citi handlowy

REPORT ON ACTIVITIES OF THE CAPITAL GROUP OF BANK HANDLOWY W WARSZAWIE S.A. IN 2013

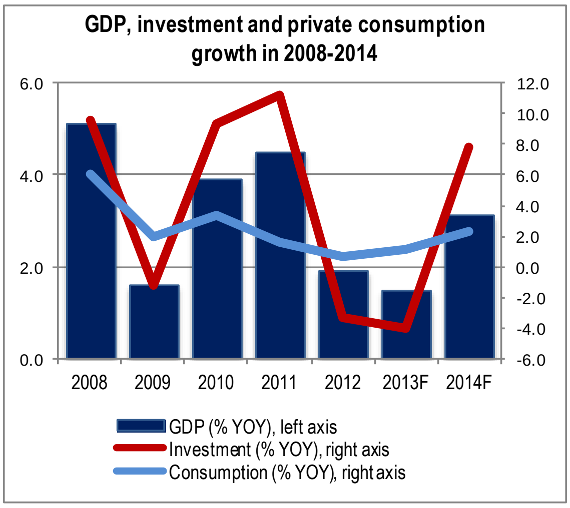
MARCH 2014

CONTENTS

I. Poland's economy in 2013

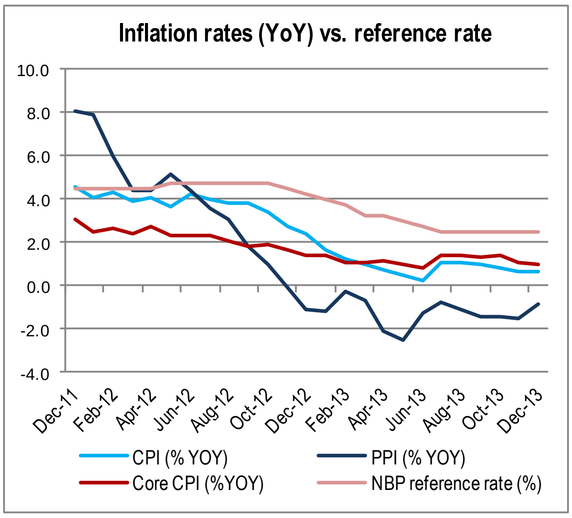
1. Main macroeconomic trends

In 2013, Gross Domestic Product (GDP) rose 1.5% year on year, as compared to a 1.9% increase in 2012. The lowest growth rate was recorded in Q1, 2013 and the economy started to accelerate in the following quarters. For industrial output, the annual growth rate increased to 2.4% in 2013 from 1.4% in 2012, mainly due to new domestic and export orders – the latter in the wake of recovery in the core target markets (especially Germany). Despite this, the average growth rate of exports was declining over 2013 for the third consecutive year – this time to about 4.7% from 6.0% in 2012. However, import slowdown was again deeper – in 2013 imports declined 0.7%, as compared to a 2.4% increase in 2012, mainly as a result of still weak domestic demand. In consequence, the balance of trade improved considerably, reaching the all-time surplus, whilst the current account deficit dropped to a record breaking low level of below 2.0% GDP, from 3.5% in 2012.



Source: Chief Statistical Office, own calculations

The labor market was rather weak in the beginning of the year, though later on the situation was continuously improving in the wake of recovery in the economy, which amplified the demand for labor, but without triggering any significant wage pressure. The employment growth rate in the companies sector increased from -0.8% in January to 0.3% in December, although the annual average employment level declined 1% as compared to the previous year, and a 0.1% increase in 2012. Simultaneously, the average growth rate of wages in the companies sector slowed down to 2.9% from 3.4% in 2012. As of December 31, 2013, the unemployment rate remained flat compared to 2012 year end, after a short-lived peak of 14.3% in March. In addition, the labor productivity growth rate rose to 3.4% in 2013 from 1.3% in 2012, while unit labor costs declined 0.5%, as compared to a 2.1% increase in the previous year, which softened inflationary pressure.



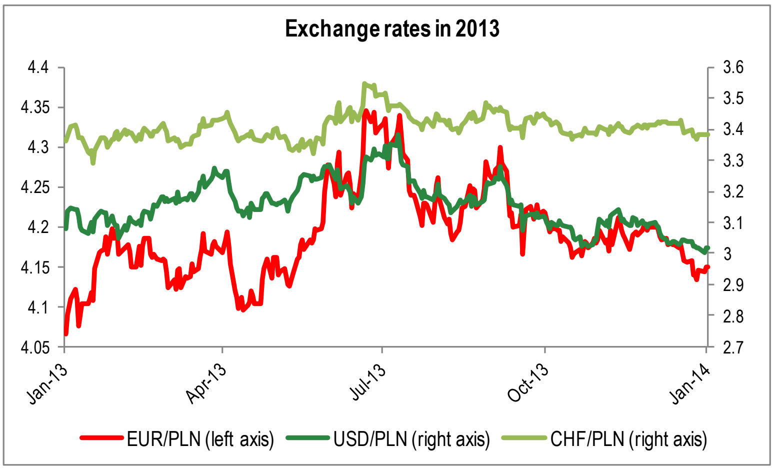
Source: National Bank of Poland, own calculations

In 2013, the consumer price index rose 0.9%, on average, from 3.7% in 2012, i.e. it was significantly below the inflation target (2.5%). The slower annual growth of prices was mainly observed for fuel, communications, energy, food and education services. During the year, the inflation rate dropped to a record low of 0.2%, bouncing back in the following months to reach 0.7% in December 2013. Average core inflation (i.e. net of food and energy) amounted to 1.2% in 2013, as compared to 2.2% in 2012, and reached 1.1% at 2013 year end, after first falling down to 0.9%.

As the inflation rate fell significantly below the inflation target of the National Bank of Poland and GDP was still weak, below the potential rate of growth, the Monetary Policy Council decided to uphold its dovish stance and cut the interest rates by 175 basis points in total during 2013, to a record low level. The Monetary Policy Council ended the easing cycle by reducing the reference rate to 2.5% in July 2013.

2. Money and forex markets

In 2013, the zloty slightly depreciated relative to major currencies after some fears intensified about the possible impact of Fed's decision to trim down its asset purchase program on emerging market assets. Despite the fact that the fears about further developments the eurozone had alleviated and the condition of Poland's economy had started to improve gradually, the Polish currency was slowly going down in the first half of 2013. The key reasons were the interest rate cuts in Poland and Fed's announcement of intent to start downsizing its asset purchase program, which led to departure of part of portfolio investments from the bonds market. As a result, the zloty hit its 2013 low versus the euro of about 4.33 in June 2013. Then, the pace and size of the zloty's depreciation induced the National Bank of Poland to start its successful intervention in the FX market to moderate the volatility of Poland's currency. The depreciation of the zloty was rather small, as compared to parallel currency movements in other emerging markets, as a result of a considerable reduction of Poland's current account deficit and short-term foreign debt in previous quarters, relatively high real interest rates and well-established commercial relationships with the eurozone, which enjoyed improving outlooks. In the second half of 2013, the zloty was catching up on its previous decline, supported by the continuously improving performance of Poland's economy, with limited sensitivity to turbulences in foreign markets. Consequently, the EUR/PLN rate reached the level of 4.15 as of 2013 year end, as compared to 4.07 at 2012 year end. Concurrently, the USD/PLN rate declined to 3.02 from 3.08 as of the end of 2012.



Source: National Bank of Poland, own calculations

The series of interest rate cuts translated into a decline of the 3M WIBOR rate to 2.71% as of 2013 year end (from 4.13%). The bonds market entered the year 2013 relatively stable, however yields dropped in the second quarter after a surprising decision of the Bank of Japan to ease its monetary policy even further. Nonetheless, the rest of the year saw an increase in bond yields after the Polish Monetary Policy Council ended its easing cycle and in connection with Fed's announcement that it would trim down the asset purchase program, which triggered an outflow of foreign capital from the bonds market. An additional factor that gave long-term yields a boost was the improving outlooks for the U.S. and eurozone economies and raising bond yields in the major markets. By the end of 2013, the yield of 2-year Treasury bonds dropped to 3.03%, from 3.08% as of 2012 year end, while 10-year Treasury bonds recorded an increase to 4.35% from 3.73%, respectively. Simultaneously, as of the end of 2013, the CDS rate, which reflects how the markets perceive Poland's creditworthiness, remained unchanged from 2012 year end, i.e. amounted to 79 basis points.

3. Capital market

The year 2013 was a period of variable investor sentiment in Poland's equity market. The year start was by no means optimistic because of the debt crisis in Cyprus, a considerable supply of stocks in the domestic banking sector and the uncertainties triggered by the changes proposed for the segment of open pension funds. The next quarters turned out to be more encouraging, with low interest rates (increasing the attractiveness of equity instruments and funds exposed to the stock market versus deposits), continued quantitative easing by Fed and macroeconomic data heralding a recovery in Poland's economy as key contributors.

The main indices revealed that the investors active on the Warsaw Stock Exchange ("WSE") had polarized in terms of sentiment. The "blue chips" index declined 7.0% throughout 2013, while the small and medium-sized enterprises delighted with excellent returns, exceeding 30% YoY (sWIG80 rose 37.3% and mWIG40 by 31.1%). Simultaneously, WIG (i.e. the broadest market index) gained 8.1% from 2012 year end.

At the level of sector indices, the commodity companies index (the growth leader in 2012) was under the biggest pressure, losing 32.1%. The food and fuel sectors were also among the unfortunate performers with their indices falling by 11.4% and 10.0%, respectively. On the other hand, the construction sector saw a considerable recovery, gaining 33.5%. The media sector also generated a fat return of 31.0% as compared to the end of 2012.

In the year 2013, and especially in its second half, some signs of revival were observed in the primary and IPO market. A total of 23 new companies entered the WSE main market (of which 7 were transferred from the New Connect market). Public offerings exceeded PLN 5.1 billion in 2013 (as compared to PLN 3.4 billion in 2012), with 75% of that amount generated by two issues: PKP Cargo and Energa. On the other hand, 12 companies were delisted in 2013 and, as a result, there were 448 companies listed on the WSE as of the end of 2013.

The market capitalization of all the companies listed on the WSE main market increased by about 15%, to PLN 841 billion, over the last 12 months, with the local companies' share equal to 71% (unchanged from 2012).

Stock market indices, as at 31 December 2013

Index	2013	Change (%)	2012	Change (%)	2011
WIG	51,284.25	8.1%	47,460.59	26.2%	37,595.44
WIG-PL	52,377.63	9.8%	47,709.64	28.2%	37,217.06
WIG-DIV	1,131.43	2.5%	1,103.30	22.2%	903.09
WIG20	2,400.98	(7.0%)	2,582.98	20.4%	2,144.48
mWIG40	3,345.28	31.1%	2,552.54	17.4%	2,173.89
sWIG80	14,336.82	37.3%	10,443.68	22.9%	8,496.54
Sector sub-indices					
WIG-Banks	8,014.15	20.5%	6,648.51	22.6%	5,421.04
WIG-Construction	2,257.09	33.5%	1,690.66	(30.9%)	2,445.10
WIG-Chemicals	11,645.90	20.6%	9,658.35	57.9%	6,117.02
WIG-Developers	1,486.67	2.8%	1,446.06	9.6%	1,319.94
WIG-Energy	3,453.73	(7.9%)	3,748.02	(2.7%)	3,850.58
WIG-IT	1,363.92	21.9%	1,118.85	3.7%	1,079.26
WIG-Media	3,476.78	31.0%	2,654.07	7.8%	2,461.89
WIG-Fuel	3,215.11	(10.0%)	3,571.11	39.1%	2,567.58
WIG-Food	3,249.28	(11.4%)	3,666.41	5.3%	3,481.45
WIG-Commodities	4,118.45	(32.1%)	6,063.70	78.9%	3,388.75
WIG-Telecoms	1,005.35	(9.1%)	1,106.15	(21.2%)	1,403.12

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

Value of trading in shares and bonds, volume of trading in derivatives on WSE, as at 31 December 2013

	2013	Change (%)	2012	Change (%)	2011
Shares (PLN million)*	512,293	26.3%	405,760	(24.3%)	536,276
Bonds (PLN million)	3,305	58.5%	2,085	24.7%	1,672
Futures ('000 contracts)	23,612	11.5%	21,185	(27.5%)	29,218
Options ('000 contracts)	1,617	13.0%	1,431	(20.3%)	1,796

*Source: WSE, Dom Maklerski Banku Handlowego S.A, * including session and block transactions.*

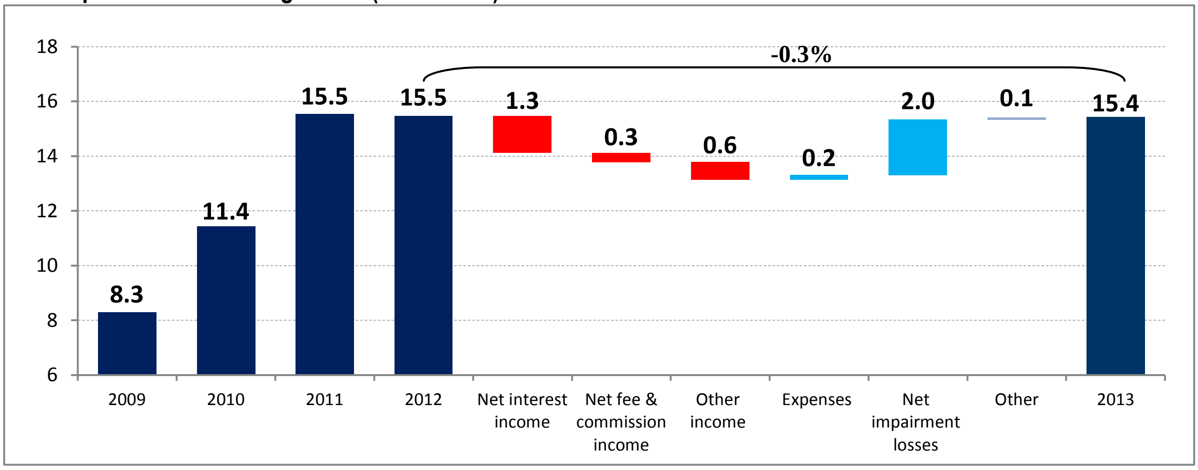
In 2013, turnover in the equity market significantly increased, i.e. by over 26% from 2012, and exceeded PLN 512 billion. Even so, the activity of equity investors was still 4% below the record turnover levels reached in 2011.

When it comes to the main capital market segments, the highest growth, in terms of turnover, was achieved by the debt market. In 2013, the turnover in debt instruments amounted to PLN 3.3 billion and was 58.5% higher than in 2012.

In 2013, investors again showed more interest in derivatives. The volume of derivative contract transactions rose 11.5%, as compared to 2012, to PLN 23.6 million. Over 1.6 million options were traded during 2013 (i.e. 13% more than in the previous year).

4. Banking sector

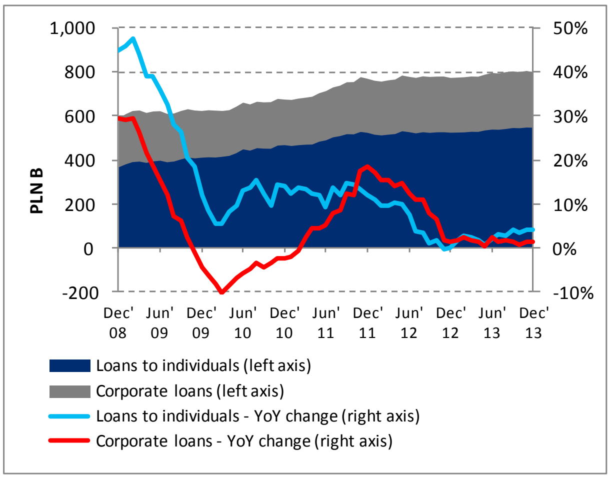
Net profit of the banking sector (PLN billion)



Source: KNF, own calculations

In 2013, the net profit of the banking sector fell 0.3%, or PLN 41 million, from the previous year. The primary detractor was net interest income, which was lower by 3.8%, or PLN 1.3 billion, as compared to 2012, as a result of sharp interest rate cuts. A decline in net fee and commission income (by 2.3%, or PLN 0.3 billion, from 2012) and other banking activity income (by 6.6%, or PLN 0.6 billion, from 2012) reinforced the negative trend event further. Consequently, the total revenues of the banking sector fell 3.9% to PLN 57.3 billion. Impairment write-offs lower by 20.1% (or PLN 2.0 billion) and a slight decline in costs, by 0.6% (or PLN 0.2 billion), from the previous year, positively contributed to the net result of the whole banking sector. The impairment write-offs decline was driven by the improving quality of the loan portfolio, especially consumer loans with a declining trend of the non-performing loan (NPL) ratio (a decrease by 2.6 percentage points to 14.7% as of the end of 2013). As a result, and despite a deteriorating quality of the mortgage portfolio (where the NPL ratio increased by 0.3 percentage points to 3.1%), the NPL ratio for household loans was improving step by step to 7.1%, from 7.5% in January 2013). The NPL ratio for corporate loans dropped to 9.3% in December 2013 (i.e. by 0.5 percentage points year on year), while the NPL ratio for the portfolio of small and medium-sized enterprises remained unchanged at 13.0%.

Loans granted to corporate and individual clients



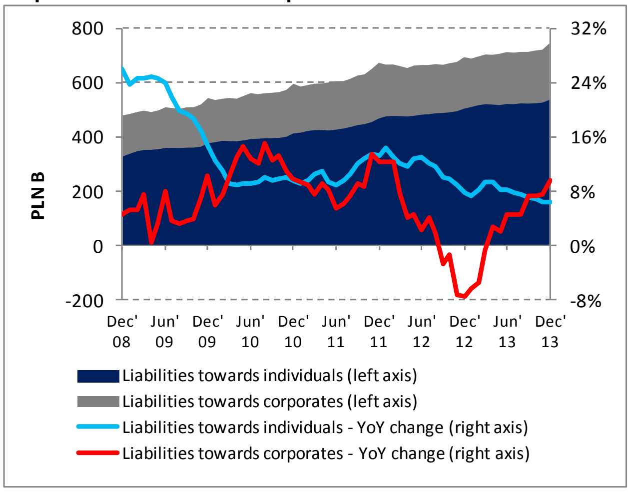
Source: NBP, own calculations.

The sector effectiveness measured by the cost-to-income (C/I) ratio deteriorated. The C/I ratio rose from 50.9% in 2012 to 52.7% in 2013.

The growth rate for loans to non-financial sector gradually recovered during 2013 to reach 3.1% (i.e. an increase by PLN 27.0 billion) by 2013 year end. Loans grated to corporate clients rose 1.3% over 2013 to reach PLN 252.8 billion at 2013 year end. In terms of loan purpose, facilities granted to corporate clients showed a strong shift in trend towards capital expenditure credits, which rose 8.5% (or PLN 6.6 billion) to PLN 83.9 billion during 2013, coupled with the growth of loans with original time to maturity over 5 years by 2.6% (or PLN 3.0 billion) to PLN 117.2 billion.

Loans to individuals also expanded in terms of volume, by 3.9% (or PLN 17.3 billion) to PLN 466.6 billion. It should be noted that that increase was the combined effect of both the recovery of mortgage loans (an increase by 4.5%, or PLN 14.3 billion, from the previous year to PLN 334.2 billion) and the somewhat lower growth of consumer loans (an increase by 2.3%, or PLN 3.0 billion, from the previous year to PLN 132.4 billion). FX rate fluctuations had an insignificant impact on the pace of growth. The growth leader was the PLN mortgage market, which rose 16.5%, or PLN 23.9 billion, from the previous year.

Corporate and individual deposits



Source: NBP, own calculations.

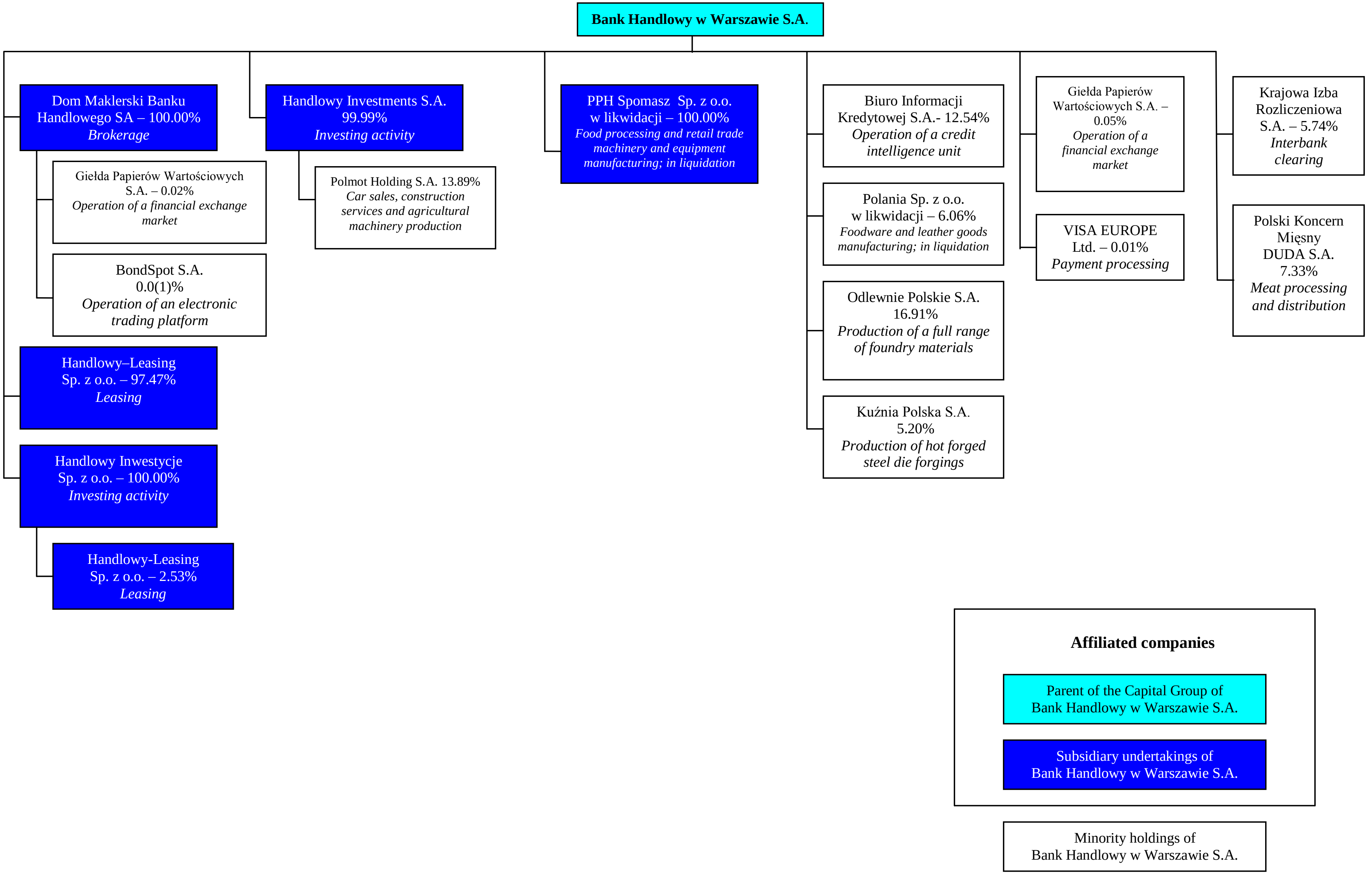
Corporate deposits rose 9.6%, or PLN 18.2 billon, from the previous year, to PLN 208.0 billion. The positive growth rate was maintained since the beginning of Q3, 2013. This translated into higher volumes of both demand deposits (an increase by 13.3%, or PLN 13.2 billion, from the previous year to PLN 112.5 billion) and term deposits (an increase by 5.5%, or PLN 4.9 billion, from the previous year to PLN 95.5 billion).

