**(19,218)**	**(51,781)**
Tax on certain financial institutions		**(25,469)**	**(69,674)**	**(19,276)**	**(61,209)**
Profit before tax		**159,238**	**431,040**	**204,673**	**645,564**
Income tax expense		**(45, 922)**	**(126,179)**	**(46,252)**	**(144,646)**
Net profit		**113,316**	**304,861**	**158,421**	**500,918**
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			2.33		3.83
Diluted net earnings per share (in PLN)			2.33		3.83

Condensed statement of comprehensive income

PLN '000	Third quarter period from 01.07.19 to 30.09.19	Third quarter accruals period from 01.01.19 to 30.09.19	Third quarter period from 01.07.18 to 30.09.18	Third quarter accruals period from 01.01.18 to 30.09.18
Net profit	**113,316**	**304,861**	**158,421**	**500,918**
Other comprehensive income, that might be subsequently reclassified to profit or loss				
Net changes in value of financial assets measured at fair value through other comprehensive income	44,579	60,225	(7,562)	30,483
Total comprehensive income	**157,895**	**365,086**	**150,859**	**531,401**

Condensed statement of financial position

PLN '000 as at	30.09.2019	31.12.2018
ASSETS		
Cash and balances with the Central Bank	3,421,537	7,272,193
Amounts due from banks	905,121	1,333,816
Financial assets held-for-trading	5,277,602	2,213,849
Debt investment financial assets measured at fair value through other comprehensive income	16,631,003	14,241,363
Shares in subsidiaries	105,972	106,075
Equity investments and other measured at fair value through income statement	61,292	48,511
Amounts due from customers	23,141,335	21,853,349
Tangible fixed assets	498,306	363,002
Intangible assets	1,404,439	1,417,506
Deferred tax asset	237,161	205,165
Other assets	208,315	187,195
Total assets	**51,892,083**	**49 242 024**
LIABILITIES		
Amounts due to banks	4,995,516	1,402,124
Financial liabilities held-for-trading	1,985,964	1,606,189
Hedging derivatives	14,335	-
Amounts due to customers	36,516,842	38,395,885
Provisions	88,662	29,984
Current income tax liabilities	45,557	66,297
Other liabilities	1,361,736	734,493
Total liabilities	**45,008,612**	**42,234,972**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	144,597	84,372
Other reserves	2,878,294	2,877,122
Retained earnings	393,357	578,335
Total equity	**6,883,471**	**7,007,052**
Total liabilities and equity	**51,892,083**	**49,242,024**

Condensed statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019	**522,638**	**2,944,585**	**84,372**	**2,877,122**	**578,335**	**7,007,052**
Total comprehensive income, including:	-	-	60,225	-	304,861	365,086
Net profit	-	-	-	-	304,861	304,861
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	60,225	-	-	60,225
Dividends paid	-	-	-	-	(488,667)	(488,667)
Transfer to capital	-	-	-	1,172	(1,172)	-
Balance as at 30 September 2019	**522,638**	**2,944,585**	**144,597**	**2,877,122**	**393,357**	**6,883,471**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2018	**522,638**	**2,944,585**	**(9,376)**	**2,879,669**	**537,102**	**6,874,618**
Impact of adopting IFRS 9	-	-	(796)	-	(74,784)	(75,580)
Restated balance as at 1 January 2018	**522,638**	**2,944,585**	**(10,172)**	**2,879,669**	**462,318**	**6,799,038**
Total comprehensive income, including:	-	-	30,483	-	500,918	531,401
Net profit	-	-	-	-	500,918	500,918
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	30,483	-	-	30,483
Dividends	-	-	-	-	(537,011)	(537,011)
Transfer to capital				91	(91)	-
Balance as at 30 September 2018	**522,638**	**2,944,585**	**20,311**	**2,879,760**	**426,134**	**6,793,428**

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

Condensed summary statement of cash flows

PLN '000	Third quarter accruals period from 01.01.19 to 30.09.19	Third quarter accruals period from 01.01.18 to 30.09.18
Cash at the beginning of the reporting period	**7,474,817**	**514,477**
Cash flows from operating activities	(3,242,522)	806,390
Cash flows from investing activities	(6,829)	(33,695)
Cash flows from financing activities	(501,694)	(572,947)
Cash at the end of the reporting period	**3,723,772**	**714,225**
Increase/(decrease) in net cash	**(3,751,045)**	**199,748**

Condensed additional information

1. Declaration of conformity

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

These interim condensed standalone financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the standalone financial statements of the Bank for the financial year ended 31 December 2018 and interim condensed consolidated financial statement of the Group for the third quarter of 2019.

In accordance with Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, item 757, as amended) the Bank is obliged to publish its financial results for the 9 month period ended 30 September 2019 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

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

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

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

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

Bank's financial results

In the third quarter of 2019, the Bank generated a profit before tax of PLN 159.2 million, compared to PLN 204.7 million in the corresponding period of 2018 (i.e. down by 22% YoY).

Net profit earned in the period from January to September 2019 amounted to PLN 113.3 million compared to PLN 158.4 million of net profit in the corresponding period of 2018 (i.e. down by 28% YoY).

The net profit of the Bank in the third quarter of 2019 was affected by an increase in net interest income by PLN 11.0 million (i.e. 3.9% YoY), an increase in net fee and commission income by PLN 6.2 million (i.e. 4.8% YoY), an increase in net result on financial instruments (trading financial instruments and revaluation, debt investment financial assets) by PLN 15.3 million (i.e. 14.9% YoY). At the same time, the Bank's general administrative and depreciation expenses remained almost unchanged as compared to the corresponding period of 2018 and net impairment losses on financial assets and provisions on contingent liabilities went up by PLN 72 million.

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

Urszula Lewińska
Director of Financial Reporting,
Control and Tax Department

13.11.2019

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Natalia Bożek
Vice-President of
Management Board

13.11.2019

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