Noteworthy growth was also achieved in the area of individual deposits, which rose 5.9%, or PLN 27.8 billion, from the previous year to PLN 498.8 billion.

Like in the case of corporate deposits, the above growth was mainly generated by demand deposits (an increase by 18.2%, or PLN 37.3 billion, from the previous year to PLN 242.9 billion), while term deposits went down 3.6%, or PLN 9.5 billion, from the previous year to PLN 255.9 billion, as a result of low interest rates on bank deposits and reallocations of assets to more risky savings instruments.

II. Organisational chart of the Capital Group of Bank Handlowy w Warszawie S.A.

The organisational chart below depicts the corporate entities which jointly formed the Capital Group of Bank Handlowy w Warszawie S.A. ("Bank") as at 31 December 2013; the Bank's share interest in each specified.


Bank Handlowy w Warszawie S.A.
Dom Maklerski Banku Handlowego SA – 100.00% Brokerage
Giełda Papierów Wartościowych S.A. – 0.02% Operation of a financial exchange market
BondSpot S.A. 0.0(1)% Operation of an electronic trading platform
Handlowy–Leasing Sp. z o.o. – 97.47% Leasing
Handlowy Inwestycje Sp. z o.o. – 100.00% Investing activity
Handlowy-Leasing Sp. z o.o. – 2.53% Leasing
Handlowy Investments S.A. 99.99% Investing activity
Polmot Holding S.A. 13.89% Car sales, construction services and agricultural machinery production
PPH Spomasz Sp. z o.o. w likwidacji – 100.00% Food processing and retail trade machinery and equipment manufacturing; in liquidation
Biuro Informacji Kredytowej S.A.- 12.54% Operation of a credit intelligence unit
Polania Sp. z o.o. w likwidacji – 6.06% Foodware and leather goods manufacturing; in liquidation
Odlewnie Polskie S.A. 16.91% Production of a full range of foundry materials
Kuźnia Polska S.A. 5.20% Production of hot forged steel die forgings
Giełda Papierów Wartościowych S.A. – 0.05% Operation of a financial exchange market
VISA EUROPE Ltd. – 0.01% Payment processing
Krajowa Izba Rozliczeniowa S.A. – 5.74% Interbank clearing
Polski Koncern Mięsny DUDA S.A. 7.33% Meat processing and distribution
Affiliated companies
Parent of the Capital Group of Bank Handlowy w Warszawie S.A.
Subsidiary undertakings of Bank Handlowy w Warszawie S.A.
Minority holdings of Bank Handlowy w Warszawie S.A.

III. The organizational structure of the Capital Group of Bank Handlowy w Warszawie S.A.

The Capital Group of Bank Handlowy w Warszawie S.A. (the "Group") consists of a parent company and subsidiaries.

GROUP ENTITIES FULLY CONSOLIDATED

Entity	Core business	Capital relationship	% of authorized capital held	Accounting method	Equity (PLN '000)
Bank Handlowy w Warszawie S.A.	Banking	parent	-	-	7,221,222*
Dom Maklerski Banku Handlowego S.A. (DMBH)***	Brokerage	subsidiary	100.00%	full consolidation	118,911
Handlowy - Leasing Sp. z o.o.***	Leasing	subsidiary	100.00%**	full consolidation	150,304
Handlowy Investments S.A.***	Investing activity	subsidiary	100.00%	full consolidation	44,041
PPH Spomasz Sp. z o.o. w likwidacji***	Ceased operations	subsidiary	100.00%	full consolidation	in liquidation

* *Equity of Bank Handlowy w Warszawie S.A. as per the statement of the financial position of the Bank for 2013*
** *Including indirect participations*
*** *Pre-audit data*

GROUP ENTITIES NOT FULLY CONSOLIDATED

Entity	Core business	Capital relationship	% of authorized capital held	Accounting method	Equity (PLN '000)
Handlowy-Inwestycje Sp. Z o.o.***	Investing activity	subsidiary	100.00%	equity valuation	10,939

** *Including indirect participations*
*** *Pre-audit data*

On 26 July 2013, shares in Handlowy Investmens II S.a.r.l., representing 100% of the share in the capital and 100% of votes at the General Meeting of Shareholders, were sold. The balance value of sold shares amounted PLN 5,532 thousand.

IV. Selected financial data of the Capital Group of Bank Handlowy w Warszawie S.A.

1. Major Developments in 2013

In 2013, despite a challenging market environment (slowdown in the economy, historically low interest rates), Citi Handlowy generated **the highest consolidated net profit since the Bank made its debut on the Warsaw Stock Exchange, i.e. 1997**. The Group's net profit for 2013 amounted to **PLN 972.7 million**, and without the restructuring provision, which lowered the Q4 results (more information on the provision on page 14 in this report), net profit was **PLN 1,022.5 million**.
In the past year, the Group was focused on the strategic areas, which is confirmed by the following achievements and events:

- **High efficiency** – key efficiency ratios were kept at a high level, above the sector averages:
  - Return on Assets (ROA) was 2.1% versus 1.1% for the sector;
  - Return on Tangible Equity (ROTE) was 19.0% versus 10.5% for the sector;
  - Cost / Income ratio (excluding the restructuring provision) was 51% versus 53% for the sector.
- **Sustained consistent cost control** – general and administrative expenses and depreciation declined by 4.5% in 2013 (or 8.9% excluding the restructuring provision created in Q4, 2013);

- Another year of significant **improvement in the area of credit risk**, mainly as a result of improved quality of the credit portfolio and two transactions of non-performing loans' sales in the Consumer Bank sector:
  - credit risk costs (calculated as proportion of net impairment losses to net loans to non-financial sector) were 0.3% (versus -0.4% in 2012 and -0.9% in the sector);
  - improved NPL (non-performing loans) ratio – from 7.5% in 2012 to 7.0% at 2013 year end;
- **Transformation for innovation**:
  - Development of the **Smart Banking Ecosystem**, assuming a refocus from traditional branches onto leading-edge Smart outlets, situated where the Bank's clients are present, and utilization of most advanced technologies to make contacts with the Bank easier (mobile and online solutions). As of 2013 year end, the branch network of Citi Handlowy already included two Smart outlets – in Warsaw and Katowice.
  - **Relationship banking** for individual customers: consistent growth of demand deposits (+23% YoY versus 18% YoY in the sector) thanks to focus on active clients – the number of active CitiGold customers rose by 25% YoY and the acquisition of CitiForward customers increased by 84% YoY;
- Leader in the area of **financial markets**:
  - Citi Handlowy was ranked first in the **FX market transactions** with corporate clients, for the fifth consecutive year, according to the prestigious *Euromoney* magazine (with a 36% market share, i.e. higher by 8 percentage points YoY);
  - DMBH was the leader of the **capital market** in terms of turnover in the equity secondary market, with a 13% market share; value of capital acquired via IPO and SPO transactions, with a market share exceeding 15%; turnover in non-Treasury bonds in all Catalyst markets (with a 30% market share);
  - Winner of the prestigious ranking of the Ministry of Finance for **Treasury Securities Dealers** in 2014 (for the second consecutive year);
  - **Custody operations** – Citi Handlowy was the leader in the custodian banks market in Poland, with 49% market share in assets under custody;
- Achievements in **transactional services**:
  - Ranked second in Poland in the transactional services ranking: Euromoney Cash Management Survey 2013;
  - Demand deposits rose by 20% YoY (versus 11% in the sector), as a result of consistent concentration on operating accounts;
  - Expansion in the trade finance area: factoring turnover up by 26% YoY and trade finance assets up by 21% YoY; development of innovative technology solutions (Citi Trade Portal platform).
- Development of the **global product range** for customers:
  - Emerging Markets Champions – a program for local corporate clients and global clients to ensure them any support and financial services required for their expansion into international markets. At 2013 year and, the Bank served more than 270 customers under the program (of which 241 global clients investing in Poland with Citi Handlowy, e.g. Hyundai and Mando, and 31 local corporate customers investing globally with Citi Handlowy, e.g. KGHM, Maspex or Polpharma);
  - New global services for individual customers: accounts opened within Citi in other countries, Citi Global Transfers outgoing, program of privileges available globally, a debit card linked with foreign currency accounts, services for global investors: FX dealer by the phone, a new CitiFX Pro investment platform, investment advice for offshore funds;
- Another year of **lending growth** in the Commercial Bank segment (+9% YoY) and the loan portfolio of individual customers (credit card loans: +3% YoY; mortgage loans: +15% YoY);
- Top **quality** of services provided by the Bank, confirmed by independent rankings – the first place in the independent customer satisfaction survey NPS (Net Promoter Score) for CitiGold customer service, carried out by TNS Polska, and the third place in Newsweek's "Friendly Bank for Traditional Customers" ranking;
- Maintenance of **safe and stable capital and liquidity situation**:
  - Loans to deposits ratio at 64%,
  - Capital adequacy ratio at 17.5%;
- **High return for shareholders** – in 2013, the Bank offered the highest dividend yield (basing on dividend paid in 2013) among Polish banks listed on the Warsaw Stock Exchange. Including the dividend yield, Citi Handlowy delivered 14% return on investment in its shares.

In 2013, the Bank was again included in the RESPECT Index, i.e. a WSE index of the companies that are most committed to the society. Citi Handlowy is one of only two banks incessantly included in the index from its first edition.

2. Summary financial data of the Group

PLN million	2013	2012
Total assets	45,398.4	43,508.8
Equity	7,307.3	7,391.4
Loans*	15,231.3	16,221.4
Deposits *	26,084.7	23,629.7
Net profit	972.7	970.1
Capital adequacy ratio	17.5%	18.1%

** Due from and to non-bank financial entities and non-financial sector entities, including public entities*

3. Financial results of the Group in 2013

3.1 Income statement

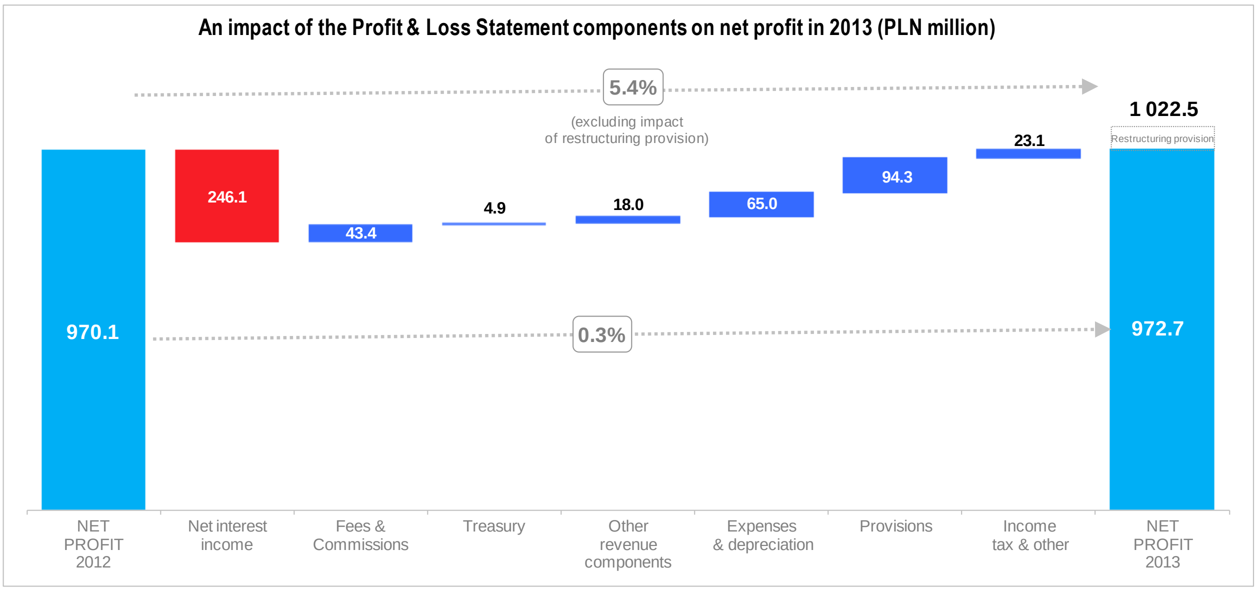
In 2013, the Group posted a consolidated net profit of PLN 972.7 million, representing an increase of PLN 2.6 million (i.e. 0.3%) compared to the net profit for 2012. The 2013 consolidated profit before tax of PLN 1,218.1 million decreased by PLN 21.4 million (i.e. 1.7%) as compared to the previous year.

In the fourth quarter of 2013 the Bank established a restructuring provision amounting to PLN 62.4 million (for more information on the provision see page 14 of this report). Excluding the restructuring provision, the Bank's costs dropped by PLN 127.4 million (i.e. 8.9%) compared to 2012 and the Group's net profit in 2013 increased to PLN 1,022.5 million, i.e. by PLN 52.4 million (i.e. 5.4%) versus the net profit generated in 2012.

Selected income statement items

PLN '000	2013	2012	Change	
			PLN '000	%
Net interest income	1,242,152	1,488,281	(246,129)	(16.5%)
Net fee and commission income	642,302	598,858	43,444	7.3%
Dividend income	4,416	6,493	(2,077)	(32.0%)
Net gains on financial instruments held for trading and on revaluation	349,000	371,993	(22,993)	(6.2%)
Net gains on investment debt securities	305,339	279,451	25,888	9.3%
Net gains on investment equity instruments	1,844	-	1,844	-
Net gain on hedge accounting	2,050	-	2,050	-
Net other operating income	(242)	(18,430)	18,188	(98.7%)
Total income	**2,546,861**	**2,726,646**	**(179,785)**	**(6.6%)**
Overheads and general administrative expenses and depreciation, including	(1,364,643)	(1,429,634)	64,991	(4.5%)
Overheads and general administrative expenses	(1,302,008)	(1,364,951)	62,943	(4.6%)
Depreciation/amortization of tangible and intangible fixed assets	(62,635)	(64,683)	2,048	(3.2%)
Net gains on sale of other assets	1,050	84	966	1150.0%
Net change in impairment losses	36,204	(58,101)	94,305	-
Share in net profits/(losses) of entities valued by equity method	(1,326)	540	(1,866)	(345.6%)
Profit before taxation	**1,218,146**	**1,239,535**	**(21,389)**	**(1.7%)**
Income tax expense	(245,438)	(269,403)	23,965	(8.9%)
Net profit for the year	**972,708**	**970,132**	**2,576**	**0.3%**

The impact of individual items of the income statement on net profit is shown on graph below:



The increase in net profit in 2013 when compared to 2012 was mainly driven by the following:

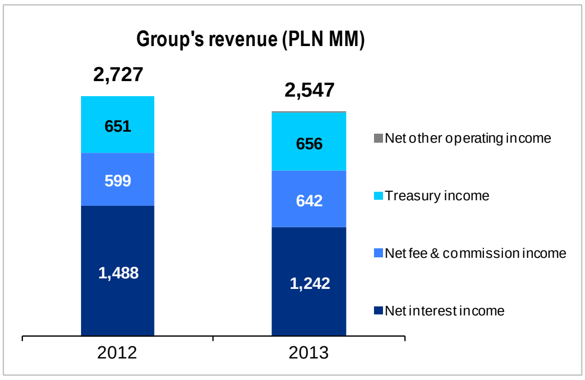
- Operating income (which includes net interest income, net fee and commission income, dividend income, net gains on trading financial instruments and revaluation, net gains on investment debt securities, net gains on investment equity instruments, net gains on hedge accounting and net other operating income) of PLN 2,546.9 million in 2013 compared to PLN 2,726.6 million in 2012 – a decrease by PLN 179.8 million (i.e. 6.6%) primarily due to the decline in the net interest income. On the other hand, the net fee and commission income and Treasury result increased;
- general administrative and depreciation expenses of PLN 1,364.6 million versus PLN 1,429.6 million in the previous year – a decrease of PLN 65.0 million (i.e. 4.5%) primarily as a consequence of lower staff expenses, lower spending on marketing and advertising as well as lower advisory services' costs. Additionally, the restructuring provision of PLN 62.4 million is included in 2013 expenses (for more information on the provision please go to page 14 of this report);
- reversal of net impairment losses of PLN 36.2 million versus net impairment losses of PLN 58.1 million in 2012 – improvement by PLN 94.3 million, mainly in the Consumer Banking segment, where loan portfolio continued to improve and was broadly matched by releases of provisions.

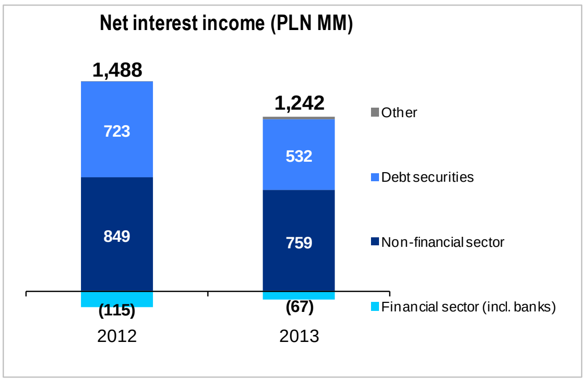
3.1.1 Revenue

Operating income was PLN 2,546.9 million in 2013 compared to PLN 2,726.6 million in the previous year, representing a decrease by PLN 179.8 million or 6.6%.

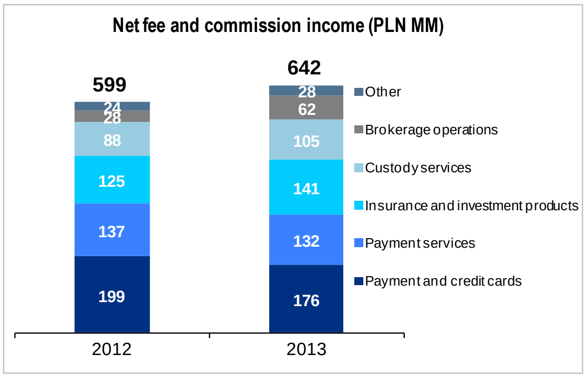
In 2013, operating income was affected by:

- net interest income of PLN 1,242.2 million compared to PLN 1,488.3 million recorded in 2012 – decrease of PLN 246.1 million, i.e. 16.5%, following a significant reduction in base interest rates (by 225 basis points) to a historic low level. Consequently, interest income from amounts due from customers declined by PLN 217.3 million (i.e. 17.2%), which was partially offset by a lower level of interest expense (down by PLN 149.7 million, i.e. 30.1%). A significant drop in interest income was also recorded for debt securities portfolio – in total by PLN 190.8 million, i.e. 26.4%, for debt securities available-for-sale and debt securities held-for-trading;
- net fee and commission income of PLN 642.3 million versus PLN 598.9 million in 2012 –





increase of PLN 43.4 million, i.e. 7.3%, driven mainly by capital markets, i.e. brokerage activity and custody services as well as sale of investment and insurance products. Higher fee on brokerage activity resulted from DMBH's participation in capital market transactions (among others, the accelerated sale of stake in Bank Pekao S.A. and PKO Bank Polski S.A.; secondary public offering of BZ WBK S.A., IPO of Energa S.A.) and was also due to the increased value of session equity transactions and block trades made by DMBH on the Warsaw Stock Exchange – up by 30% YoY. In the Consumer Banking segment the fee and commission income from insurance and investment products increased (up by PLN 15.9 million, i.e. 12.8%) due to the increased interest in investment products among customers, which partially offset the decrease in fee income resulting from the reduction in interchange rates by card organizations starting from January 2013;



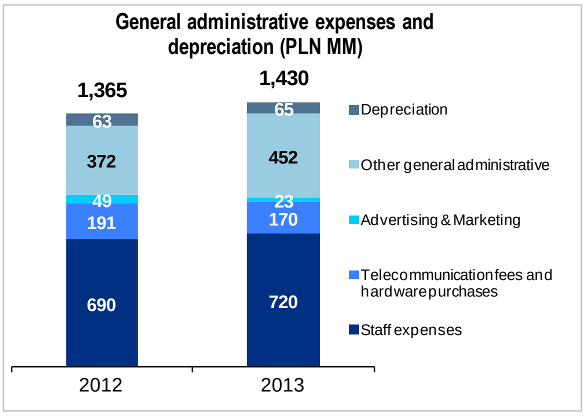
- net income on trade financial instruments and revaluation of PLN 349.0 million versus PLN 372.0 million recorded in 2012, i.e. down by PLN 23.0 million, principally reflecting lower income on the interbank market operations;
- net gain on investment debt securities of PLN 305.3 million versus PLN 279.5 million in 2012, i.e. an increase of PLN 25.9 million, stemming from the realized gains in favorable conditions on the domestic debt market;
- net other operating income of PLN -0.2 million compared to PLN -18.4 million in 2012 – an improvement of PLN 18.2 million.

3.1.2 Expenses

General expenses & depreciation

PLN '000	2013	2012	Change	
			PLN '000	%
Personnel costs	**689,625**	**720,051**	**(30,426)**	**(4.2%)**
General administrative expenses, including:	**612,383**	**644,900**	**(32,517)**	**(5.0%)**
Telecommunication fees and IT hardware	191,038	170,003	21,035	12.4%
Building maintenance and rent	101,919	111,841	(9,922)	(8.9%)
Costs of external services, including advisory, audit, consulting services	63,019	81,470	(18,451)	(22.6%)
Total overheads	**1,302,008**	**1,364,951**	**(62,943)**	**(4.6%)**
Depreciation	62,635	64,683	(2,048)	(3.2%)
Total general expenses & depreciation	**1,364,643**	**1,429,634**	**(64,991)**	**(4.5%)**

The Bank continued to pursue its cost discipline policy over 2013. Compared to 2012, the Group reported a decrease of general expenses and depreciation by PLN 65.0 million (i.e. 4.5%) primarily as a consequence of lower staff expenses, lower spending on marketing and advertising as well as lower advisory services' costs. At the same time in the fourth quarter of 2013 the Bank established a restructuring provision in connection with the decision about the transformation of the Bank's distribution model into the Smart Banking Ecosystem, which was announced in October 2013, as well as the implementation of changes into the Bank's operating model, leading to employment restructuring and exit from 19 retail branches located outside the target markets for the Bank. The restructuring provision in the amount of PLN 62.4 million included the costs of severance payments for employees to be laid off (PLN 55.2 million) as well as the costs related to early termination of lease agreements and rent due from the moment of branch closure to the end of lease terms (PLN 7.2 million). Excluding the impact of the restructuring provision, in



2013 general administrative expenses and depreciation amounted to PLN 1,302.2 million, i.e. were down by PLN 127.4 million, i.e. 8.9%, compared to 2012.

Depreciation expenses were slightly lower than in the previous year and amounted to PLN 62.6 million in 2013.

3.1.3 Net impairment losses on financial assets and provisions for financial and guarantee commitments

Net impairment and provisions

PLN '000	2013	2012	Change	
			PLN '000	%
Net impairment losses incurred but not reported (IBNR)	28,820	28,514	306	1.1%
Net impairment losses on loans and off-balance sheet liabilities	6,833	(76,993)	83,826	-
accounted for individually	(19,407)	(51,168)	31,761	(62.1%)
accounted for collectively, on a portfolio basis	26,240	(25,825)	52,065	-
Net impairment losses on equity investments	-	(5,092)	5,092	(100.0%)
Other	551	(4,530)	5,081	-
Net impairment losses on financial assets and provisions for financial and guarantee commitments	**36,204**	**(58,101)**	**94,305**	**-**

Net impairment losses on financial assets and provisions for financial and guarantee commitments amounted to PLN 36.2 million in 2013, representing an improvement by PLN 94.3 million compared to PLN -58.1 million in 2012. The improvement resulted mainly from the Consumer Banking segment (reversal of net impairment losses of PLN 62.3 million in 2013 compared to PLN 30.0 million of net impairment losses in 2012), where retail receivables continued to improve and were broadly matched by releases of provisions. Moreover, in 2013 a part of retail impaired exposures was sold: in the second quarter the Bank sold retail impaired exposures (cash loans and credit cards) of value of PLN 148.8 million (98% out of which constituted written-off receivables) for PLN 23.3 million; in the fourth quarter the Bank sold retail impaired exposures (cash loans and credit cards) of value of PLN 99.3 million (98% out of which constituted written-off receivables) for PLN 10.2 million. In the Corporate Banking segment the net impairment losses declined by PLN 2.0 million (from PLN -28.1 million in 2012 to PLN -26.1 million in 2013).

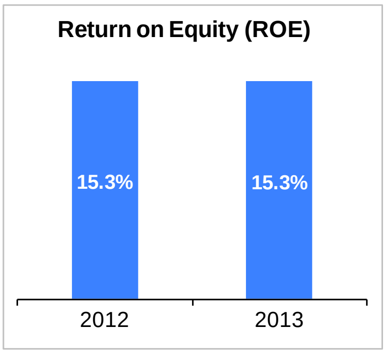
3.1.4 Ratio analysis

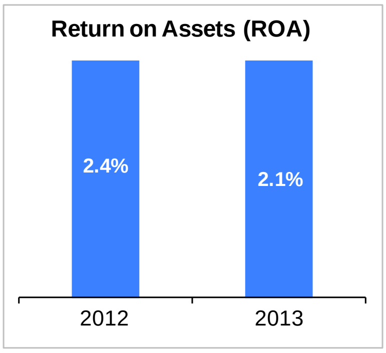
The Group's efficiency ratios

	2013	2012
Return on equity (ROE)*	15.3%	15.3%
Return on assets (ROA)**	2.1%	2.4%
Net interest margin (NIM)***	2.7%	3.7%
Margin on interest-bearing assets	3.2%	4.4%
Earnings per share in PLN	7.44	7.42
Cost/income****	54%	52%
Non-financial sector loans to non-financial sector deposits	64%	73%
Non-financial sector loans to total assets	32%	35%
Net interest income to total revenue	49%	55%
Net fee and commission income to total revenue	25%	22%

** Net profit to average equity (excluding net profit for the current year) calculated on a quarterly basis;*
*** Net profit to average total assets calculated on a quarterly basis;*
**** Net interest income to average total assets calculated on a quarterly basis;*
***** Overheads, general administrative expenses, depreciation and amortization to operating income.*

In 2013 the Bank kept its return on equity ratio (ROE) and return on assets ratio (ROA) at high levels of 15.3% and 2.1%, respectively.





In terms of cost efficiency, the cost to income ratio increased to 54%, however excluding the impact of the restructuring provision, it was 51%, i.e. it improved by 1.3 p.p. compared to the previous year.

Due to the impact of the already mentioned significant reduction in base interest rates in 2013 (in total by 225 basis points), the net interest margin weakened to 2.7% on total assets. Despite the decrease, the net interest margin of the Bank remained better than the margin of the sector amounting to 2.4%.

The Bank continued to maintain safe liquidity and capital adequacy position confirmed by the following ratios: the loan to deposit ratio of 64% and the capital adequacy ratio of 17.5%.

3.2 Consolidated statement of financial position

As at 31 December 2013, the Bank's total assets stood at PLN 45,398.4 million, representing an increase of 4.3% compared to the end of 2012.

Consolidated statement of financial position

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
ASSETS				
Cash and balances with central bank	778,464	1,357,308	(578,844)	(42.6%)
Receivables from banks	3,539,927	1,461,901	2,078,026	142.1%
Financial assets held for trading	5,751,829	6,838,483	(1,086,654)	(15.9%)
Debt securities available-for-sale	17,616,041	15,003,003	2,613,038	17.4%
Equity investments, held at equity value	7,814	15,110	(7,296)	(48.3%)
Equity investments available-for-sale	15,280	19,921	(4,641)	(23.3%)
Receivables from customers	15,231,327	16,221,412	(990,085)	(6.1%)
Property and equipment	384,581	409,916	(25,335)	(6.2%)
Intangible assets	1,417,363	1,379,931	37,432	2.7%
Receivables due to current income tax	80,854	-	78,152	2892.4%
Asset due to deferred income tax	203,132	221,488	(15,654)	(7.2%)
Other assets	359,039	567,736	(208,697)	(36.8%)
Non-current assets available-for-sale	12,738	12,554	184	1.5%
Total assets	**45,398,389**	**43,508,763**	**1,889,626**	**4.3%**
LIABILITIES				
Liabilities towards banks	6,378,436	2,356,429	4,022,007	170.7%
Financial liabilities held for trading	4,196,896	5,846,404	(1,649,508)	(28.2%)
Hedging derivatives	24,710	-	24,710	-
Liabilities towards customers	26,568,765	26,852,165	(283,400)	(1.1%)
Provisions	89,284	28,656	60,628	211.6%
Current income tax liabilities	84	55,343	(55,259)	(99.8%)
Other liabilities	832,950	978,351	(145,401)	(14.9%)
Total liabilities	**38,091,125**	**36,117,348**	**1,973,777**	**5.5%**
EQUITY				
Issued capital	522 638	522,638	-	-

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Supplementary capital	2 997 759	3,011,380	(13 621)	(0.5%)
Revaluation reserve	(42 963)	257,791	(300 754)	-
Other reserves	2 859 388	2,637,066	222 322	8.4%
Retained earnings	970 442	962,540	7 902	0.8%
Total equity	**7 307 264**	**7,391,415**	**(84 151)**	**(1.1%)**
Total liabilities and equity	**45 398 389**	**43,508,763**	**1 889 626**	**4.3%**

3.2.1 Assets

Gross receivables from clients

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Non-banking financial entities	734,594	952,385	(217,791)	(22.9%)
Non-financial sector entities	9,503,087	10,377,197	(874,110)	(8.4%)
Individuals	5,819,087	5,920,993	(101,906)	(1.7%)
Public entities	157,909	101,195	56,714	56.0%
Other non-financial sector entities	683	569	114	20.0%
Total gross receivables from clients	**16,215,360**	**17,352,339**	**(1,136,979)**	**(6.6%)**

In 2013, gross receivables from customers decreased by 6.6% year on year and stood at PLN 16.2 billion. A decrease was reported mainly for non-financial sector entities (down by PLN 0.9 billion or 8.4% year on year) and non-banking financial institutions (down by PLN 0.2 billion or 22.9% year on year). Gross loans issued to individual clients went down in a smaller extent, i.e. by 0.1 billion or 1.7%, with decline reported in the impaired portfolio. At the same time, the net loans granted to individuals went up 0.4% YoY as a result of growth of the mortgage loan portfolio (+15.4% YoY) and credit cards' loans (+3.4% YoY).

Net receivables from clients

PLN '000	31.12.2013	31.12.2012	Change	
			PLN '000	%
Receivables from financial sector entities	**715,466**	**933,272**	**(217,806)**	**(23.3%)**
Receivables from non-financial sector entities, including:	**14,515,861**	**15,288,140**	**(772,279)**	**(5.1%)**
Corporate clients*	9,232,581	10,027,941	(795,359)	(7.9%)
Individuals, including:	5,283,280	5,260,199	23,080	0.4%
Credit cards	2,222,243	2,150,189	72,054	3.4%
Cash loans of individuals	1,919,308	2,103,643	(184,335)	(8.8%)
Mortgage loans	1,068,199	925,740	142,459	15.4%
Total net receivables from clients	**15,231,327**	**16,221,412**	**(990,085)**	**(6.1%)**

**Corporate clients include enterprises, public sector, state-owned and private companies, co-operatives, individual enterprises, non-commercial institutions acting for the benefit of households*

The volume of the debt securities portfolio increased by PLN 2.3 billion (or 13.1%) at the end of 2013. This was mainly due to an increased position in Treasury bonds and NBP cash bills. At the same time, there was a drop in bonds issued by banks.

Debt securities portfolio

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Treasury bonds, including:	8,680,192	6,829,474	1,850,718	27.1%
covered bonds in fair value hedge accounting	1,836,219	-	1,836,219	-
Treasury bills	-	2,982	(2,982)	(100.0%)
Bank's bonds	1,402,876	2,705,424	(1,302,548)	(48.1%)
NBP bills	9,748,646	7,997,178	1,751,468	21.9%

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Total	**19,831,714**	**17,535,058**	**2,296,656**	**13.1%**

3.2.2 Liabilities

Liabilities towards customers

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Deposits of financial sector entities	**3,259,867**	**2,794,790**	**465,077**	**16.6%**
Deposits of non-financial sector entities, including	**22,824,846**	**20,834,930**	**1,989,916**	**9.6%**
Non-financial sector entities	11,956,825	11,706,666	250,159	2.1%
Non-commercial institutions	396,577	400,158	(3,581)	(0.9%)
Individuals	6,907,183	5,896,093	1,011,090	17.1%
Public sector entities	3,564,261	2,832,013	732,248	25.9%
Other liabilities	**484,052**	**3,222,445**	**(2,738,393)**	**(85.0%)**
Total liabilities towards customers	**26,568,765**	**26,852,165**	**(283,400)**	**(1.1%)**
Deposits of financial and non-financial sector entities, including:				
Liabilities in PLN	20,082,062	18,638,783	1,443,279	7.7%
Liabilities in foreign currency	6,002,651	4,990,937	1,011,714	20.3%
Total deposits of financial and non-financial sector entities	**26,084,713**	**23,629,720**	**2,454,993**	**10.4%**

The main source of funding for the Bank's assets are deposits of non-banking sector clients, which in 2013 increased by PLN 2.5 billion or 10.4%. The growth was driven mainly by higher balances on customer current accounts and it was a result of the Bank's consistent focus on operating accounts. In total, current deposits of non-banking sector customers increased by PLN 3.0 billion (i.e. 21.1%), out of which current deposits of institutional customers grew by PLN 1.9 billion and balances on current accounts of individual customers (predominantly in the area of savings accounts) increased by PLN 1.1 billion. On the other hand, other liabilities towards customers went down by PLN 2.7 billion, i.e. 85.0%, which was due to a decreased repo transactions volume and caused a drop in total liabilities towards customers by PLN 0.3 billion, i.e. 1.1%.

3.2.3 Source and use of funds

PLN '000	31.12.2013	31.12.2012
Source of funds		
Funds of banks	6,378,436	2,356,429
Funds of customers	26,568,765	26,852,165
Own funds with net income	7,307,264	7,391,415
Other funds	5,143,924	6,908,754
Total source of funds	**45,398,389**	**43,508,763**
Use of funds		
Receivables from banks	3,539,927	1,461,901
Receivables from customers	15,231,327	16,221,412
Securities, shares and other financial assets	23,390,964	21,876,517
Other uses of funds	3,236,171	3,948,933
Total use of funds	**45,398,389**	**43,508,763**

3.3 Equity and the capital adequacy ratio

In 2013, the equity remained almost unchanged compared to the end of 2012. With higher reserve capital, general risk reserve and other equity (in total up by PLN 227.6 million) following retention of 25% of the Bank's profit of 2012, and a decrease in the revaluation reserve and supplementary capital (in total down by PLN 314.4 million), the total value of the equity was lower by PLN 86.7 million (or 1.4%) than a year ago.

Equity*

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Issued capital	522,638	522,638	-	-
Supplementary capital	2,997,759	3,011,380	(13,621)	(0.5%)
Other reserves	2,335,307	2,126,900	208,407	9.8%
Revaluation reserve	(42,963)	257,791	(300,754)	(116.7%)
General risk reserve	521,000	507,500	13,500	2.7%
Other equity	815	(4,926)	5,741	(116.5%)
Total equity	**6,334,556**	**6,421,283**	**(86,727)**	**(1.4%)**

** Equity net of net profit/(loss)*

Capital funds are fully sufficient to ensure financial security to the institution and the deposits it accepts, and to ensure business growth of the Group.

The table below presents financial data necessary to calculate the capital adequacy ratio based on the Group's consolidated financial statements.

Capital adequacy ratio*

	PLN '000	31.12.2013	31.12.2012
I	**Own funds for the calculation of capital adequacy ratio, including:**	**4,908,707**	**5,010,491**
	Less in core and supplementary funds		
	interests in subordinated financial entities	7,813	15,110
	intangible assets, including	1,417,363	1,379,931
	goodwill	1,245,976	1,245,976
II	**Risk-weighted assets and off-balance sheet liabilities (bank portfolio)**	**19,195,350**	**20,150,725**
III	**Total capital requirements, of which:**	**2,246,769**	**2,220,164**
	credit risk capital requirements (II*8%)	1,535,628	1,612,058
	counterparty risk capital requirements	80,127	95,648
	excess concentration and large exposures risks capital requirements	95,500	48,024
	total market risk capital requirements	156,778	78,194
	operational risk capital requirements	363,336	366,893
	other capital requirements	15,400	19,347
	Capital adequacy ratio (I/III*12.5)	**17.5%**	**18.1%**

** Capital Adequacy Ratio calculated according to the rules stated in Resolution No. 76/2010 of the Polish Financial Supervision Authority dated 10 March 2010 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (KNF Official Journal No. 2, item 11, as amended)*

As at 31 December 2013, the Group's capital adequacy ratio stood at 17.5% and was 0.6 percentage points lower than the end of 2012. It was driven by increase of total capital requirements by 1% (mainly due to higher market risk capital requirements and excess concentration and large exposures risks capital requirements) along with lower own funds of the Bank (down by 2%).

V. Activities of the Capital Group of Bank Handlowy w Warszawie S.A. in 2013

1. Lending and other risk exposures

1.1 Lending

The lending policy within the Group is consistent and covers the Bank, as parent company, and its subsidiaries (DMBH and Handlowy-Leasing Sp. z o.o.), excluding special purpose entities (investment vehicles), companies undergoing liquidation or bankruptcy as well as dormant entities. Furthermore, the policy is based on active portfolio management and precisely specified target markets, designed to facilitate exposure and credit risk analysis within a given industry of each client. Individual borrowers are continuously monitored so that any warning signals of deterioration in creditworthiness can be detected as soon as possible to allow for implementation of appropriate corrective actions.

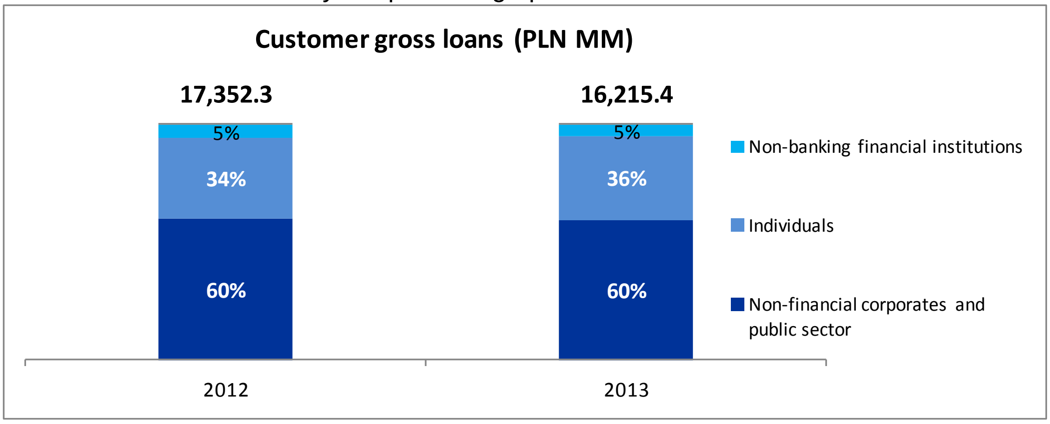
In 2013, the Group concentrated its credit risk management activities in selected areas to:

- support the growth of assets;
- optimize the lending process and adjust its credit product range to market conditions;
- improve the quality of the credit portfolio;
- intensify collection activities for the portfolio of retail credit exposures;
- ensure the effective allocation of capital;
- improve its processes used for management of risks generated by models (model risk) dedicated to credit risk measurement; and
- continue efforts to develop its credit risk measurement methodologies.

Gross loans to customers

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Loans in PLN	13,393,843	14,720,657	(1,326,814)	(9.0%)
Loans in foreign currency	2,821,517	2,631,682	189,835	7.2%
Total	**16,215,360**	**17,352,339**	**(1,136,979)**	**(6.6%)**
Loans to non-financial sector entities	15,480,766	16,399,954	(919,188)	(5.6%)
Loans to financial sector entities	734,594	952,385	(217,791)	(22.9%)
Total	**16,215,360**	**17,352,339**	**(1,136,979)**	**(6.6%)**
Non-bank financial entities	734,594	952,385	(217,791)	(22.9%)
Non-financial sector entities	9,503,087	10,377,197	(874,110)	(8.4%)
Individuals	5,819,087	5,920,993	(101,906)	(1.7%)
Public sector entities	157,909	101,195	56,714	56.0%
Non-commercial institutions	683	569	114	20.0%
Total	**16,215,360**	**17,352,339**	**(1,136,979)**	**(6.6%)**

As of December 31, 2013, gross credit exposure to customers was PLN 16,215.4 million, i.e. it was 6.6% lower from December 31, 2012. The largest part of the portfolio of amounts due from customers was loans to non-financial sector entities (58.6%), which declined by 8.4% in 2013. Amounts due from individuals amounted to PLN 5,819 million, i.e. were down by 1.7% as compared to 2012, while their share in total gross credit receivables increased by 1.8 percentage points.



As of December 31, 2013, the currency structure of loans was slightly changed as compared to 2012 year end. The share of foreign-currency loans increased from 15.2% in December 2012 to 17.4% in December 2013. It should be noted that the foreign currency loans are granted only to customers who have revenue streams in the loan currency or to entities which, in the Group's opinion, are able to predict or absorb the currency risk without exposing their financial position to any significant danger.

The Group monitors the concentration of credit exposures on an ongoing basis, striving to avoid situations where the portfolio would become reliant on a limited group of clients. As of December 31, 2013, the Group's credit exposure to customers did not exceed the legal concentration limit.

Concentration of exposure to customers

PLN '000	31.12.2013 Balance sheet exposure*	31.12.2013 Granted financial and guarantee liabilities	31.12.2013 Total exposure	31.12.2012 Balance sheet exposure*	31.12.2012 Granted financial and guarantee liabilities	31.12.2012 Total exposure
GROUP 1	43,427	966,055	1,009,482	295,507	660,984	956,491
CLIENT 2	716,500	200,050	916,550	716,500	200,050	916,550
GROUP 3	157,436	575,257	732,693	217,657	499,661	717,318
GROUP 4	420,819	218,212	639,031	773,688	161,095	934,783
GROUP 5	412,479	169,411	581,890	303,686	167,502	471,188
CLIENT 6	250,000	300,000	550,000	250,000	-	250,000
GROUP 7	360,239	139,846	500,085	440,436	60,233	500,669
CLIENT 8	-	500,051	500,051	-	50	50
GROUP 9	323,687	174,815	498,502	318,113	175,675	493,788
GROUP 10	354,068	58,733	412,801	443,147	168,222	611,369
Total 10	**3,038,655**	**3,302,430**	**6,341,085**	**3,758,734**	**2,093,472**	**5,852,206**

** Net of equity and other securities exposures*

Concentration of exposure in individual industries *

Sector of the economy according to the Polish Classification of Economic Activity (PKD)*	31.12.2013 PLN '000	31.12.2013 %	31.12.2012 PLN '000	31.12.2012 %
Wholesale trade, excluding trade in vehicles	4,026,214	18.7%	4,285,518	21.1%
Manufacture and supply of electricity, gas, steam, hot water and air conditioning	2,537,891	11.8%	2,733,355	13.5%
Financial intermediation, excluding insurance and pension funds	2,182,495	10.1%	1,684,544	8.3%
Retail trade, excluding retail trade in vehicles	1,297,340	6.0%	1,226,034	6.0%
Production of food and beverages	1,242,203	5.8%	1,038,106	5.1%
Wholesale and retail trade in motor vehicles, repair of motor vehicles	903,130	4.2%	715,034	3.5%
Manufacture of motor vehicles, trailers and semi-trailers, excluding motorcycles	674,291	3.1%	139,252	0.7%
Production and processing of coke and petroleum products	672,524	3.1%	832,465	4.1%
Production of basic pharmaceutical substances, medicines and other pharmaceutical products	551,562	2.6%	791,205	3.9%
Metal ore mining	500,000	2.3%	500,584	2.5%
Top 10 business sectors	**14,587,650**	**67.7%**	**13,946,097**	**68.7%**
Manufacture of electric appliances	460,380	2.1%	346,996	1.7%
Production of metal goods, excluding machines and equipment	446,220	2.1%	424,532	2.1%
Construction of buildings	430,077	2.0%	681,676	3.4%
Manufacture of chemicals and chemical products	407,024	1.9%	280,816	1.4%
Manufacture of rubber and plastic products	371,546	1.7%	453,766	2.2%
Production of beverages	364,493	1.7%	109,782	0.5%
Telecommunication	361,581	1.7%	217,856	1.1%
Manufacture of furniture	336,509	1.6%	240,335	1.2%
Business of head offices; management advisory	321,366	1.5%	288,537	1.4%
Manufacture of furniture	266,500	1.2%	234,640	1.2%
Top 20 business sectors	**18,353,346**	**85.2%**	**17,225,033**	**84.9%**
Other sectors	**3,164,542**	**14.8%**	**3,042,386**	**15.1%**
Total	**21,517,888**	**100.0%**	**20,267,419**	**100.0%**

**Gross balance-sheet and off-balance-sheet exposure to institutional customers (including banks).*

1.2 Loan portfolio quality

The Group's receivables are allocated to two portfolios: a portfolio with recognized impairment and a portfolio without recognized impairment (IBNR). In the portfolio with recognized impairment, individually significant classifiable exposures are subject to a case-by-case assessment, while for exposures that are not individually significant the impairment assessment is carried out collectively as a group-based analysis.

Loans to customers per portfolio with not recognized credit losses vs. portfolio with recognized credit losses

PLN '000	31.12.2013	31.12.2012	Change	
			PLN '000	%
With not recognized credit losses, including:	14,983,311	15,938,733	(955,422)	(6.0%)
non-financial sector entities	14,267,713	15,005,344	(737,631)	(4.9%)
corporate clients*	9,093,770	9,833,172	(739,402)	(7.5%)
individual clients	5,173,943	5,172,172	1,771	0.0%
With recognized credit losses, including:	1,135,085	1,299,462	(164,377)	(12.7%)
non-financial sector entities	1,116,089	1,280,466	(164,377)	(12.8%)
corporate clients*	470,945	531,645	(60,700)	(11.4%)
individual clients	645,144	748,821	(103,677)	(13.9%)
Dues related to matured derivative transactions	96,964	114,144	(17,180)	(15.1%)
Total loans to customers, gross, including:	**16,215,360**	**17,352,339**	**(1,136,979)**	**(6.6%)**
non-financial sector entities	15,383,802	16,285,810	(902,008)	(5.5%)
corporate clients*	9,564,715	10,364,817	(800,102)	(7.7%)
individual clients	5,819,087	5,920,993	(101,906)	(1.7%)
Impairment, including:	**(984,033)**	**(1,130,927)**	**146,894**	**(13.0%)**
dues related to matured derivative transactions	(81,556)	(94,925)	13,369	(14.1%)
Total loans to customers, net	**15,231,327**	**16,221,412**	**(990,085)**	**(6.1%)**
Provision coverage ratio**	**79.5%**	**79.7%**		
corporate clients*	73.8%	67.0%		
individuals	83.1%	88.2%		
Non-performing loans ratio (NPL)	**7.0%**	**7.5%**		

** Corporate clients include enterprises, the public sector, state-owned and private companies, co-operatives, individual enterprises, non-commercial institutions acting for the benefit of households.*
*** Including IBNR provision.*

The volume of loans with recognized impairment dropped by PLN 164.4 million (or 12.7%), as compared to 2012, mainly as a result of improved quality of both corporate client portfolio (following repayments of restructured loans) and consumer client portfolio, as well as regular write-offs made for consumer loans. Additionally, the non-performing loans (NPL) ratio fell to 7.0% in 2013 from 7.5% in the previous year.

The Management Board believes that the provisions for loan receivables as at the balance-sheet date represent the best estimate of actual impairment for the portfolio. The individual approach is based on the discounted forecast of cash flows connected with repayment of receivables or recoveries from collateral. The group-based approach is based on loss indicators calculated on the basis of a reliable historical database of clients having difficulties in paying their liabilities to the Bank. And for exposures without any indication of impairment, the Group calculates impairment write-offs, depending on the risk profile, on the basis of the Limit Risk Rating, taking account of expected recovery rates based on collateral, the probability of a customer's default and historical Loss Given Default (LGD) values.

As of December 31, 2013, portfolio impairment amounted to PLN 984 million, i.e. it was 13% lower as compared to PLN 1,130.9 million at 2012 year end. The decline in impairment mainly occurred for the receivables classifiable at the portfolio level (by PLN 88.7 million, or 14.5%). The IBNR losses also decreased, by PLN 31.5 million, or 26.6%. The provision coverage ratio decreased from 6.5% in December 2012 to 6.1% in December 2013.

Impairment of the customer loan portfolio

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Impairment due to incurred but not reported (IBNR) losses	87,095	118,608	(31,513)	(26.6%)
Impairment of receivables	896,938	1,012,319	(115,381)	(11.4%)
accounted for individually	374,159	400,831	(26,672)	(6.7%)
accounted for collectively	522,779	611,488	(88,709)	(14.5%)
Total impairment	**984,033**	**1,130,927**	**(146,894)**	**(13.0%)**

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Provision coverage ratio (total loans)	6.1%	6.5%	(31,514)	(26.6%)

1.3 Off-balance-sheet commitments

As of December 31, 2013, the Group's commitment relating to its contingent liabilities was PLN 15,901.1 million, i.e. it was 11.6% higher as compared to December 31, 2012. The largest change was reported for credit commitments, which rose by PLN 1,107.2 million (i.e. 10%). Credit commitments once again represented the biggest share (76.7%) in contingent liability commitments. Credit commitments consist of committed but currently unutilized credit lines and unused overdraft facilities.

Contingent off-balance sheet liabilities granted

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Guarantees	1,775,108	1,764,624	10,484	0.6%
Letters of credit issued	135,060	144,855	(9,795)	(6.8%)
Third-party confirmed letters of credit	2,509	4,273	(1,764)	(41.3%)
Committed loans	12,199,651	11,092,470	1,107,181	10.0%
Underwriting other issuers' securities issues	1,508,050	1,212,550	295,500	24.4%
Other	280,761	35,186	245,575	697.9%
Total	**15,901,139**	**14,253,958**	**1,647,181**	**11.6%**
Provisions for off-balance sheet liabilities	13,150	11,476	1,674	14.6%
Provision coverage ratio	0.08%	0.08%		

As of December 31, 2013, the total amount of collateral established on the accounts or assets of the Bank's borrowers amounted to PLN 2,516 million, as compared to PLN 2,483 million as of December 31, 2012.

In 2013, the Bank issued 10,050 enforcement titles in a total amount of PLN 210.7 million, as compared to 11,119 enforcement titles in a total amount of PLN 176.7 million in the previous year.

2. External funding

The total external funding of the Bank (from customers and banks) stood at PLN 32.9 billion as at the end of 2013 and was PLN 3.7 billion (or 12.8%) higher than at the end of 2012. The changes to external funding of the Bank was mainly contributed by demand deposits of non-financial sector customers (up by PLN 3.1 billion or 22.7% YoY). Higher volume was also reported for term deposits (up by PLN 2.3 billion or 22.8%) driven by higher deposits from banks and financial sector entities. At the same time, there was a decrease in term deposits from non-financial sector customers and liabilities due to sold securities under repurchase agreements (in total repo liabilities from banks and customers were down by PLN 1.5 billion or 40.9%).

Funding from banks

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Current account	861,508	939,163	(77,655)	(8.3%)
Term deposits	3,356,503	538,722	2,817,781	523.0%
Loans and advances received	374,898	324,954	49,944	15.4%
Liabilities from securities sold under agreement to repurchase	1,783,602	553,463	1,230,139	222.3%
Other liabilities	1,925	127	1,798	1415.7%
Total funding from banks	**6,378,436**	**2,356,429**	**4,022,007**	**170.7%**

Funding from customers

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Deposits of financial sector entities				

PLN '000	As at		Change	
	31.12.2013	31.12.2012	PLN '000	%
Current accounts	320,634	445,054	(124,420)	(28.0%)
Term deposits	2,939,233	2,349,736	589,497	25.1%
	3,259,867	**2,794,790**	**465,077**	**16.6%**
Deposits of non-financial sector entities				
Current accounts, including:	16,983,122	13,839,360	3,143,762	22.7%
Corporate clients	7,703,769	6,994,179	709,590	10.1%
Individuals	5,931,907	4,836,482	1,095,425	22.6%
Public entities	3,347,446	2,008,699	1,338,747	66.6%
Term deposits, including:	5,841,724	6,995,570	(1,153,846)	(16.5%)
Corporate clients	4,649,633	5,112,645	(463,012)	(9.1%)
Individuals	975,276	1,059,611	(84,335)	(8.0%)
Public entities	216,815	823,314	(606,499)	(73.7%)
	22,824,846	**20,834,930**	**1,989,916**	**9.6%**
Total deposits	**26,084,713**	**23,629,720**	**2,454,993**	**10.4%**
Other liabilities				
Liabilities from securities sold under agreement to repurchase	352,153	3,061,956	(2,709,803)	(88.5%)
Other liabilities, including:	131,899	160,489	(28,590)	(17.8%)
Cash collateral	101,646	74,726	26,920	36.0%
	484,052	**3,222,445**	**(2,738,393)**	**(85.0%)**
Total funding from customers	**26,568,765**	**26,852,165**	**(283,400)**	**(1.1%)**

3. Interest rates

The table below presents weighted average effective interest rates for receivables and liabilities by segment of the Bank's activities:

As at 31 December 2013

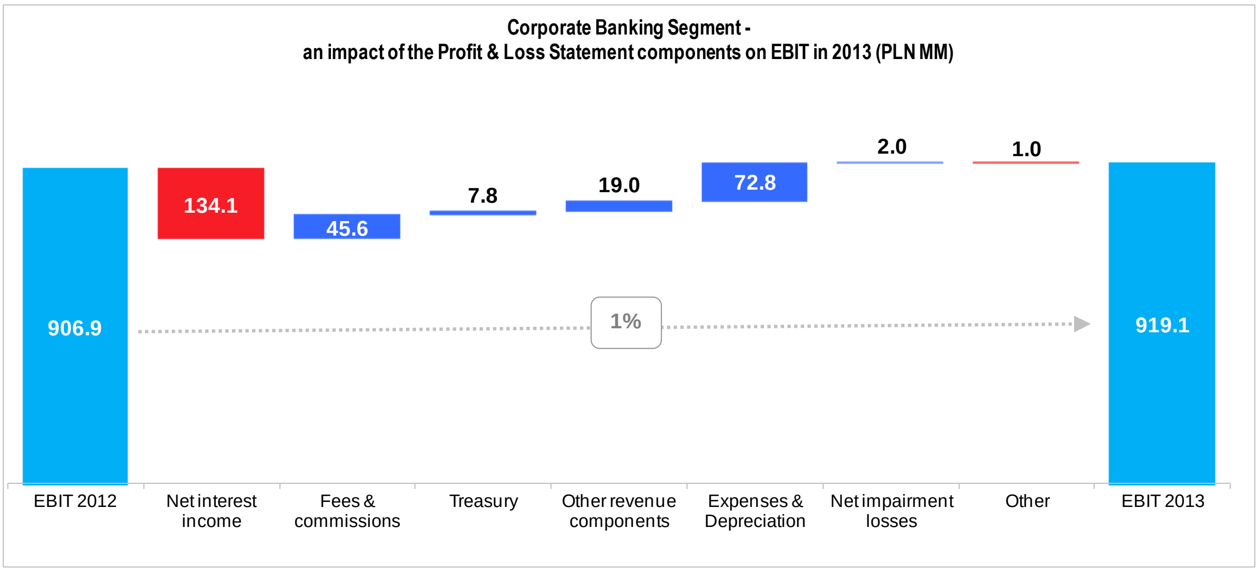
in %	Corporate Bank			Consumer Bank		
	PLN	EUR	USD	PLN	EUR	USD
ASSETS						
Receivables from banks and customers						
- fixed term	4.05	1.85	1.17	13.10	3.34	-
Debt securities	2.89	1.47	2.52	-	-	-
LIABILITIES						
Liabilities towards banks and customers						
- fixed term	2.24	0.24	0.10	2.04	0.21	0.22

As at 31 December 2012

in %	Corporate Bank			Consumer Bank		
	PLN	EUR	USD	PLN	EUR	USD
ASSETS						
Receivables from banks and customers						
- fixed term	5.77	1.81	1.42	15.82	2.06	-
Debt securities	4.49	2.62	2.82	-	-	-
LIABILITIES						
Liabilities towards banks and customers						
- fixed term	3.56	0.17	0.21	3.62	0.37	0.26

4. Corporate Banking Segment

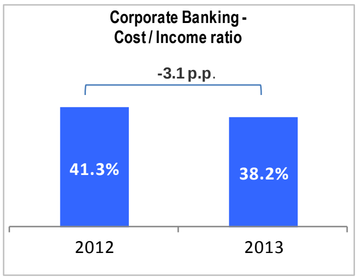
4.1 Summary of segment's results



In 2013, the pre-tax profit of the Corporate Bank segment rose by PLN 12.2 million, i.e. 1.3%. The following factors affected the pre-tax profit of the Corporate Bank segment in 2013 as compared to the previous year:

- Net interest income of PLN 581.0 million versus PLN 715.1 million in 2012 – a decline by PLN 134.1 million, mainly due to income on the debt securities portfolio lower by PLN 190.8 million, i.e. 26.4% YoY. For client activities, net interest income was also lower, because of interest rate cuts to all-time low level;
- Net fee and commission income of PLN 296.5 million versus PLN 250.9 million in 2012 – an increase by PLN 45.6 million, achieved in the brokerage and custody services segments. The increase in brokerage fees and commissions resulted from DMBH's participation in numerous transactions in the capital market (more details on page 34 of this report) and from higher value of session and block transactions executed via DMBH in the WSE equity market (up by 30% YoY);
- Result on financial instruments held for trading and revaluation amounted to PLN 315.6 million versus PLN 335.7 million in 2012 (a decline by PLN 20.1 million due to a lower result on operations in the interbank market), hedge accounting result of PLN 2.1 million and result on investment debt securities of PLN 305.3 million versus PLN 279.5 million in 2012 (an increase by PLN 25.9 million in connection with gains realized in favorable conditions in the domestic debt market) – these items are shown on the above chart under "Treasury";
- General and administrative expenses and depreciation totaling PLN 585.3 million versus PLN 658.1 million in 2012 – a decline by PLN 72.8 mainly as a result of lower personnel costs, despite the restructuring reserve of PLN 14.2 million established in October 2013;

  A lower cost base in 2013 improved the Cost/Income ratio even further, to 38.2%, i.e. by 2.1 percentage points as compared to 2012;



- Net impairment write-offs of PLN 26.1 million versus PLN 28.1 million in 2012 are mainly a result of write-offs with respect to impaired receivables (classified in previous years) in the Commercial Bank (MME) segment. The quality of the portfolio without impairment remains stable.

4.2 Corporate and Commercial Bank

As regards corporate banking operations, the activities of the Bank include comprehensive financial services provided to largest Polish companies and strategic businesses with a strong growth potential, as well as to top financial institutions and public sector companies.

The number of corporate clients (including strategic clients, global clients and Commercial Bank clients) was 7.5 thousand as of 2013 year end, i.e. it decreased 2% from 2012, when the number was 7.6 thousand. In Commercial Bank (which covers small and medium-sized enterprises, large companies and the public sector), the Bank served 5.4 thousand clients as of 2013 year end, i.e. 3% fewer as compared to 5.6 thousand clients served as of 2012 year end.

A shared characteristic of corporate banking clients is their demand for advanced financial products and advice. In this area, the Bank ensures the coordination of offered investment banking, treasury and cash management products and prepares loan offers involving various forms of financing. Modern financing structures offered by the Bank are innovative and competitive thanks to a combination of the Bank's know-how and experience and its cooperation within Citigroup's global organization.

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

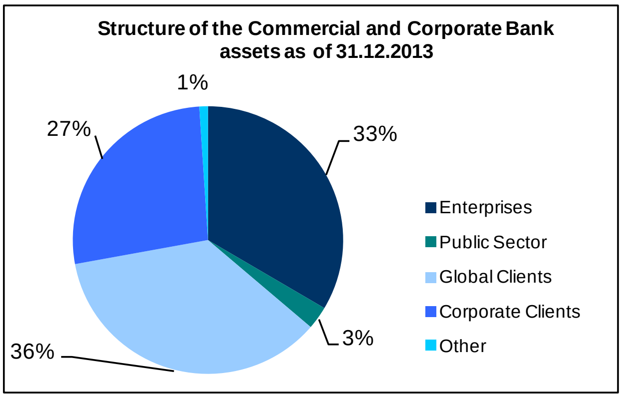
Assets

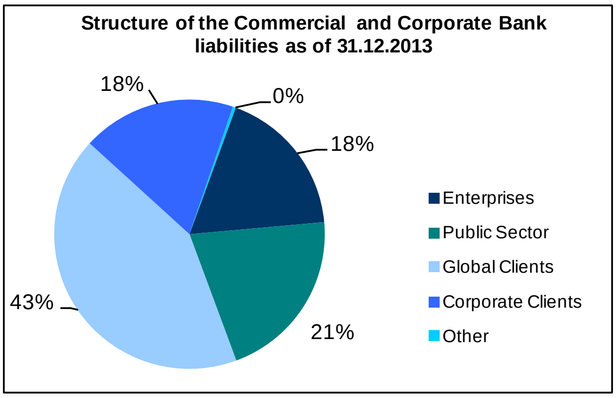
PLN million	31.12.2013	31.12.2013	Change	
			PLN'000	%
Enterprises, including:	3,403	3,133	270	9%
SMEs*	1,611	1,491	120	8%
Large enterprises*	1,792	1,642	150	9%
Public Sector	282	101	181	179%
Global Clients	3,655	4,165	(510)	(12%)
Corporate Clients	2,730	2,778	(48)	(2%)
Other**	105	323	(218)	(67%)
Total Commercial Bank	**10,175**	**10,500**	**(325)**	**(3%)**

Liabilities

PLN m	31.12.2013	31.12.2012	Change	
			PLN'000	%
Enterprises, including:	3,331	2,969	362	12%
SMEs*	2,384	2,224	160	7%
Large enterprises*	947	745	202	27%
Public Sector	3,848	3,110	738	24%
Global Clients	7,845	8,147	(302)	(4%)
Corporate Clients	3,404	2,860	544	19%
Other**	66	54	12	22%
Total Commercial Bank	**18,494**	**17,140**	**1,354**	**8%**

** Enterprises include clients with annual turnover from PLN 8 million to PLN 150 million (SME) and from PLN 150 million to PLN 1.5 billion (large enterprises).*
*** "Other" includes, among others, clients under restructuring and clients of Handlowy Leasing Sp. z o.o. who are not clients of the Bank.*





<u>Corporate and Commercial Bank - key transactions and achievements in 2013:</u>

- In 2013, the Bank actively promoted the Emerging Market Champions program (a program dedicated to local corporate clients and global clients to provide support and financial services required for expansion into foreign markets) via a dialogue with clients, the dedicated "Business without Boarders" website and targeted media and press coverage. As of 2013 year end, the Bank served more than 270 clients under the program (including 241 global clients implementing their investment programs in Poland jointly with Citi Handlowy, for example Hyundai or Mando, or 31 local corporate clients investing in global markets in cooperation with Citi Handlowy, for example KGHM, Maspex or Polpharma);

- As part of its corporate finance operations, the Bank:
  - was a member of the bank consortium that granted a USD 400 million syndicated loan to provide inventory financing to a client from the fuel sector;
  - launched in December 2013 a new medium-term financing scheme for financial institutions based on Cross Currency Reverse Repo transactions; the value of the first transaction was CHF 50 million;
  - signed a PLN 100 million vendor finance agreement with a client from the mining sector;
  - signed a PLN 30 million Reverse Factoring agreement with a client from the FMCG sector, under which the Bank will finance receivables from the vendors selected by the client and pay the client's liabilities prior to their maturity dates.

- As part of its debt securities issue programs for corporate clients, Citi Handlowy:
  - signed the agreement for a debt securities issue program to be implemented for a client from the financial sector subject to a PLN 3.5 billion cap;
  - performed a PLN 500 million bonds placement for a client from the financial sector;
  - signed the agreement for a bonds issue program to be implemented for a client from the mining sector, with the Bank's commitment equal to PLN 122 million.

- The Bank made the following transactions with clients in the Global Clients segment:
  - A vendor finance program carried out for the owner of the largest retail chain in Poland was increased to PLN 400 million;
  - A receivables discount program for PLN 315 million was started for one of the leaders in the fuel sector;
  - One of the leading clients in the retail sector received a long-term loan for PLN 300 million;
  - A credit facility up to PLN 100 million to finance current business needs was granted to a client from the retail sector;
  - PLN 100 million were contributed to a scheme to refinance long-term debt of one of the leading FMCG companies;
  - A guarantee for PLN 70 million was issued to support a railroad infrastructural project;
  - An overdraft for PLN 65 million was granted to an international manufacturer and supplier of agricultural, food, financial and industrial products and services;
  - A commercial credit facility for USD 20 million was granted to a corn & feedstuff wholesaler;
  - Advisory services were provided to support the acquisition of Kredyt Bank by BZ WBK – one of the largest transactions of that kind in Poland's banking sector.

- In the Commercial Bank segment (SME, MME and the public sector), client assets rose by 14% in 2013 from 2012 year end. The key growth factors included the following financing transactions closed in 2013: long term financing in an amount of PLN 101 million and an overdraft for PLN 20 million provided to a ceramic tile manufacturer; a PLN 90 million overdraft and a PLN 20 million reverse factoring scheme for an IT hardware distributor; a PLN 50 million vendor finance scheme and a PLN 25 million reverse factoring scheme for a canned fish manufacturer; a PLN 25 million commercial loan and a PLN 30 million renewable loan for a machine maintenance provider; a PLN 52 million loan for an electrical system contractor; a PLN 35 million overdraft and a long-term loan in an amount of PLN 15 million granted to a home appliance manufacturer; a renewable loan and an overdraft (raising the total commitment by PLN 50 million) for a footwear seller; and a PLN 50 million overdraft granted to a university.

  In 2013, loans to finance projects to improve the energy efficiency of Commercial Bank clients gained attractiveness. They are offered jointly with KfW (Kreditanstalt für Wiederaufbau). Citi Handlowy first asked KfW for a limit of EUR 30 million, but then increased it to EUR 55 million (another EUR 25 million for small and medium-sized enterprises) following their success.

- Customer acquisition. In the Commercial Bank segment, the Bank acquired 676 new clients in 2013 (85 MMEs, and 440 SMEs and 151 Public Sector entities). In 2013, the Bank won the tender as financial services provider of the City of Olsztyn and the City of Tarnów. At present, Citi Handlowy is the leader in the segment of financial services dedicated to the Public Sector and cooperates with such cities as Warsaw, Tarnów, Wałbrzych, Inowrocław, Olsztyn, Elbląg, Kołobrzeg, and many other Public Sector entities.

4.3 Treasury

In terms of financial results generated by the Bank in the area of treasury products, 2013 was one of the most successful financial periods in recent years.

The Bank's position of the leader in the market of foreign exchange transactions with corporate clients remained unchallenged, and was confirmed by the ranking published by the prestigious Euromoney magazine in May 2013. Citi Handlowy won the ranking for the fifth consecutive year in the category of FX transactions with corporate clients, with a 36% market share (i.e. higher by 24 percentage points than the second best bank). The ranking is created on the basis of market shares estimated after a client survey. That international examination has been published for over 30 years and is held in high esteem in the financial community.

In terms of volume, FX transactions rose 11% in 2013 from 2012. This increase covered both standard transactions and those executed on the Citi FX Pulse platform, dedicated to FX operations, which confirms that the solutions offered by the Bank to invest funds and to manage FX positions meet the expectations of the most demanding clients in that area.

In February 2013, Citi Handlowy was awarded for its achievements in the spot market. It received the Treasury BondSpot Poland award for activity in fixing sessions and for the highest turnovers in 2012.

In March 2013, jointly with Dom Maklerski Banku Handlowego S.A. (brokerage house), the Bank started to quote securities on the Warsaw Stock Exchange and, thus, gained access to an additional transactional channel to distribute securities amongst all participants of the Stock Exchange.

The Bank's proposal dedicated to institutional investors in the area of purchase and sale of Treasury bonds was still competitive and attractive to clients. In 2013, Citi Handlowy maintained transaction volumes in that area at the record level from 2012.

The Bank incessantly remains a leader in arranging issues of bonds and certificates of deposit for banks. According to the "Rating & Market" report by Fitch Ratings, the Bank had a nearly 21% share in this market segment at the 2012 year end.

In 2013, the Bank was ranked first, for the second year in a row, in a prestigious competition organized by the Ministry of Finance to select the Treasury Securities Dealer for 2014. The Bank performs this function and cooperates with the Ministry of Finance in order to build a transparent, liquid and effective market in Treasury securities. As the winner of the ranking, Citi Handlowy has reinforced its position as the leader in terms of quality of quotation in the secondary market and confirmed the Bank's active approach to supporting market liquidity and developing Poland's bonds market.

4.4 Transaction services

The transactional products and services offered by the Bank include cash management products (deposits and current accounts, liquidity management products, MicroDeposits and e-banking), cards, payment and receivable processing (Direct Debit and Speedcollect), cash products, EU-oriented advisory services and trade finance products.

The rich history of cooperation with key Polish and international clients and the continuous development of the product range ensure the Bank a leading position in multiple market segments. The Bank processes the largest volume of direct debit transactions in Poland, with a 40% market share. The Bank is a pioneer in the field of prepaid cards. MicroDeposits, i.e. a product dedicated to mass deposit processing, is a leading solution in the market, with a nearly 25% market share. And the Bank offers most advanced liquidity management products available in the market. The dynamic growth of turnovers in the area of finance gave the Bank a 14% market share in the factoring market.

The strong position of Citi Handlowy in the transactional services market was rewarded by clients in the Euromoney Cash Management Survey, in which the Bank advanced two levels up and was finally ranked second best in the 2013 edition.

The development priorities adopted for transactional services for 2013 included initiatives to:

- Activate clients and to raise the so called *share-of-wallet* (share of the Bank's products in a client's wallet);

- Develop and commercialize the e-banking application;
- Expand in the trade finance area.

Client activation and *share-of-wallet* increase

In 2013, the Bank launched a campaign to promote four packages of transaction products: receivables management and payments, employee services, trade finance and energy efficiency. The campaign was targeted at the small and medium-sized enterprise segment. Its goal was to create long-lasting relationships with clients by knowing their individual needs and offering products tailored to their business profile. At meetings, experts from the Bank showed clients how to optimize processes, improve efficiency and promote savings with the use of cash management and trade finance solutions. As part of the campaign, nearly 2,300 meetings were arranged throughout Poland in 2013. The outcome was a 20% increase in transaction volumes with and revenues from target clients of the campaign.

Development and commercialization of the e-banking application

The Bank intends to improve technology solutions so that they can ensure instant customer service and dynamically adapt to changes in the environment.

A genuine landmark in 2013 was the implementation of a solution that enables customers to submit order via mobile devices. In 2013, the Bank also launched the Express Elixir solution for its customers that immediately executes payments and credits the beneficiary account.

In 2013, the Bank also introduced a solution enabling a client to submit orders and to serve accounts without the need to use the e-banking platform. Customers who use this functionality communicate with the Bank directly from their financial & accounting application. Such solution is especially useful for customers who process large volumes of transactions and cooperate with numerous contractors.

Citi Trade Portal, implemented in the end of 2012, has been still expanded by new functionalities. In 2013, the migration of clients to the new platform was continued. The application has now over 300 users amongst clients.

Trade finance expansion

In 2013, top class technology infrastructure and a diversified product range resulted in an accelerated development of trade finance products. Factoring turnovers rose 26% from the previous year and the fast growing volumes reinforced the Bank's position as one of the leaders in the market – the Bank was finally ranked 3rd among banks and 8th among all factoring institutions.

Deposits and current accounts

A current account enables its holder to access the full product range offered by the Bank. Excess funds accumulated by a client in a current account, i.e. funds that are not required to finance day-to-day operations, may be invested in term deposits or stay in a current account with a higher interest rate.

In addition to term deposits, the Bank sells automatic deposits, negotiated deposits and blocked deposits. Escrow or custody accounts are dedicated to more advanced structures that require collateral. In 2013, such solutions were used, for example, to protect the interests of residential property buyers (apartments and homes) under the so called "Developer Act" (the Act of September 16, 2011 on protection of rights of the buyer of an apartment or a single-family house (Journal of Laws of 2011, No. 232, item 1377).

Liquidity management products

Liquidity management structures are advanced instruments that optimize cash flows for a single client or within a capital group. The liquidity management products offered by the Bank make possible the optimized management of funds in accounts and of excess cash generated by overly liquid companies to allocate it to entities with an increased demand for capital. The Bank's liquidity management products include:

- consolidated account;
- real cash pooling;
- notional cash pooling;
- net balance.

These liquidity management structures are beneficial to clients as they can reduce their overall debt and its servicing costs at no liquidity risk. These structures can also help clients to streamline some operational processes.

Electronic banking

The Bank offers its clients the CitiDirect electronic banking platform and the CitiDirect EB application (the latter is mainly dedicated to small and medium-sized enterprises). The annual volume of transaction processed via electronic banking remains high. In 2013, it amounted to 26 million as compared to 25 million in the previous year. As of 2013 year end, the number of customers being active users of the electronic banking system was nearly 5,000. The share of electronic-only statements delivered to clients was stable at a high level of 90% (unchanged from 2012).

For CitiDirect clients, the implementation of a new e-banking interface and a new look for its mobile version was one of the most momentous events in the area of e-banking in 2013. This change was connected with the launch of both variants of the e-banking systems and the Citi Trade Portal (trade finance and services) offered by the Bank on the CitiDirect EB portal. As a result, customers gained a single access channel to CitiDirect and the Citi Trade Portal. As an additional advantage, the new release of CitiDirect also offers faster access to individual functionalities of CitiDirect from the CitiDirect EB portal.

From 2013 on, clients can also manage their user entitlements in the e-banking system. Accordingly, clients can effectively modify the application access rights of system users. In the new process, the involvement of the Bank’s personnel is limited to ensuring an appropriate security level.

Additionally, CitiDirect users may now order instant payments in the Express Elixir and Target2 systems.

In 2013, the Bank continued the development of the Citi Trade Portal (trade finance products and services). Apart from reverse factoring services, the platform was expanded by new functionalities for clients, i.e. regular factoring and receivables discounting. In the area of trade finance products, the functionalities supporting import and export letters of credit, bank guarantees and import and export documentary collection were also implemented on the platform.

MicroDeposits

MicroDeposits are used by institutions and entities that accept cash deposits from various payers and are obliged to return them together with accrued interest. The MicroDeposits product has also a functionality that supports calculations of historical interest value, i.e. the allocation of interest amounts to respective deposits placed by the payer in the past.

In 2013, the Bank focused on efforts to improve the MicroDeposits product. The key changes included a new online communication tool and the integration of the Bank’s system with new financial and accounting systems. This is of particular importance in the light of changes recommended by the Ministry of Justice, intended to unify the systems supporting its subordinate entities. In addition, the Bank introduced an option to open microdeposits in foreign currencies.

The MicroDeposits product is mainly used by public sector entities. The Bank continues its works to make this product more attractive also to commercial businesses. In 2013, a special offer dedicated to property developers was prepared – the new solutions meet the most recent requirements of Polish law.

As a result of a consistent product development strategy, the MicroDeposits product continuously strengthens its market position. In 2013, the Bank attracted between ten and twenty new clients. In addition to public sector institutions, some commercial companies also decided to use this product

As compared to 2012, total balances accumulated on MicroDeposits rose nearly 50%.

Receivables processing: SpeedCollect, Direct Debit and Cash Products

SpeedCollect is a service that allows for the automated booking of receivables for creditors who are recipients of mass payments. In 2013, the Bank remained one of the leaders in Poland’s market in terms of volumes of processed transactions. The number of settled transactions was at a level comparable to the previous year. The Bank added a new channel for receipt of payments, Express Elixir, for its corporate clients.
The Bank migrated its clients to a new system for the SpeedCollect and Direct Debit products. This is a third-generation system that ensures a fast execution of projects submitted by clients. It is possible thanks to the three-layer architecture of the system, the independent and concurrent processing of information for each client and a large scalability of the system.

Direct Debit: In 2013, the Bank was again the leader in the Direct Debit market, as it settled the largest volume of transactions as the creditor’s bank, whilst achieving an increase in the volume of settled transactions by 6% and retaining a nearly 40% market share.

Cash products: Despite the fact that electronic settlement channels are becoming more and more widespread, a significant portion of transactions, i.e. about 80%, is still made in cash in Poland. Citi

Handlowy is a leading bank in terms of cash delivered to the National Bank of Poland. To meet the expectations of its clients, the Bank provides comprehensive solutions that support cash transactions.

A vast majority of incoming payments is made as sealed (closed) deposits, i.e. they are delivered to the Bank in sealed bags and counted while the client is absent.

The Bank also offers other variants of cash deposits, tailored to expectations of various clients. In addition to regular sealed deposits, the following solutions are also available:

- over-the-counter (open) cash deposits made via outlets of Poczta Polska S.A. (Polish Mail) throughout Poland;
- *Low-Cost Cash*, i.e. so called "cheap cash", which means a sorted-out deposit that meets specific quality requirements;
- purchase of safe envelopes used for making cash deposits;
- electronic flow of documentation;
- *SpeedCash* (SpeedCollect for cash deposits) – The Bank offers to clients a possibility to make cash deposits in virtual accounts, where the details necessary to correctly identify a deposit are directly included in the account number, which minimizes the risk of incorrect (unidentifiable) inflows.

In 2013, the Bank continued developing alternate solutions for corporate clients by opening new partner points which offer basic banking products. The possibilities of a client's direct contact with the Bank were enhanced through the partnership with Poczta Polska S.A. Such an offer is available in towns and cities where the Bank has no branch.

Foreign bank transfers

In 2013, the volume of foreign bank transfers rose 10% from the previous year. In October, the Bank recorded the all-time monthly record high volume of foreign currency transfers. The Bank vaunts the broadest range of foreign currencies available in Poland's market. Its clients have access to 134 currencies, which enable them to make settlements with 180 countries in the world.

Local bank transfers

In August 2013, a new innovative channel was launched for local bank transfers: Express ELIXIR. Corporate clients may now transfer and receive funds to and from other banks literally in a few seconds. Express ELIXIR is the first professional system for direct instant payments in Poland. This solution, which is operated by Krajowa Izba Rozliczeniowa S.A. (National Clearing House), is already available to clients of 8 banks.

Express ELIXIR is the first professional system in Poland (and second in Europe, after the UK) that allows for direct execution of instant transfers. Settlements in that system do not engage any intermediary's accounts. Funds accumulated for the purpose of transaction settlement are deposited with the National Bank of Poland.

Electronic Postal Transfers

Electronic Postal Transfers is a product dedicated to corporate clients that send cash to individuals. This product has aroused enormous interest among both commercial and public clients of the Bank.

In 2013, the Bank actively developed its cooperation with an alternate mail operator. A solution based on cooperation with that entity was successfully implemented at some key clients of the Bank and is now a vital element improving the attractiveness of products for businesses. Thanks to cooperation with the new partner, the Bank can deliver cash in an even more flexible manner.

Card products

The Bank offers a broad range of cards for business clients. These are Charge, Guaranteed or Debit Cards that may be used to cover employee business expenses and Prepaid Cards used by companies as holiday vouchers, sales support or under Loyalty Programs. As a remarkable event of the year 2013, the largest tender in the market for servicing one institution, won by Citi Handlowy, should be mentioned – it was also the largest transaction of that kind in the history of Citi Handlowy.

EU-oriented advisory services

In 2013, the EU Office was mainly focused on a campaign launched to promote investment financing programs that are to improve energy efficiency: SME Energy Efficiency Program and Municipal Energy Efficiency Program. Both programs are a continuation of long-term cooperation between Citi Handlowy and Kreditanstalt fur Wiederaufbau (KfW) bank. Under the SME Energy Efficiency Program and Municipal

Energy Efficiency Program, KfW, on behalf of the European Union and in cooperation with the Council of Europe Development Bank (CEB), ensures funds and know-how to facilitate investments improving the energy efficiency of small and medium-sized enterprises and public sector entities. KfW programs are to encourage target entities to invest in energy efficiency and to induce banks in the countries in which a program is being implemented to expand their product ranges by including products that finance investments in energy efficiency.

Because of enormous interest in the program financing energy efficiency investments, negotiations were started with Kreditanstalt fur Wiederaufbau and led to an increase of the SME Energy Efficiency Program from EUR 10 to 35 million. In the course of implementation of both KfW programs, credit agreements were signed with clients of the Bank to finance energy saving investments for over EUR 30 million.

Trade finance products

Trade finance products are one of the key components of the Bank's transactional services proposal. In 2013, trade finance products again achieved a high rate of growth. Receivables financing, offered as factoring or vendor finance schemes, plays a vital role in this product group. The total value of the trade receivables purchased in that product group was PLN 6.7 billion, i.e. 26% higher than in the previous year. Such a spectacular increase in turnovers, and, consequently, in assets, was possible thanks to the unrelenting development of factoring products, including Vendor Finance Programs and reverse factoring, which gained enormous popularity among clients of the Bank. Several new Vendor Finance Programs were implemented in 2013 for the largest clients of the Bank, in a total amount of PLN 365 million. Additionally, the program for one of the largest retail chains in Poland was enhanced to PLN 400 million. All those efforts translated into a significant increase in turnovers and asset levels.

The year 2013 saw a rapid expansion of the trade credit facility, launched in 2012. Its financing functionality covers not only the liquidity gap, but also short-term commercial contracts, including their pre-financing. In 2013, between ten and twenty contract financing transactions were closed for a total amount over PLN 250 million, including transactions to finance the upgrade of power units and purchases of professional equipment for chemical plants and power plants.

In 2013, the Bank took part in one of the largest transactions in Poland to finance oil reserves. For the Bank, it was the first transaction launched in such a structure.

A key element of the Bank's activities was the development and promotion of the Citi Trade Portal functionality – one of the best electronic platforms in the market that is dedicated to processing of trade finance products and services. The platform won the Innovation of the Year 2012 award. Citi Trade Portal offers convenient facilities at every stage of customer service operations: data upload (the Bank adjusts its processing to a client's file format), submission of an application for financing (online cost control and checks of available limits) and the full-scope feedback on transactions (status, reports, and notifications on the platform, by text message or email). In 2013, the Bank implemented modules for clients that enable the processing of such products as import letters of credit, bank guarantees and multiple factoring finance options.

All those activities translated into higher interest in trade finance products offered by Citi Handlowy among its clients, which led to the growth of assets in that area to a new record breaking level. As of 2013 year end, those assets amounted to PLN 1.9 billion and were 21% higher than as of end of the previous year, and 2013 was the fifth consecutive year of growth for trade finance assets.

4.4.1 Custody services

The Bank provides custody services under Polish laws and regulations and in compliance with international standards for custody services offered to investors and intermediaries active in international securities markets. The Bank can meet the requirements of the largest and most demanding institutional clients.

The Bank maintained its leader position among the custodian banks in Poland. It offers custody services to both foreign institutional investors and domestic financial entities, in particular pension funds, investment funds and unit-linked insurance plans.

As part of its statutory activities, carried under a permit from the Securities and Exchange Commission (currently the Polish Financial Supervision Authority), the Bank operates securities accounts, clears securities trades, effects dividend and interest payments, performs asset portfolio valuations, provides individual reports, and arranges representation of clients at general shareholders' meetings of listed companies. The Bank also maintains a register of foreign securities, including intermediary services to clear transactions of domestic clients in foreign markets.

In the reporting period, the Bank maintained its position of the market leader in clearing securities transactions executed for the benefit of remote members of the Warsaw Stock Exchange and BondSpot S.A. In addition, the Bank participated in the clearing of transactions closed by institutional clients on the electronic debt securities trading platform, Treasury BondSpot Poland, established by BondSpot S.A.

The Bank was the first custodian bank in Poland to take advantage of the opportunities opened by amended legislation and add to its offer a solution where the Bank operates omnibus (collective) securities accounts for authorized foreign entities, thus acquiring new customers and strengthening its position in the segment of foreign financial intermediaries.

As of December 31, 2013, the Bank maintained 13,000 securities accounts.

At the same time, the Bank was the custodian for five open pension funds (OFE): Amplico OFE, Aviva OFE Aviva BZ WBK, ING OFE, Pekao OFE, and Nordea OFE; five voluntary pension funds (DFE): MetLife Amplico DFE, Nordea DFE, ING DFE, DFE Pekao, and Generali DFE; and two employee pension funds: Pracowniczy Fundusz Emerytalny PZU “Słoneczna Jesień” and Pracowniczy Fundusz Emerytalny Telekomunikacji Polskiej S.A.

The Bank was also a custodian for investment funds managed by the following Investment Fund Companies (TFI): BZ WBK TFI S.A., PKO TFI S.A., Pioneer Pekao TFI S.A., Legg Mason TFI S.A., and Aviva Investors Poland TFI S.A.

In 2013, the Bank continued its activities aimed at improving the legislation regulating the securities market. A representative of the Bank was the Chair of the Steering Committee of the Council of Custodian Banks at the Polish Bank Association for the fourth consecutive term of office and was appointed as member of the Supervisory Board of Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities). During the reporting period, the Board continued negotiations with the Polish Financial Supervision Authority in order to clarify doubts arising in connection with performance of some duties of the custodian of an investment fund and a pension fund. The Board participated in discussions on changes in tax law as regards the validity of residence certificates and the takeover of the function of income tax collector in respect of dividends by entities keeping securities accounts from issuers, which led to recommended amendments to laws and regulations. Via the Board, representatives of the Bank took active part in development of some new solutions in the capital market, including works of the working group to the Minister of Finance for the review of legislation regulating trade in financial instruments; implementation of the new trading system, “UTP”, on the Warsaw Stock Exchange; providing opinions on amendments to the regulations issued by the Minister of Finance under the Investment Funds Act; determination of VAT taxation rules applicable to activities performed by a custodian of pension funds and investment funds; and determination of standard forms for the exercise of rights from securities in the course of corporate events.

The Board was actively involved in the evaluation of other legal drafts related to operations of domestic custodian banks. While utilizing their own resources, experience and competences, employees of the Bank, in cooperation with the Polish Financial Supervision Authority, the National Depository for Securities, KDPW_CCP S.A. (special purpose vehicle acting as central counterparty clearing house) and the Warsaw Stock Exchange, participated in consultations on new solutions to be implemented in the Polish capital market, through working groups established at the Polish Bank Association, and in deliberations of market working groups organized to develop transaction settlement standards, including in particular the National Market Practice Group appointed by the National Depository for Securities.

4.5 Brokerage Activity

The Group pursues brokerage activities on the capital market via Dom Maklerski Banku Handlowego S.A. (DMBH) which is wholly owned by the Bank.

The year 2013 was a big success for DMBH, as the company won record high market shares in its main business lines (Equity and ECM). Those achievements translated into all-time high financial results, both at the net profit and return on equity levels, as well as the revenues to costs ratio.

It was another consecutive year when the company held on to its lead in terms of turnovers in the equity secondary market, and even managed to increase its share in in-session turnovers from 12.2% in 2012 to 12.7% in 2013. Simultaneously, it considerably increased its advantage over the other capital market participants. In 2013, the second best participant had in-session turnovers lower by 30% than DMBH (in 2012 the difference was only 14%).

The table below shows the detailed turnovers realized via DMBH in the equity and forward contracts segments.

Value of equity turnover and volume of derivative trades of DMBH – session transactions

	2013	2012	Change (%)	Share in turnover in 2013	Share in turnover in 2012
Equity (PLN MM)	55,952	45,834	22%	12.7%	12.2%
Futures ('000 of units)	614.9	314.4	95%	2.7%	1.5%

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

In 2013, session transactions executed in the equity market of the Warsaw Stock Exchange (WSE) via DMBH amounted to PLN 56.0 billion and were up 22% from the previous year, i.e. significantly above the growth rate recorded by the WSE for all in-session turnovers, which increased by 17% over the same period of time. Forward contract turnovers realized by the company increased even more, i.e. by 95%, lifting its share in turnovers to 2.7%.

As of 2013 year end, DMBH was the market maker for 29 companies listed on the Warsaw Stock Exchange, which corresponds to 7.7% of shares listed in the WSE main market. The lower number of issuers for which DMBH was the market maker (as compared to 32 as of 2012 year-end) was partially offset by higher transaction volumes realized on the companies left in its portfolio. It is worth noting that in 2013 DMBH was the market maker for all the companies in the WIG20 index (excluding Citi Handlowy).

In addition, DMBH started to operate as the market maker for forward contracts on shares of the most liquid companies: PZU, PKO BP, Pekao and PKN Orlen. In accordance with the annual report prepared by the WSE, DMBH was one of the most active market makers on the WSE.

The biggest achievements of DMBH in 2013 included its leader position gained in IPO and SPO transactions, with the market share above 15%. In 2013, DMBH carried out the following transactions in the capital market:

- **Energa S.A.** – DMBH was a Joint Bookrunner in the IPO of Energa S.A., totaling PLN 2.4 billion (December 2013);
- **Legg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty** (concentrated closed-end fund) – DMBH was the Offering Agent for the public offering of Series D Investment Certificates, in an amount of PLN 42.7 million (September 2013);
- **Grupa Azoty S.A.** – DMBH was the Joint Global Coordinator and Joint Bookrunner in a transaction of accelerated sale of the shares owned by the Government of Poland, in an amount of PLN 626 million (April 2013);
- **Dexia Kommunalkredit Bank Polska S.A.** – DMBH was an intermediary in a private placement under which Getin Noble Bank S.A. bought shares in an amount of PLN 57.1 million (March 2013);
- **Bank Zachodni WBK S.A.** – DMBH was the Joint Global Coordinator and Joint Bookrunner in a secondary-market offering to sell the shares owned by KBC Bank NV and Banco Santander S.A., in an amount of PLN 4.9 billion (March 2013);
- **Polski Holding Nieruchomości S.A.** - DMBH was the Joint Global Coordinator and Joint Bookrunner in the IPO of Polski Holding Nieruchomości S.A., in an amount of PLN 238.6 million (February 2013);
- **Bank Pekao S.A.** - DMBH was the Joint Bookrunner in a transaction of accelerated sale of the shares owned by Unicredit SpA, in an amount of PLN 3.7 billion (February 2013);
- **PKO Bank Polski S.A.** – DMBH was the Joint Global Coordinator and Joint Bookrunner in a transaction of accelerated sale of the shares owned by the Government of Poland, in an amount of PLN 5.2 billion (January 2013);
- **NG2 S.A.** – DMBH was the Exclusive Bookrunner in a transaction of sale of a lot of shares in an amount of PLN 140 million (January 2013).

The launch of CitiFX Pro, a new transaction platform, in the end of Q3, 2013, turned out to be an outstanding success. It has substantially enhanced the proposal for individual customers. The platform allows selling and buying shares and ETFs listed on major foreign exchanges, as well as FX instruments in over-the-counter (OTC) trade with the use of financial leverage. The platform not only enables fast and simple investing, online and 24/7, via a notebook, tablet or smartphone, but also provides information on foreign companies and markets. Its advanced modules ("Company Data" and "Stock Screener") help select investments in accordance with individual preferences and strategies of a client. The new platform is found very attractive by more and more clients who think highly of its user friendly approach, reliability and mobile access functionality.

In 2013, subscriptions for certificates of closed-end investment funds were introduced as a new component of the product range dedicated to retail customers.

The year 2013 saw an increase in the number of investors using web-based connectivity to access their investment accounts online. As of 2013 year end, 3500 customers used online access to investment accounts. The percentage of orders submitted online in relation to the total number of orders stabilized and was equal to about 78% in 2013.

In 2013, optimization efforts were continued to close inactive account and attract new customers, among other things via Order Collection Points at the Bank. As a result of those activities, the number of investment accounts kept by DMBH was 9,070 as of 2013 year end, as compared to 9,310 as of the end of 2012, i.e. declined by 2.57%.

Summary financial data as at 31 December 2013*

Company	Headquarter	% of authorized capital held by the Bank	Balance sheet total	Equity	Net financial profit/loss for 2013
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warszawa	100.00	458,713	118,911	30,302

**pre-audit data*

4.6 Leasing

The Extraordinary General Meeting of Shareholders of Handlowy Leasing Sp. z o.o. ("Handlowy-Leasing" or "HL") held on March 20, 2013 passed a resolution under which HL was to reduce its leasing operations to performance of the lease contracts signed by April 30, 2013. The decision was previously approved by the Management Board and Supervisory Board of the Bank. After April 30, 2013, Handlowy Leasing signed no lease contracts and continued activities relating to the outstanding agreements, while keeping the quality of service and financial efficiency of operations.

The leasing product was maintained in the Bank's product range and is offered as part of the so called "open architecture," i.e. under partnership between the Bank and third party providers. Since June 2013, leasing services have been provided, under a cooperation agreement, by two partners: Europejski Fundusz Leasingowy S.A. and CorpoFlota Sp z o.o.

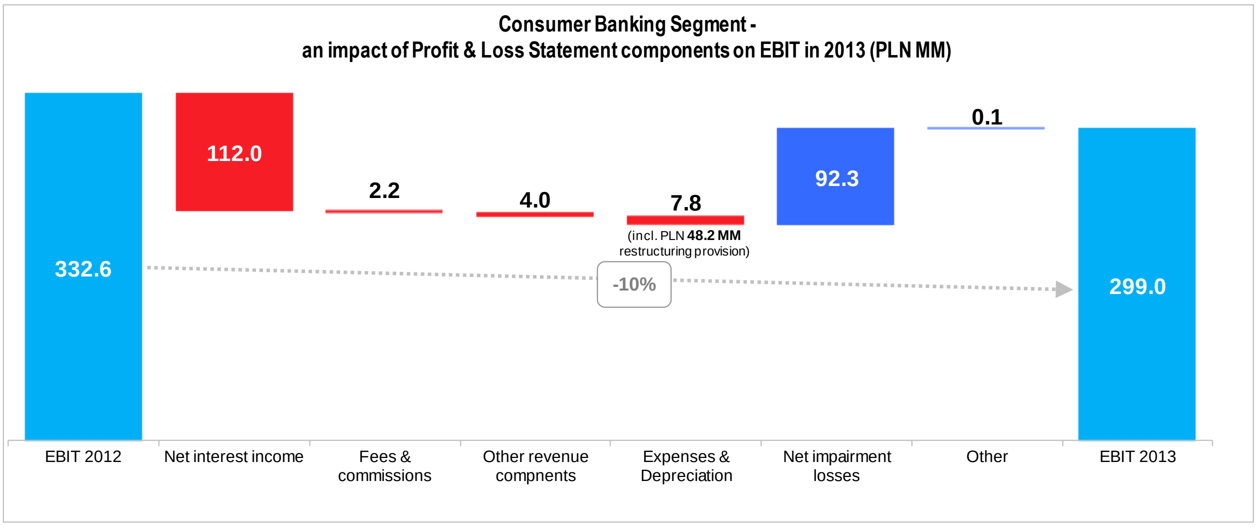
Summary financial data as at 31 December 2013*

Company	Headquarter	% of authorized capital held by the Bank	Balance sheet total	Equity	Net financial profit/loss for 2013
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warszawa	100.00	390,203	150,304	15,105

**pre-audit data*

5. Consumer Banking Segment

5.1 Summary of the segment's results



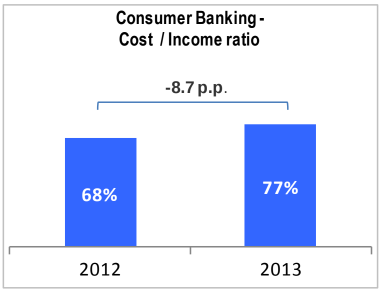
In 2013, the pre-tax profit of the Consumer Bank segment fell by PLN 33.6 million, i.e. 10.1%: The following factors affected the pre-tax profit of the Consumer Bank segment in 2013 as compared to the previous year:

- Net interest income of PLN 661.1 million versus PLN 773.2 million in 2012 – a decline by PLN 112.0 million, or 14.5%, mainly as a result of lower interest revenues due to decrease in interest rates of loan products following market interest rate cuts (the interest rate on the credit card portfolio fell by 7 percentage points from 23% in the beginning of January of 2013 to 16% from July 2013). This was partially offset by lower interest expense despite the considerable growth of deposits (by PLN 1.0 billion, i.e. 17.1%);

- Net fee and commission income of PLN 345.8 million versus PLN 348.0 million in 2012 – a decline by PLN 2.2 million, i.e. 0.6%, mainly resulting from lower fees on credit and debit cards (due to a reduction of the interchange rate by the card organizations with effect from January 2013). Simultaneously, in 2013 versus 2012, higher revenues were achieved from sales of investment and insurance products (by PLN 19.7 million, or 14.9%), predominantly because of higher interest among customers in investment funds and unit-linked investment products;

- Other revenues include the result on financial instrument held for trading and revaluation (a decline by PLN 2.9 million), dividends (a decline by PLN 0.8 million) and net result on other operating revenues and expenses (a decline by PLN 0.3 million);

- General and administrative expenses and depreciation totaling PLN 779.3 million versus PLN 771.5 million in 2012 – an increase by PLN 7.8 million, or 1.0%, mainly affected by the restructuring provision of PLN 48.2 million established in October 2013. After excluding the above provision, general and administrative expenses and depreciation declined by PLN 40.4 million from 2012, including PLN 33 million of savings from the restructuring implemented in 2012, of which part was reinvested in technology;



- Reversal of net impairment losses in an amount of PLN 62.3 million in 2013 versus net impairment losses for PLN 30.0 million in 2012, i.e. improvement by PLN 92.3 million, resulting from the continued positive trend leading to recovery of the portfolio quality and, in consequence, reversal of net impairment losses. Simultaneously, in 2013 a part of retail impaired exposures was sold: in Q2, 2013 impaired receivables from cash loans and credit cards in an amount of PLN 148.8 million were sold (of which 98% were receivables written off the balance sheet of the Bank) for PLN 23.3 million and in Q4, 2013 impaired receivables from cash loans and credit cards in an amount of PLN 99.3 million were sold (of which 98% were receivables written off the balance sheet of the Bank) for PLN 10.2 million.

5.2 Selected business data

	2013	2012	Change PLN '000	%
Number of individual customers	782.3	858.4	(76.1)	(8.9%)
Number of current accounts, including:	515.0	585.8	(70.8)	(12.1%)
number of operating accounts	164.1	180.7	(16.6)	(9.2%)
Number of operating accounts newly acquired in the period	66.8	78.9	(12.1)	(15.3%)
Number of savings accounts	180.4	193.1	(12.7)	(6.6%)
Number of credit cards, including:	773.3	795.4	(22.1)	(2.8%)
co-branded cards	465.0	464.3	0.7	0.2%
Number of active credit cards	691.2	720.7	(29.5)	(4.1%)
Number of debit cards, including:	344.8	418.0	(73.2)	(17.5%)
PayPass cards	316.8	364.7	(47.9)	(13.1%)

5.3 Key business achievements

Credit cards

There were 773.3 thousand credit cards as at the end of 2013, representing a decrease by 22.1 thousand versus the prior year period. With the credit card market continuing to shrink, the credit card portfolio of the Bank was decreasing at a slower pace than the market's. According to the data from the end of Q3 2013, the Bank's share in the total number of credit cards issued in the market increased to 12.5% (i.e. by 0.2 p.p.) versus the year-ago period, which helped the Bank retain its position as the third bank issuing the biggest number of credit cards.

As at the end of 2013, the total credit card balance improved 3% compared to the year-ago period, to PLN 2.2 billion. This resulted in further strengthening of the Bank's position as a credit card leader in terms of the credit facility value granted in the form of credit cards, with a market share of 19.5% versus 18.6% in the year-ago period. The Bank continued high also in terms of transaction value – according to the statistics from the end of Q3 2013, its market share was 20.9% versus 22.3% recorded a year ago.

In the reported period, the Bank acquired by 28% more credit cards than in the year-ago period. The dominant share in the structure of credit cards sold in 2013 was that of the co-branded Citibank World MasterCard with acquisition share of 52%. The other card that earned good sales results was the Citibank Wizz Air World MasterCard with an acquisition share of 16% followed by the traditional credit card with an acquisition share standing at 17%.

In 2013, the Rebate Program for Citi Handlowy credit card holders retained its position as one of Poland's largest programs of its kind. The program offers up to 50% discount in over 4.8 thousand commercial outlets across Poland. In 2013, in addition to regular discounts offered as part of the program, the credit card holders could enjoy additional promotions – the so called hot offers. Additionally, starting July 2013, the Bank launched a special program that offers various benefits and discounts to Citi Handlowy credit card holders. The "Hotel Privileges Program" and "Citibank World Priviliges Program" rolled out globally allows access to discounts and special benefits in over 30 thousand facilities worldwide.

Bank Accounts

Current accounts

The number of individual current accounts decreased by 12% versus the prior year period to 515 thousand at the end of 2013 (versus 586 thousand in 2012), including 337 thousand PLN current accounts and 178 thousand foreign currency current accounts (versus 188 thousand in 2012). The decrease in the number of accounts was driven by the decision to close down inactive deposit relationships in Q4 2013. As a result, 74 thousand accounts of 50 thousand customers were closed in December of 2013.
In 2013, the Bank continued its policy of building customer relations and encouraging customers to actively use current accounts. As a result, although the number of accounts decreased, the total balance of the current accounts kept with the Bank increased by 12%. The total current account balance stood at PLN 2.7 billion at the end of 2013.

Savings accounts

There were 180 thousand savings accounts with a total balance of PLN 3.2 billion at the end of 2013 compared to 193 thousand savings accounts with a total balance of PLN 2.4 billion in 2012. Similar to the current accounts, the decrease in the number of savings accounts was driven by closing of inactive savings accounts.

Credit and Lending Products

Cash Loan

The cash loan portfolio stood at PLN 1.9 billion at the end of 2013, which represented a decrease of 9% versus the year-ago period.

In 2013, the Bank focused on optimization of cash loan credit policy. Certain enhancements were introduced in terms of required documentation (e.g. option to present banking statements from other bank indicating a salary as proof of income) and its submission (scans allowed). Another positive change was a launch of one-hour process allowing for loan disbursement within one hour of signing the loan agreement. In November 2013, the Bank introduced an option of remote loan agreement conclusion via phone or through CBOL.

In December 2013, new pricing mechanism for cash loan was introduced – interest rate for new customers will be set based on a market rate WIBOR 3 month plus fixed margin.

Mortgage Products

The mortgage portfolio balance was PLN 1.1 billion at the end of 2013, representing an increase of 15% compared to the year-ago period.

The Bank's efforts in terms of acquisition of new mortgage customers were concentrated on CitiGold segment. After introduction in Q12013 the customer segment-based pricing model, CitiGold customers constituted around 50% of newly acquired customers.
The Bank continued the cross-selling strategy. As a result, more than nearly 100% of customers buying mortgage products purchased at least two other products (mainly operating accounts and credit cards with significantly growing share of investment products).

Investment and Insurance Products

Investment Products

In order to enhance the product offerings with new investment opportunities, 18 open investment funds offered by local investment fund companies and foreign investment companies were added to the offer in 2013. These changes involved extension of debt and equity product classes. The number of investment funds offered to customers at the end of 2013 was 148 in total (including 63 local and 85 foreign investment funds).

The Bank improved its offerings by introducing investment fund advisory services in all outlets that provide services for Gold and Gold Select customers.

In terms of structured products, the Bank further developed offer of structured bonds of other issuers and investment life insurance and maintained its competitive market position in this respect. The Bank offered 40 subscriptions for structured bonds addressed to CitiGold and CitiGold Select customers in 2013. The structured bonds were denominated in PLN (37 subscriptions), USD (2 subscriptions), and EUR (1 subscription).

The product offer was addressed both to customers interested in solutions which offer coupons indexed to WIBOR and customers interested in direct investments in Polish and foreign equities and commodities or related to investment unit value from issuers providing full or conditional protection of invested capital at maturity.

With growing customer interest in corporate and government bonds, the Bank participated in the transactions with customers in Treasury bonds denominated in multiple currencies and in corporate bonds not admitted to public trading in Poland.

In July 2013, the Bank extended access for customers to dual currency investments through a new Citibank Online platform channel and enhanced this offer by, i.a., adding new currencies and periods of the investment product agreements.

In cooperation with Dom Maklerski Banku Handlowego S.A. and as part of the brokerage service of accepting and transmitting orders, the Bank supported 6 public offerings of securities by accepting subscriptions for investment certificates of closed-ended investment funds, stocks and bonds.

The total value of funds managed through investment products (including certificates of deposit, dual currency investments, investment deposits and insurance products) purchased by retail customers through the Bank increased 11.3% year on year at the end of 2013.

The above growth was mainly related to local investment funds, funds in brokerage accounts maintained by DMBH and structured insurance policies (life insurance with an embedded derivative).

Insurance products

In terms of insurance products, in 2013, the Bank continued initiatives aiming at growing the insurance sales level and enhancing the insurance offer.

The Bank launched a new insurance product for credit card holders offered through a telephone campaign. The "Your Protection" (Twoja Ochrona) insurance product provides cover mainly against accidental death of the insured. Over 3 thousand customers purchased this product in 2013.

The Bank continued to enhance its offer of regular savings and investments. In June 2013, the Bank launched a modified insurance with insurance EUR and USD equity funds – Portfel Inwestycyjny Premium (Eng. Premium Investment Portfolio). These modifications introduced to make the offer more attractive concerned mainly the new funds and more attractive financial parameters of products for customers.

In cooperation with PZU Życie S.A., the Bank offered 2 subscriptions for individual unit-linked insurance products (embedded derivatives life and endowment insurance) in 2013.

6. Development of distribution channels

6.1 Branch network

Smart Banking Ecosystem

Given the changing customers' behavior, a dynamic growth of modern technologies and executing on the strategy to be an efficient bank, on October 22, 2013 the Management Board of the Bank resolved to transform the consumer distribution system towards the Smart Banking Ecosystem and optimize the operating model to further improve operational efficiency of the Bank.

The Smart Banking Ecosystem represents the future of retail banking which in response to rapidly changing customer trends and preferences offers innovative Smart branches. Located in the places frequently visited by customers, the Smart branches are to be the high-tech-enabled place allowing customers to bank at any time and any place using the state-of-the-art mobile and online tools. This is a continuation of the 2010 strategy that focuses on the bank's presence in the places most frequently visited by the target customers and concentration on the markets with the highest growth potential.

Making decision to open SMART outlets across G9, the Management Board also decided to exit 19 retail banking outlets located in smaller municipalities outside the target markets. The customers from these locations will be offered access to banking services through a centralized sales unit, CitiPhone services and internet and mobile platforms.

The pilot Smart branch was launched in September 2013 in Galeria Katowicka. In December 2013, the Bank opened another Smart branch in Galeria Mokotów, Warsaw. The design of the branches encourages customers to use mobile and online banking and enables to deepen customer relationship. In smart branches customers are able to effect basic transactions by themselves (e.g. make a transfer or fill out application for a new product) using intuitive tablets or touch screens. The main role of the advisor has been shifted to precisely identify the customer needs. The Smart Banking Ecosystem introduces a number of enhanced processes – at the end of 2013, an average waiting time for account opening in Katowice Smart branch was 13 minutes with the record time of only 7 minutes while issuing a new credit card took 70 minutes on average from submission of the application in the branch (targeted waiting time is 15-20 minutes).

Additionally in 2013, the Bank was working to improve the quality of CitiGold customer service in dedicated branches. The aim behind these efforts was to improve the sales of the Bank's products by, for example, change in the management and sales coordination models. The plans included also an increase of human resources and expansion of CitiGold customer service areas. As part of these plans, CitiGold branches in Wrocław at 7a Powstańców Street and in Łódź at 5 Konarskiego Str. were redesigned to deliver on the CitiGold segment development strategy.

At the end of 2013, the branch network of the Bank comprised 65 outlets. As part of optimization actions, the Bank closed the operating activity of selected branches in Białystok, Bielsko Biała, Bytom, Chorzów, Elbląg, Jelenia Góra, Kalisz, Katowice, Kielce, Kraków, Lublin, Pabianice, Płock, Rybnik, Rzeszów, Sosnowiec, Toruń, Tychy, Warszawa, Wrocław, Zabrze and Zielona Góra.

Due to the banking system upgrade conducted in July 2013, the classification of the branches into L and M was no longer applied. At the same time, in accordance with the CitiGold segment development strategy, the additional classification based on the service models was maintained. According to this strategy, the branches have been classified into: HUB Gold (branches with separate lounges for CitiGold), Blue (branches with no separate lounges for CitiGold customers), Investment Center and Smart branches.

Number of branches (at the end of period)

	December 31, 2013	December 31, 2012	Change
Number of branches:	**65**	**88**	**(23)**
- HUB Gold	11	12	(1)
- Blue	50	74	(24)
- Investment Center	2	2	-
- Smart branches	2	-	2
Other POS:			
Financial agents (Open Finance, Expander and other)	274	412	(138)
Airports	4	7	(3)
Shopping malls and cinemas	70	17	53
Cash points (Billbird and Brinks)	11	20	(9)
Own ATMs	93	115	(22)

6.2 Internet and telephone banking

Mobile banking

In 2013, the Bank made a number of Citi Mobile promotional activities. In addition to promotional activities, in the first half of 2013, the Bank introduced 'mobile stands' in all its branches where customers could learn more about Citi Mobile in the presence of the advisor. In the second half of 2013, Citi Handlowy launched Citi Handlowy for iPad application that quickly managed to become one of the most frequently downloaded financial application inPpolish App Store (since its launch, the system recorded 6.4 thousand downloads of the application).

At the end of 2013, the number of Citi Mobile active users, i.e. users who accessed mobile banking at least once per month was 51 thousand, which represents an increase of 74% versus the year-ago period. The active mobile users constituted 7% of the total Citi Handlowy customers – an increase by 4p.p. versus 2012.

Since launch of Citi Mobile banking platform in May 2010, the number of users who downloaded and logged onto the application once at minimum was 170 thousand.

In 2013, the Bank reported a growing interest in FotoKasa functionality enabling to make fast payments by means of scanning 2D codes which contain data necessary to make a bank transfer and are placed by service providers on paper or electronic bills. In 2013, the Bank's customers made 18 thousand transactions with the use of this service totaling to PLN 3.4 million (growth by 378% in terms of transactions and by 475% in terms of transaction value versus 2012).

Online Banking

As a result of online banking promotional activities and banking product distribution, the number of active Citibank Online user, i.e. users who accessed Citibank Online at least once per month was 316 thousand at the end of 2013, representing an increase of 9% YoY.

At the end of 2013, Citibank Online users constituted 41% of the total Citi Handlowy customer portfolio – an increase by 6 p.p. YoY.

In 2013, the Bank reported a growth in the number of active digital users, i.e. users who accessed online banking (Citibank Online, Citi Mobile or Citi Handlowy for iPad) using digital tools. At the end of 2013, this number was 367 thousand – an increase by 15% YoY. The active digital users constituted 48& in the total customer portfolio of the Bank at the end of 2013, representing an increase by 10 p.p. versus 2012.

Transactions executed through mobile and online banking accounted for 93% of all financial transactions, representing an increase by 4 p.p. versus 2012.

In 2013, online channels were an effective customer acquisition tool for the Bank. The online channels accounted for 8% and 5% of the total acquisition of credit card and cash loan customers, respectively. In 2013, the Banks' deposit products were introduced into online offer. Their online acquisition constituted 10% of the total CitiGold and CitiForward acquisition.

Two new functionalities were launched in 2013 for Citi Handlowy online banking users: launch of online Gold customer acquisition campaign and Online Fullfilment process enabling customers to conclude agreements with the Bank for certain products (credit facility and soon, cash loan and current accounts) through Citibank Online with no need to visit the branch or submit the original documents.

Social Media

In 2013, the Bank continued its presence in social networks that continued to be an important communication channel. The Bank concentrated on improvement of service quality, the result of which is a dedicated application allowing for contact with the Customer Advocate. At the same time, average time of responding to enquiries made by social media users was shortened to 31 minutes. The banking fanpage Rabatowcy.pl had over 110 thousand fans at the end of 2013 compared to 100 thousand fans at the end of 2012. Initiatives taken on Facebook to promote Citi Mobile helped to build a community of over 70 thousand fans at the end of 2013 compared to 60 thousand fans at the end of 2012.

6.3 Direct and indirect customer acquisition

Direct Sales

In 2013, the direct sales channel was the main channel of the Bank to acquire new customers. Also, the Bank developed its direct distribution network by opening new POS in shopping malls and cinemas. This number went up to 70 at the end of the year thanks to cooperation with new direct sales and telesales agencies.

Number of direct sales and telesales agents went up 26% versus 2012 and there are plans to grow this number in 2014 by another 35%.

Network development was accompanied by optimization activities including both costs and sales processes, which together translated into 50% increase of unit effectiveness versus the prior year period. Digitalization of the sales process will play an important role in the plans for 2014, which, in addition to further effectiveness improvement, should also bring greater customer satisfaction.

Citibank at Work

Citibank@Work is a sales channel with an individual deposit and credit offer addressed to employees of companies that are corporate customers of the Bank.

In 2013, Citibank@Work changed its sales strategy to shift its acquisition efforts towards CitiForward (with minimum income of above PLN 5 thousand) and CitiGold customers.

In 2013, Citibank@Work increased CitiForward sales over five times versus 2012, with a stable sales level in CitiGold segment.

7. Changes in IT technologies

In 2013, in the area of technology, some projects were implemented to ensure a stable development of the technology platform in the areas of consumer banking and corporate banking, in line with the current strategy of the Bank, and to reduce technology costs, coupled with a simultaneous development of an advanced product range and an improvement in quality of products and services. At the Bank, the IT processes are run in accordance with best standards, which was confirmed by a positive outcome of the regulatory audit carried out in February 2013 to check compliance with the following standards: ISO 20000 (IT service management), ISO 27001 (information security management) and ISO 22301 (business continuity management).

The following solutions were introduced in 2013:

- UTP (Universal Trading Platform) system was implemented to ensure collaboration with a new transaction platform of the Warsaw Stock Exchange;
- IT systems were upgraded in Consumer Bank;
- First two innovative branches were opened as part of the new distribution model - so called Smart Outlets (in Galeria Katowice and Galeria Mokotów shopping malls);
- First network connections for B2B services were migrated to upgraded B2B network infrastructure, in accordance with requirements and needs of the Bank and its clients (WSE);
- Consolidation of the whole voice recording environment at the Bank was completed – as a result the Bank has now one integrated and consistent voice recording system;
- New SORBNET2 system for large amount settlements effected by the central bank was implemented;
- Infrastructure and a system solution were built to enable corporate clients to submit orders and to receive money transfers online (Express Elixir);
- Advanced RCX system was implemented and all the transactional channels were migrated from the RCS system, which is to be phased out;
- Citiconvert system was migrated to a new PTR, which has increased transaction data processing capabilities for corporate clients;
- More new products were launched on the innovating trade platform (Trade Back End, Trade Front End and Trade Services) for trade finance services (recourse and nonrecourse factoring, import letter of credit and vendor finance) together with advanced anti-fraud module;
- Advanced Sonar system was implemented to replace Call Manager in Treasury;
- Bank's systems were adapted to MasterCard Association's requirements for local payments;
- New Online Fulfillment process was implemented to enable retail customers to sign electronic agreements for banking products and, in consequence, to reduce operating expense by eliminating paper-format agreements.

Works are pending to implement the following modifications, which will affect the Bank's operations in the near future:

- Bank's systems will be adapted to new EU directives relating to capital requirements (CRD IV (Basel III)) and derivatives (EMIR);
- The CitiRisk integrated system will be implemented in the risk management sector;
- Development of the trade finance electronic platform will be continued – other products will be added (e.g. Recourse Distributor Finance, Bill of Exchange Discount or Trade Revolving Facility);
- A project is in progress to implement a new version of Citibank Online with aim to upgrade and enhance the functionalities of the online platform of the Bank by adding new products and services and a user friendly interface;
- A new ECS+ platform will be implemented for processing of commercial cards for corporate clients and a newer version of the Prime/Online platform will be launched to support prepaid cards;

- The main system that supports Treasury operations, i.e. Kondor+, will be replaced with eDealer in order to reduce development and operating costs and to unify the platforms with regional partners;
- Implementation of SIP technology will be continued at subsequent branches of the Bank to allow for the utilization of central telecom lines from Warsaw at a branch, instead of local ones, in order to optimize the operating support model and costs of telecom services;
- Implementation of the Desktop Optimization Initiative will be continued to ensure the efficiency of, to upgrade, and to optimize the computer environment at the Bank, with the use of environment virtualization that will reduce costs and improve data safety in the future;
- CitiCash, a new electronic platform for processing of cash products, will be launched in the Corporate Bank segment;
- Implementation of requirements imposed by Recommendation D on the improvement of management of information technology and computer and telecom environment security, issued by the Polish Financial Supervision Authority in January 2013 – the gap analysis was completed in June 2013 and the required modifications will be implemented by the end of 2014.

8. Equity investments

All capital investments of the Group are allocated to either the strategic portfolio or the divestment portfolio. In 2013, the Group continued its previous capital investment policy. In managing the strategic portfolio it sought to: maximize returns in the long run; increase the market share; develop cooperation with the Bank; and expand the Bank's product range. In managing its divestment portfolio the Group aimed to optimize transaction gains and to minimize the inherent risks of such transactions.

8.1 Strategic portfolio

The strategic holdings include financial institutions that expand the product range of the Bank, strengthen its reputation and reinforce its competitive advantage in Poland's financial services market.

The strategic holdings also include infrastructure providers operating for the benefit of the financial sector. The Bank is a minority shareholder here, but considers them strategic in view of the operations they pursue and their relationships with the Bank.

The Bank intends to retain its strategic holdings in infrastructure providers and proactively shape their strategic directions of development to the extent possible within limitations of its voting rights. The Bank's overriding goal in the exercise of its corporate governance powers towards those companies is to ensure their stable development and continuation of their present operations relied on by financial market participants, including the Bank.

8.2 Divestment portfolio

The divestment holdings are companies that are not considered strategic investments by Bank. These are companies held directly and indirectly by the Bank, as well as special purpose vehicles used by the Bank to execute capital transactions. Some of these divestment holdings are restructured exposures, originated from debt-to-equity conversions performed by the Bank.

The strategic goal adopted by the Bank for companies in the divestment portfolio envisages a step by step reduction of Group's investments. It is assumed that individual companies will be sold whenever the market conditions are most favorable. The divestment portfolio comprises equity investments without a pre-determined rate of return. The Bank does not plan any additional equity investments intended for subsequent divestment. However, the divestment portfolio may grow if the Bank chooses to convert its receivables to equity and wherever the Bank acquires investments in the course of its operations.

Special purpose investment vehicle companies

As of December 31, 2013, the Group conducted its capital investment operations through its two investment companies. Their operations were financed through reverse capital increases and from their own earnings. As a result of the Group's strategy to reduce operations carried out by investment companies, the Bank sold all shares in Handlowy Investments II S.a.r.l. on July 26, 2013 and thus derecognized its shares in the Bank's accounting records. As the Group intends to continue that strategy, it is likely that other investment companies will be successively divested or liquidated.

On the basis of data available as of the date of preparation of the financial statements (preliminary, unaudited), the key financial highlights for those entities, as of December 31, 2013, were as follows:

Entity	Headquarter	Authorized capital held by the Bank	Balance sheet 31.12.2013	Equity 31.12.2012	Net financial profit/loss for 2013
		%	PLN '000	PLN '000	PLN '000
Handlowy-Inwestycje Sp. z o.o.	Warszawa	100.00	10,947	10,938	103
Handlowy Investments S.A.*	Luksemburg	100.00	44,041	43,278	(43)

* Financial data of Handlowy Investments S.A. originate from the financial statements prepared as at 28 February 2014, which is the entity's balance sheet date.

9. Awards and honors

In 2013, the Bank, DMBH and the Leopold Kronenberg Foundation at Citi Handlowy received a number of prestigious awards and honorary titles:

- Citi Handlowy was ranked first, for the fifth year in a row, in the FX ranking of **Euromoney** (British financial magazine), with the largest share in FX turnovers with corporate clients. The Bank's share was nearly double the share of the next bank in the ranking. The Bank also maintained its lead in the segment of corporations and financial institutions, where it was the winner for the third consecutive year;

- Citi Handlowy was ranked second in **Euromoney Cash Management Survey 2013**, which assessed transactional banking services in Central and Eastern Europe. The Bank went up by two places as compared to the previous year. The Cash Management Survey is a prestigious ranking published for many years. It is prepared on a regular basis, once a year, by Euromoney Magazine, which, for the purposes of this year's edition, gathered information from 24,000 international corporate clients from all countries in the world;

- Citi Handlowy's **achievements in Poland's capital market** were again appreciated by the Warsaw Stock Exchange (WSE), which awarded the Bank for the highest turnovers in the spot market of Treasury BondSpot Poland in 2013. Citi Handlowy's Brokerage House (DMBH) was also honored in the Stock Exchange Summary 2013. For the fifth consecutive year, DMBH was awarded for the largest share in in-session equity turnovers in the main market. It was also honored, for the second time, for the largest share in turnovers of non-Treasury bonds in all Catalyst markets. The WSE Management Board also rewarded DMBH with its first Broker of the Year 2013 title;

- Citi Handlowy was the first bank in Poland that received an **ISO 14001 certificate** and, thus, achieved the full-scope certification of its environmental management system. Such certificates were also granted to DMBH and Citi Service Center. The certificate was issued by the British Standard Institute and confirms top quality of the environmental management system. It covers activities in the area of both financial services and ongoing operations;

- Top Rated, i.e. the highest assessment, was granted to Citi Handlowy in the main category of "*Leading Clients*" in the cyclical customer survey by the **Global Custodian Magazine**. The magazine awarded the Bank for its custody operations in Poland in the annual ranking prepared on the basis of assessments provided by clients from all over the world. In the Cross-Border Non Affiliated category (medium and smaller clients), Citi Handlowy was assessed as Commended (which means recommended here);

- Citi Handlowy received the prestigious **Top Employers** certificate for the third consecutive year and, thus, joined the group of organizations that meet the highest HRM (Human Resources Management) standards. As in the previous years, an independent survey by the Corporate Research Foundation (CRF) verified the key HRM areas, like training and development, workplace conditions and organizational culture or pay and benefits;

- Citi Handlowy was again one of Top 3 **Friendly Banks for Traditional Customers**. The place in this ranking by **Newsweek** depends on the results of a mystery shopper survey carried out by auditors from MillwardBrown SMG/KRC. Banks are assessed in three categories: friendly bank for traditional customers, for online banking customers and for mobile banking customers. To win a medal in traditional banking, a bank should get the highest marks for quality of service, functionality of outlets and methods used to attract and retain customers, effective recognition of their needs and appropriately tailored product range;

- **Respect Index** - Citi Handlowy was chosen for the Respect Index for the sixth time. As one of the two banks in the index, it **has been consistently securing its participation in the index since it**

was published for the very first time. The Respect Index is the first index of responsible companies in Central and Eastern Europe. To qualify for it, a company must meet high corporate governance, information management and investor relations standards;

- The results of the 7th edition of the ***Dziennik Gazeta Prawna*** **Responsible Companies Ranking** were published on April 23, 2013. Citi Handlowy, included in the ranking since it was launched, retained a high place in its sector (banking, financial services and insurance) and was ranked second. In the general ranking it was placed twelfth, as in the previous year. The Responsible Companies Ranking was published for the seventh time and is one of the most prestigious rankings of kind in Poland. Over 150 companies have participated in its all editions. This year the questionnaire was sent to the largest organizations operating on the Polish market, which had to answer 60 questions in the five CSR areas: responsible leadership, communication with stakeholders, social commitment, responsible management and social innovations. The survey is modified each year to take account of changes in the market. The maximum score in each of the areas is 100, which means that all of them are considered equally important;
- The **Building Financial Independence of Women** Program organized by the Leopold Kronenberg Foundation at Citi Handlowy and the Women's Rights Center was among Top 10 initiatives rewarded in the **"Together We Build the Social Capital" competition**. Its goal is to emphasize the benefits resulting from the cooperation between business and non-governmental organizations (NGOs) and is part of the project implemented by the Polish Confederation of Private Employers Lewiatan and Deloitte within the framework of the platform dedicated to the cooperation between NGOs and business. In addition to Top 10 best practices, 26 projects were honored, of which 6 were coordinated by the Leopold Kronenberg Foundation at Citi Handlowy;
- As many as 10 CSR initiatives of Citi Handlowy were commended by the Responsible Business Forum its 11th report "**Responsible Business in Poland. Good Practices"**. It has been published since 2002 and is the only such study, which summarize key issues in the area of CSR business activities;
- Citi Handlowy was awarded in the "**Sustainable Growth Leaders**" competition for its financial education program. Eligible participants are companies that can successfully sustain a balance between their business activities and the principles of sustainable growth. It is organized by the Forbes monthly magazine and PwC (consulting company).

VI. Significant risks related to the activities of the Capital Group of Bank Handlowy w Warszawie S.A.

1. Significant risks and threats related to the Group's operating environment

1.1 Economy

In the end of 2013, Fed (U.S. central bank) started to trim down its assets purchase program, which has exerted a relatively limited impact on Polish assets to date, especially against the backdrop of assets from other emerging countries. However, this process will be continued and, moreover, there is a risk that Fed will start interest rate hikes sooner than expected by consensus. If the sensitivity of investors and emerging assets to such course of events turns out to be higher than expected, it could trigger a sudden departure of portfolio investments from emerging markets. Most likely, such trend would not spare Poland either, leading to a significant increase in risk premiums and Treasury yields and a depreciation of Poland's currency. And volatile financial markets in emerging countries could deteriorate confidence ratios and sentiment among both businesses and households, as well as undermine the belief that the recovery is sustainable and its actual size.

Another threat to Poland's economy is a possible decline in exports from emerging markets to developed countries, leading to a decrease of imbalances in foreign trade, i.e. a lower foreign trade surplus in emerging countries and a lower deficit in developed economies. Such a structural change could be a result of the benefits of globalization and integration in global trade being gradually faded out and a raising popularity of protectionist policies in the wake of the economic problems observed in developed countries in the last years. In consequence, the recovery in developed countries may be not as useful to emerging countries as during a few previous business cycles.

The size of the gradual slowdown in China's economy still puts global growth at a material risk, especially in the context of existing internal imbalances, i.e. high private debt and a decline in the potential GDP growth rate. A considerable GDP slowdown in China and globally would adversely affect GDP in Poland, leading to a deterioration in the financial condition of Polish companies and households.

1.2 Regulatory risks

Any changes of economic policy or in the legal system could have a considerable impact on the financial position of the Group. For banking sector regulations, acts of Parliament and related secondary regulations are of particular importance, including regulations of the Minister of Finance, resolutions of the Management Board of the National Bank of Poland ("NBP"), orders of the President of the NBP and resolutions of the Polish Financial Supervision Authority ("KNF").

Of those referenced to above, the most fundamental regulations include:

- acceptable concentration limits for loans and total receivables (Banking Law);
- maximum equity that may be invested in capital markets (Banking Law);
- liquidity, solvency and credit risk standards (KNB/KNF resolutions);
- risk management at banks (Banking Law, KNB/KNF resolutions);
- mandatory reserves – establishment and transfer (NBP Act, Banking Law, KNB/KNF resolutions, resolutions of the NBP Management Board);
- taxes and similar charges;
- Act of July 7, 2005 amending the Civil Code and certain other acts limiting the maximum interest rates on consumer loans and the maximum fees chargeable on such loans;
- limitations on granting foreign currency mortgage loans that result from Recommendation S and Recommendation S(II) of the Banking Supervision Commission (KNB);
- Competition and Consumer Protection Act of February 16, 2007;
- Act on Countering Unfair Market Practices of August 23, 2007;
- Act on Countering Money Laundering and the Financing of Terrorism of November 16, 2000;
- Consumer Credit Act of July 29, 2001;
- Consumer Credit Act of May 12, 2011;
- Payment Services Act of August 19, 2011;
- Trade in Financial Instruments Act of July 29, 2005, and its amendment planned in 2014;
- Act of December 6, 2013 amending certain acts in connection with determination of rules of distribution of pensions from funds accumulated in open pension funds;
- Bank Guarantee Fund (BGF) Act of December 14, 1994 – The Act of July 26, 2013 amending the BGF Act and certain other acts came into force on October 4, 2013. Pursuant to it, the BGF may, upon the request of the minister competent for financial institutions, issue capital increase guarantees (so called recapitalization guarantees) for domestic bank in the course of a restructuring procedure. Such guarantees will be financed from the stabilization fund, which will be created as a new own fund of the BGF. The stabilization fund will be fed with prudential fees contributed by entities covered by the guarantee system (i.e. banks). The prudential fee will be calculated as the product of a rate up to 0.2% and the basis of calculation of the annual fee. The prudential fee rate for a given year will be determined, within the above restraints, by the Council of the Bank Guarantee Fund, which should take into account the situation in the financial sector and its macroeconomic environment;
- Regulation (EU) No. 648/2012 of the European Parliament and of the Council of July 4, 2012 and the Commission Delegated Regulation supplementing the above regulation. The regulation, together with its secondary acts, has introduced additional rights and obligations of the parties to an OTC derivative transaction to improve the safety and transparency of such trades. As a matter of principle, the regulation applies (with specified exceptions) to OTC derivative transactions (contracts), i.e. transactions (contracts) not executed in a regulated market. The obligations resulting from the above regulation are binding not only on professional financial institutions (banks, brokerage houses, etc.), but also on each entity that is an undertaking and executes derivative transactions (contracts) ;
- Recommendation T of the Polish Financial Supervision Authority concerning good practices in the area of management of risks of retail credit exposures;
- Recommendation I concerning FX risk management at banks and the principles of execution by banks of operations exposed to currency risk;

- Recommendation M of the Polish Financial Supervision Authority concerning operational risk management at banks.

Regulations that may affect operations of the Bank in subsequent periods:

- Recommendation U of the Polish Financial Supervision Authority – On December 30, 2013. The Office of the Polish Financial Supervision Authority submitted for consultations a draft of Recommendation U concerning bancassurance good practices. The recommendation is to come into effect no later than November 1, 2014 and may significantly affect the manner of distribution of insurance products by banks, relationships with customers and management & monitoring of a bancassurance policy. The key issues covered by the recommendation include: regulation of the obligations of the management board and supervisory board in respect of implementation and enforcement of a bancassurance policy, principles of operation of banks so that they do not create any conflict of interest (and especially a situation where a bank simultaneously and actually acts as the policyholder and the insurance agent), the requirement to unambiguously notify a client of the bank's role (agent or policyholder), the principle under which a bank is obliged to implement prudent information policy towards clients, the obligation to ensure a client a possibility to choose an insurance product he or she wants to buy and an insurer with which he or she wants to cooperate, the obligation to ensure a client, or his or her heirs, a possibility to directly enforce claims, where the bank has decided not to claim any indemnity from the insurer, the requirement that the fee due to a bank for offered insurance products should be determined in a relevant proportion to the costs incurred by the bank, the requirement that a bank should have in place an effective internal control system in the area of bancassurance (including a solution to monitor processes used to offer insurance products and an appropriate method of settlement of revenues relating to such offering);
- Recommendation D concerning management of IT areas and safety of the computer and communication environment at banks. The recommendation has replaced the previous Recommendation D. As compared to the previous version of Recommendation D, provisions have been implemented in relation, among other things, to management of data (including data quality), the principles of cooperation between business and technology areas, the management information system for IT areas and safety of computer and communication systems and so called cloud computing. The supervisory expectations have been updated and clarified as regards strategic planning in the IT area and safety of the computer and communication environment, implementation of new and modification of existing IT solutions, cooperation with third party service providers and management of risks connected with safety of the computer and communication environment;
- Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 ("CRD IV") on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR") – CRD IV regulates, *inter alia*, issues relating to establishment of banks, capital buffers, supervision, management and corporate governance of banks and investment firms. The CRR contains regulations regarding, among other things, own funds, capital requirements, liquidity and leverage. The Directive is required to be transposed into Polish law, while the Regulation will apply directly in all Members States of the European Union. The obligatory national transposition of the Directive should be complete by January 1, 2014 and the CRR will come into force the same day (relevant national provisions will be replaced with corresponding CRR provisions). In connection with the above, a majority of prudential regulations applicable in Members States will be repealed. The KNF is working on a draft amendment to the Banking Law. It will cover the provisions introduced or modified by CRD IV. In addition, the provisions included in the CRR will be deleted. Pursuant to CRD IV and CRR, so called regulatory technical standards will be implemented in subsequent years.

1.3 Competition in the banking sector

In Q1, 2013, the GDP growth rate hit rock bottom since Q1 2009. The first harbingers of recovery became visible only in the second half of the year. Together with historically low interest rates, this created unfavorable conditions for the financial sector. The pressure on banks to achieve satisfactory financial results led to cost reductions and changes in fee and commission rates. However, those initiatives proved to be insufficient to fully offset the adverse factors and, in consequence, the operating efficiency ratio slightly deteriorated.

The year 2014 will add new challenges affecting the revenues of the banking sector as a result of a decline in interchange rates and the introduction of an additional contribution to the Bank Guarantee Fund in the end of 2013. On the other hand, banks will gain an opportunity in connection with the expected expansion of their lending activities in the area of consumer and corporate loans.

Mergers & acquisitions intensified in the financial sector in the recent years. However, it is likely that the regulator will resist any attempts to continue that trend, as it believes, according to its statements, that the current concentration level in the banking sector is "near optimum". Mergers are still probable among smaller players, which will seek opportunities to improve their efficiency by achieving the adequate scale of operations.

Competition from nonbanking lenders, which operate on the basis of less restrictive regulations than banks, creates a more and more serious threat to the banking sector. The inability to verify the actual debt of borrowers served by nonbank firms and, thus, the incomplete assessment of their creditworthiness, may lead to excessive indebtedness of customers and their failure to repay required credit installments. As a result, such companies put at risk the quality of credit portfolios of banks.

Despite intensifying competition and a sluggish recovery in the economy, Poland's banking sector is still an attractive and highly profitable market.

2. Significant risks and threats related to the Group and its activity

2.1 Liquidity risk

The mismatch between maturity dates of loans and underlying deposits used to finance them is a typical feature of banking activity, and also occurs at the Bank. It can give rise to problems with current liquidity in case of a build-up of large payments to customers. The management of the Bank's assets and liabilities, including the regulation and control of liquidity risk, is the responsibility of the Asset Liability Committee (ALCO) of the Bank, which defines the strategy that is implemented by the Treasury Division.

At the Bank, the key ALCO tasks include: to manage the structure of the balance sheet in order to increase its profitability, to determine acceptable limits of financial risk for specific areas of operation, to coordinate the interest rate pricing policy, and to make decisions concerning the transfer pricing system used within the Bank.

As part of liquidity risk management, ALCO is responsible for the development and implementation of a uniform liquidity risk management policy at the Bank and approves annual liquidity plans and plans of financing of the Bank's assets, as well as liquidity limits for the Bank. It also signs off liquidity contingency action plans and determines thresholds (limits) for particular sources of funding and carries out regular reviews of liquidity risk reports.

The deposit base of the Bank is stable and diversified. Furthermore, the Bank has a large portfolio of liquid securities, assured access to interbank funding and high own funds. The level of liquidity risk was low in 2013.

2.2 Foreign exchange risk

The Bank executes foreign exchange operations both on behalf of its customers and on its own account, whilst holding any open FX positions within established limits. As a result, the Bank is exposed to exchange rate risk, which is controlled by the Market Risk Department in cooperation with the Treasury Division (i.e. the unit responsible for management of liquidity and the foreign exchange position). In 2013, the market risk of the Bank's own positions was low.

2.3 Interest rate risk

As other Polish banks, the Bank is exposed to a risk arising from the timing mismatch of changes in interest rates applicable to its assets and to their underlying financing liabilities (so called revaluation date gap risk) and from the sensitivity of value of debt securities and of interest rate derivatives to changes in market interest rates (pricing risk). In respect of revaluation date gap risk, interest rate risk can arise when a decline in income caused by lower interest rates on granted loans proves impossible to offset through a corresponding reduction in interest rates paid to depositors. This risk also arises in situations where a rise in interest rates on deposits cannot be offset by a corresponding rise in interest rates on loans. As far as pricing risk is concerned, interest rate risk may occur when changes in market rates have an adverse effect on valuations of instruments in the trading portfolio and, consequently, on the Bank's financial result and on valuation of the portfolio of securities available-for-sale and, thus, on the Bank's own funds. The management of interest rate risk is a responsibility of the Bank's Asset Liability Committee (ALCO), which, among other things, determines the pricing policy of the Bank for interest rate risk. In 2013, the level of interest rate risk ranged between moderate and high both for trading portfolios and bank portfolios.

2.4 Credit risk and counterparty risk

Credit risk and counterparty credit risk represent a potential loss resulting from a customer's inability to pay its contractual obligations due to insolvency or other reasons, taking account of collateral, unfunded credit protection and other loss mitigating agreements. In the case of counterparty risk, the Bank's exposure is variable over time. If a transaction is not settled when due, the Bank will be exposed to an additional risk of contract value volatility. The Bank sets limits for the credit risk and counterparty risk it takes at the level of exposure to a given entity or a group of related entities. In addition, portfolio-level limits are established that support the process of management and ongoing monitoring of the credit portfolio. The process of proactive portfolio quality management covers not only appropriate ratings assigned to exposures, but also appropriate internal classifications assigned to them, recognition of their impairment and application of relevant corrective or collection actions. For credit exposures, the Bank makes impairment write-offs as required by law. The Management Board of the Bank is of the opinion that the current level of impairment write-offs is adequate. As it is always likely that the external environment can change or other circumstances that could adversely affect customers may occur, there is no certainty that a future need to make adequate impairment write-offs for the existing credit portfolio will not have any adverse impact on the Bank's financial position and that the existing impairment write-offs and collateral will prove sufficient to absorb possible lending losses.

2.5 Operational risk

Operational risk is defined as the risk of loss resulting either from inadequate or failing internal processes, people or technology systems or from external events. It includes reputation risk, associated with business practices or market conduct, as well as legal risk and compliance risk (i.e. the risk of failure to comply with applicable laws and regulations). The Bank manages the operational risk in its activities on the basis of an assumed definition coincident with the one presented above.

The level of operational risk appetite is considered low for the Bank, hence the family of operational risks (including technology risk, outsourcing risk, fraud risk, money laundering risk, information security risk, external event (continuity of business) risk, tax and accounting risks, compliance risk, legal risk and model risk) is mainly managed via an effective internal control environment and involvement of dedicated units in the management of individual risk categories.

The Bank manages operational risk with the use of tools, techniques, systems and applications the effectiveness of which is verified, confirmed and improved on a regular basis.

In order to establish a consistent, effective and value-added system of operational risk control, assessment, monitoring, measurement and reporting and to ensure the overall effectiveness of the internal control environment throughout, the Bank has implemented an operational risk management policy. The effectiveness of internal controls deployed by the Bank is also assessed within the framework of the Bank's operational risk self-assessment process.

Summary operational risk reports are discussed by Committees that support the Supervisory Board and the Management Board of the Bank. Such reports include data necessary to monitor the Bank's operational risk profile (including results of internal and external audits, self-assessment process, operational risk indicators, operational losses, CoB and information security updates, business issues and corrective actions, capital requirements and stress tests).

In the course of the process applied to oversee operational risk management and the process used to manage operational risk, the Supervisory Board and the Management Board of the Bank are supported by relevant Committees and a separate and independent unit responsible for operational risk management.

In 2013, internal audits were carried out as expected and efficiently mitigated key operational risk. Any weaknesses and issues identified in control processes had no significant impact on the Bank's ability to achieve its business objectives. The effective internal control environment prevents the recurrence of issues and losses.

In 2013, gross total operational losses accounted for 0.71% of revenues for 2013 (this ratio covers the losses recognized in the financial result).

VII. Development prospects for the Capital Group of Bank Handlowy w Warszawie S.A.

1. General development objectives of the Group

In 2013, the Bank continued its Strategy for 2012-2015, adopted in 2012. It is based on the existing four pillars: customer segmentation, business model, quality and innovation, and effectiveness.

The Group starts various initiatives to improve the attractiveness of its services, while focusing on areas where it has a significant competitive advantage over its competitors. Those initiatives are largely focused on the credit card market and the affluent client segment, while in the companies segment on services dedicated to global corporations and largest local companies. Other vital areas of operations include FX market, transactional services and securities custody services, as well as institutional brokerage activities.

The effective acquisition of new customers in target markets and activities to strengthen relationships with existing customers is still considered top priority directions by the Group. The Bank stays focused on the acquisition of operating accounts in both Corporate Bank and Consumer Bank segment.

Innovation and top quality service are the pillars of the strategy adopted by the Bank. By constantly enriching its product range with innovative solutions that meet both needs and expectations of customers, the Bank is able to effectively compete in the financial services market and set new development trends in the banking sector.

Taking into account still changing needs and expectations of customers, the Bank has decided to focus on the optimization of its distribution network, which is based on the new model outlets, so called Smart outlets, which are situated in large cities and supported by remote channels. The Bank strives to increase sales of its products via mobile solutions by investing in technology development.

The main goal of the Group is still to build value of the Bank by improving operational effectiveness and leveraging the market advantage resulting from its strong capital position and high liquidity, which ensure safety to its customers and their trust to the Bank as an institution. A further improvement in quality of services and processes and investments in new technologies will enable the Bank to develop and launch groundbreaking innovations to strengthen its market position. For customers, a source of value added will be the effective utilization of the global profile of Citi Handlowy, enabling them access to services provided by the Bank from any place in the world.

1.1 Corporate and Commercial Bank

In the Corporate and Commercial Bank segment, the Bank plans to maintain its lead in the segment of international corporations and the largest local companies, as well as to reinforce its position in the SME segment. To this end, it will acquire new customers and expand relationships with existing ones in selected sectors, and to provide support to customers planning regional or international expansion (Emerging Market Champions initiative). The goal of the Bank is to be the Strategic Partner of Polish companies and to proactively support the expansions of Poland’s industry. The Bank’s long-term ambition is to become the first-choice bank in the SME sector. As far as the product offer is concerned, the Bank also plans to maintain its leading position in the foreign exchange market, in cash management products and institutional brokerage operations.

The Bank intends to enhance its effectiveness by improving processes, to focus on innovations and to raise the quality of its services. In transactional services, the Bank will continue to expand the product range for corporate clients in order to support the acquisition of new customers and to maximize the share of wallet in the case of existing customers. Trade finance products will play a key role in new customer acquisition together with the possible cross-selling of cash management products. The Bank strives to cut the time to market for innovative solutions.

1.2 Brokerage activity

DMBH specializes in services for local and foreign institutional investors, therefore an active approach to the market in which those groups carry out their capital operations is a key success factor for DMBH’s activities. A key factor that may significantly affect the position of DMBH is a possible reduction of transfers of new funds to Open Pension Funds (OFE) after participation in the second pillar of the pension system becomes voluntary and as accumulated funds are relocated to the Social Insurance Institution (ZUS) for the OFE members with 10 years or less left to the retirement age (under so called “safety slider"). On the other hand, record low interest rate should increase the inflow of cash to local equity funds and, as a result, lift the demand for shares in that segment.

1.3 Consumer Bank

The Bank will still focus on customer segments and products where it has the competitive advantage. This implies further growth in wealth management and relational banking.

In the area of deposit products, the Bank will concentrate on the acquisition of active customers, mainly in the CitiGold segment, and on ensuring them top service standards. The policy of incentives to encourage customers to build full-scope deposit and investment relationships with the Bank will also be continued – such customers will be offered higher interest rates on their savings account or term deposits. Acquisition efforts in the area of retail deposit products will also be supported by planned changes in the service of Microbusinesses, including a revitalized product range and improved processes.

Substantial emphasize will be put on development of global banking (accounts opened in other countries) and of those features of products and services that make global transactions possible.

Citi Handlowy, as leader in the credit card market, is working on new innovative credit cards, which will meet changing customer needs even better. In subsequent periods, the Bank will also continue to develop its credit card proposal available via online channels.

In the cash loan segment, the Bank will continue its strategy of optimization of the product extension process in 2014. Such optimization efforts will cover, first of all, the process under which such loans are granted via the Citibank Online webbased system.

In 2014, the Bank will continue to expand its retail branch networks towards the innovative model of the so called Smart Banking Ecosystem. Smart banking is an advanced model of service and sale of banking products, based on the effective and flexible utilization of various sales channels, from online banking to flagship branch. The key assumptions of this model include a modernized look of outlets, deployment of innovative technologies to support sales processes and a larger utilization of self-service options for customers. The location of outlets where Citi Handlowy customers spend the most of their time is an integral element of the model. The Bank is planning that 25 Smart outlets will be operating by the end of 2014.

VIII. The Bank's community initiatives and cultural sponsorship

1. Corporate Social Responsibility (CSR)

As an institution, the Bank feels highly responsible towards the society and is sensitive to the needs of its business and social partners. All activities initiated by the Bank are to support the interests of its clients and the communities in which it operates.

The CSR activities of the Bank cover the workplace and market environment, local communities and environment protection. Its strategic goal is to become a company that sets the Corporate Social Responsibility standards, both outside and inside the organization. The Bank continues investments promoting local communities, realized for a public good in such areas as financial education, enterprise promotion, local development and protection of cultural heritage. The mission of the Bank in that area is realized via the Leopold Kronenberg Foundation at Citi Handlowy, established in 1995, recognized for many exceptional achievements.

The social commitment of the Bank is highly appreciated, which is reflected in various independent rankings, like the Respect Index or the Socially Responsible Companies Ranking (for more information on CSR awards see page 44 in this report).

1.1 Relationships with customers – market practices

The mission of the Bank is to play a leading role in Poland's banking sector by offering world class products and top quality services to local and international clients. To this end, various customer-oriented initiatives have been started. Dialogue with customers is a key component of that process. The Bank's goal is to get focused on customer needs and to ensure flexible response to those needs, so that the customer perceives the Bank as a trustworthy partner in our mutual relationship.

Reliable information – ethics in advertising

The Bank has elaborated and implemented the principles of transparent communications with customers. They provide, among other things, for delivery of accurate and transparent product information, execution of understandable agreements and distribution of clear information on costs, risks and possible benefits.

Such presentation of a proposal is to enable a customer to make an informed choice. Employees know and adhere to the principles of transparent communications. The policy and standards applicable at the Bank in the areas of top quality customer service, complaint processing and responsible marketing are subject to relevant internal legislations, including the “Advertising Code of Ethics” and the “Ethical Business Practices of Bank Handlowy w Warszawie S.A.”

Customer satisfaction surveys

The Bank conducts regular customer surveys, both in Corporate and Consumer segment. The key indicator used to measure the quality of service is the NPS (Net Promoter Score). The NPS is determined based on the question about a recommended bank. The survey covers all client segments at the Bank, the key contact channels, “moments of truth” (crucial moments when a customer meets the Bank, e.g. a complaint or purchase of a product). The questionnaires are agreed with all units of the Bank that are involved in the customer service process and development of products and services for customers.

Survey results are analyzed and its final outcome is the base for an action plan aimed at increasing customer satisfaction. As a result, the Bank has been awarded with a high score in the research performed by the independent research agency TNS OBOP. The Bank achieved the highest NPS outcome (57%) in the CitiGold customer segment.

Complaints

The Bank is still the leader among financial institutions in terms of time to process a complaint. A vast majority of complaints in Consumer Bank are processed in 3-4 days, while the market standard is as long as 14-30 business days. For the Bank, the results of complaint analysis are the launch pad for various actions to improve customer service quality.

The Bank has an in-house Customer Advocate whose job is to represent the interest of a customer inside the organization. He or she receives not only complaints from customers, but also their suggestions of changes. The Advocate examines all such notifications and, if possible, recommends activities to improve the quality of services. Customers are informed how their comments and suggestions have been used.

Data protection and customer privacy

The Bank commits itself to protect private and confidential information about its customers and to ensure that such information is properly used. Those principles are described in the “Principles of protection of personal data at Bank Handlowy w Warszawie S.A.” The Bank collects, keeps and processes personal data of customers in accordance with local legal requirements in order to offer to its customers products and services that better meet their financial needs and enable them to achieve their financial goals. The Bank makes every effort to implement and keep necessary systems and technologies and to properly train any employees who have access to such information. Third party service providers that cooperate with the Bank are likewise obliged to protect the confidentiality of data, including personal and confidential data received from the Bank. The Bank also complies with its own stringent internal standards and regulations concerning the confidential nature and security of information and personal data (IT system management standards, Information Security standards and general security standards). In addition, every employee of the Bank is obliged to protect any personal and confidential data of customers, while making sure that such information is only used for legitimate purposes connected with performed work and is only made available to authorized individuals and organizations, as well as stored in a correct and safe manner.

1.2 Workplace practices

A strategic goal of the Bank is to attract, develop and retain most talented people who share the values followed by the Bank:

Common objective	One team striving to achieve a common objective: to ensure the best service to customers and stakeholders.
Responsible business	Act in a transparent, reasonable and responsible manner.
Innovation	Continuous improvements of solutions offered to our customers by providing them with exhaustive information on our products and services; delivery of world class products.
Talent development	A team of talented and highly specialized professionals who offer excellent service, show initiative and can meet even the most difficult challenges.

The Bank ensures its employees a save and friendly workplace, where they can work with all their energy and the feeling of personal achievements and satisfaction, and are fully aware of the available individual development opportunities. Employee development is supported by training, participation in challenging projects and the appraisal process, where employees receive feedback on their strengths and areas which they still should improve. The Bank has implemented a HR policy connected with objectives that are documented, measurable and tracked on an ongoing basis.

The employee selection process is extremely important for development of the Bank. The Bank strives to develop its personnel. To this end, all employees have access to the internal Citi Career portal, where every employee may apply for any job he or she finds interesting in the structure of the Bank and any business in the Citigroup.

In addition to salary, the Bank has a variety of benefits and perks for its employees to satisfy their personal and social needs.

They include healthcare packages, life insurance, an employee pension plan and a partial refund on language courses and tertiary education. The Bank also allows for flexible working hours in order to enable its employees to better fulfill their personal and professional obligations.

To ensure safe workplace, the Bank strives to optimize workplace conditions for all employees, with a particular focus on work health and safety issues.

Employee satisfaction surveys

Every year, the Bank carries out an employee opinion survey, called the Voice of Employee. The survey is to measure the level of the employees' satisfaction and commitment and is absolutely voluntary. Questions are related to communications, development opportunities, meritocracy, relations with managers and peers, participation in decision-making processes, career-life balance, diversity and the values followed by the Bank.

Filling out the questionnaires is the first stage of activities to improve employee satisfaction. The next stages include result analysis, result presentation to employees, group interviews to get more details and preparation of post-survey improvement action plans, as well as their implementation and presentation of their outcomes to employees.

Workplace diversity

All employees of the Bank are obliged to ensure that their conduct is in compliance with applicable laws, internal regulations and adopted standards. The Bank strives to create an environment in which its employees have optimum chances to realize their potential, to ensure them the possibility of full professional development and to take care of their diversity with due respect for their dignity regardless of sex, race, religion or beliefs and sexual orientation. Employees are obliged to treat their colleagues with respect. The above expectations of the Bank are included in the "Principles of Conduct of Employees of Bank Handlowy w Warszawie S.A."

In 2013, the Bank joined the international "Diversity Charter" initiative, which obligates companies to impose a ban on discrimination in the workplace and to initiate activities to create and promote diversity. It also confirms that a company is ready to get all employees and business and social partners involved in such activities.

The Bank supports grass-root employee initiatives, including CitiWomen, which aims at creating friendly conditions for women to enable them to pursue development opportunities and to fulfill their professional ambitions. This initiative also helps women overcome various obstacles and keep their life-career balance.

Dialogue and freedom of association

Two labor unions (the Independent Self-Governing Labor Union "Solidarność" – Mazovian Region, Intercompany Labor Union No. 871 at Bank Handlowy w Warszawie S.A and the Independent Self-Governing Labor Union of Employees of Bank Handlowy w Warszawie S.A.) are active at the Bank. Cooperation between the employer and union representatives is in the spirit of partnership and mutual goal, which is to ensure the highest standards in all employee relationships.

Principles of Conduct of Bank Handlowy w Warszawie S.A. Employees

The Principles of Conduct are an overall set of key internal regulations applicable at the Bank. All employees of the Bank are obliged to comply with applicable laws, internal regulations and standards applicable at the Bank. The Bank strives to create an environment in which its employees have optimum chances to realize their potential, to ensure them the possibility of full professional development and to take care of their diversity with due respect for their dignity regardless of sex, race, religion or beliefs and sexual orientation. The Principles include formal procedures to be initiated in the case of a violation. The Bank has an Ethics Line, where employees may discuss any issues to opt for the best course of action in a specific situation or report their justified suspicion or provide information on a potential breach of laws, ethical standards or internal regulations of the Bank.

Employment restructuring

In the course of the group lay-offs process commenced by the Bank in 2013 (more details on page 14 of this report), a goal of its Management Board is to provide the maximum possible support to any departing persons in search for an alternate jobs within the Bank, in the newly-created structures of the Smart Banking Ecosystem and at other Citi entities in Poland. One of the initiatives dedicated to employees subject to group lay-offs is an outplacement program, which effectively helps employees navigate in the labor market to find soon an alternate job in line with their qualifications. In addition, those employees have access to all open recruitment processes conducted by other Citi companies.

Employee volunteering

The Bank runs the largest in Poland employee volunteering program, coordinated by the Leopold Kronenberg Foundation at Citi Handlowy. Its purpose is to develop the social commitment of current and former employees of the Bank. In 2013, the involvement of 1400 volunteers allowed for completion of 166 projects. The most important initiative was the 7th edition of the Citi Global Community Day.

Under the Employee Volunteering Program, a new initiative was started in 2013: Citi – socially active, which allows participants to joint sports interests with help to the needy. As in previous years, both cyclical events, like Santa Actions and the Citi Global Community Day, and individual volunteering aroused enormous interest.

1.3 Environmental initiatives

Care for the natural environment is one of the key principles of conduct for the Bank. The Bank has committed itself to run its business in accordance with sustainable growth rules. In 2007, its Management Board passed a resolution to implement a comprehensive Environment Management Plan. In the years that followed, the Bank adopted a new Environmental Policy and implemented an Environmental Management System. In 2013, it introduced an Energy Policy and implemented an Energy Management System. Within the framework of the above Policies, the Bank has defined the following objectives: to ensure most effective energy management; to minimize the consumption of energy fuels; to support purchases of energy efficient products and services and to ensure an improved energy result; to increase the share of segregated and recycled waste; to reduce carbon dioxide emissions; to ensure most effective utilities management; and to minimize the consumption of natural resources.

Direct environmental impact

Within the framework of its Policies, the Bank has identified two main areas of environmental impact. One is a direct impact, resulting from operations of the Bank, e.g. consumption of water, energy and paper, generated waste and air pollutions. The other one is an indirect impact, resulting from services provided by the Bank. As part of the implemented systems (Environmental Management System and Energy Management System), the locations of the Bank are monitored on an ongoing basis to record their consumption of electricity, water, gas and heat and the volumes and types of waste and greenhouse gases they generate.

The results are highly affected by environmental campaigns conducted at the Bank: ENERGY campaign (under which card-operated light and air-conditioning switches were installed in conference rooms, a centralized system was installed to control systems in buildings, movement detectors were installed in kitchens and rest rooms, illumination of building facades is changed flexibly depending on the season of the year, a program to optimize control of ice water generators was developed and implemented, emergency exit casings were turned into dark mode, elevators were modernized and a new elevator was installed with a system that generates electricity while going up with a small load or during the down run, illumination intensity was verified in halls and corridors, temperature settings and precise air-conditioning programs were verified, running schedules of controllers of the vent systems and ice water pumps were modified), WATER campaign (all faucets in the office buildings of the Bank were equipped in aerators, a rain water recovery system was installed in one building), and PAPER campaign (Print Wise action – printers were switched over to double-sided printing mode).

The effectiveness of the Environmental Management System was proven by a certificate confirming that it meets the PN-EN ISO 14001 standard and of the Energy Management System by a positive certification recommendation confirming compliance with PN-EN ISO 50001 standard.

Employee education

The Bank carries out regular education and information campaigns for its employees to promote environment protection education. During those campaigns information is disseminated to encourage participants to segregate waste and to save energy and water (Week for the Earth and Hour for the Earth). The Bank also conducted training for employees to familiarize them with the Environmental Management System and the Energy Management System.

More Trees Thanks to You

Jointly with the Leopold Kronenberg Foundation at Citi Handlowy, the Bank coordinates the More Trees Thanks to You campaign, under which the Bank and the Leopold Kronenberg Foundation in cooperation with a partner organization, i.e. Environment Protection League, and the State Forest Administration plant new trees. The objective of the program is to promote eco habits and to encourage customers of the Bank to abandon paper statements to their accounts or credit cards. Under the program the Bank has committed itself to plant a tree in the name of each customer who has decided to switch to electronic statements. In 2008-2013, 620,000 trees were planted. In addition, over 220 eco workshops were organized for children and teenagers.

Indirect environmental impact

Pursuant to agreements signed with the Kreditanstalt für Wiederaufbau (KfW) bank and with the use of funds provided by the Council of Europe Bank within the framework of the so called “Climatic Window” (SME & Municipal Finance Facility Energy Efficiency Window), the Bank offers to its customers two credit programs to finance ventures that increase energy efficiency: a financing program for ventures that meet the qualification conditions applicable to investments that increase energy efficiency implemented by micro, small and medium-sized enterprises in Poland and a financing program for ventures that meet the qualification conditions applicable to investments that improve energy efficiency and utilization of energy from renewable sources in Poland implemented by local municipality authorities or entities that perform statutory tasks of municipalities.

So, the Bank grants loans to finance projects aimed at energy savings and/or a reduction of greenhouse gas emissions and after a project is complete and the desired ecological effect is achieved it pays a subvention equal to 10% of the principal of the granted loan.

1.4 Social commitment and community development

The Leopold Kronenberg Foundation at Citi Handlowy has been active for years in the areas of financial education, cultural heritage protection and employee volunteering, while paying a lot of attention to development of local communities.

In 2013, in the area of financial education, the Foundation ran eight nation-wide programs that filled up a gap in the education system by shaping consumer awareness among both young people who are about to enter the market and adult persons. Participants learn how to become a responsible, an informed saver or effective investor.

As an organization that pays attention to both the future and the past, in 2013 the Foundation continued its activities to protect cultural heritage. The primary initiative here is the Prof. Aleksander Gieysztor Award, which is granted every year to support individuals and institutions that rendered great service to protect cultural heritage in Poland or in other countries. In 2013, the Foundation, the National Bank of Poland and the European Association for Banking and Financial History jointly organized the “Foreign Financial Institutions & National Financial Systems” conference, with participation of over 200 guests, including representatives of central banks from Albania, Austria, the Czech Republic, France, Greece, Spain, Indonesia, Portugal, Russia, Rumania, Slovakia and Turkey and academics from the leading universities and scientific centers in the world, like Harvard University, Princeton University, University of Pennsylvania, etc.

Leopold Kronenberg Foundation programs

- **From Penny to Pound** is the first program of financial education in Poland, targeted at primary school students. The program is carried out jointly with the Junior Achievement Young Enterprise Foundation Poland and, from 2013 on, also the PZU Foundation, which will take over the program in 2014. In 2013, nearly 15,000 students took part in the program.
- **My Finances** is the largest financial education program for young people in Poland. The program is co-financed by the National Bank of Poland and conducted at schools by the Junior Achievement Young Enterprise Foundation Poland. In 2013, nearly 130,000 students participated in the program.

- **Be Entrepreneurial** program was started in the beginning of 2013 in cooperation with the Junior Achievement Young Enterprise Foundation Poland. It was positively assessed by the Ministry of National Education. Its objective is to equip its participants (students of junior high schools and higher level schools) with knowledge of and to develop attitudes and skills in the area of broadly defined enterprise.
- **Financial Independence of Women** is a program for women experiencing or exposed to economic violence. The program is implemented in cooperation with the Women's Rights Centre and covered over 800 women in 2013.
- **Business Startup** is a nation-wide program for students and graduates who want to open a business. The program is implemented in cooperation with Academic Incubators of Entrepreneurship. In 2013, 350 students who are starting their businesses supported by Incubators and 100 independent undertakings took part in the program.
- **Savings Week** is an educational action in the media to promote savings and the skills of rational management of personal finances among Poles. The campaign is carried out together with the Think! Foundation. Under the program, the results of the sixth edition of the "Poles' attitudes towards saving" survey were published in 2013. The educational campaign on finance in the media reached more than 3.5 million Poles. And direct actions (financial education debates and meetings) gathered 4870 participants. In 2013, as in the previous year, traditional educational materials were supplemented by the multimedia online game First Million. The competitions arranged as part of the game attracted 3500 persons.
- **Microentrepreneurship Award** is a competition for owners of microbusinesses to promote the philosophy of micro-entrepreneurship. The results of the 9th edition were announced in the NewConnect market of the Warsaw Stock Exchange on June 20, 2013. The winner was Digital Core Design, which has been a designer of advanced processors and integrated circuits since 1999. It developed and manufactures the fastest industrial processor in the world.
- **Bank Handlowy Award** for an outstanding scientific contribution to development of economics and finance – this competition is to promote the most valuable theoretical publications in the field of economics and finance. The winner of the last edition was Jakub Growiec, PhD, an assistant profession in the Decision Support and Analysis Unit of the Warsaw School of Economics (SGH) and an expert of the National Bank of Poland for the study "Aggregated function of production in growth and convergence economics".
- **Aleksander Gieysztor Award** is the most prestigious award given annually to institutions or individuals in recognition of their efforts for protection of Polish cultural heritage. The winner of the 14th edition was Anda Rottenberg, art curator.
- **Recovery of Polish Art** is a program implemented jointly with the Ministry of Culture and National Heritage. Its aim is to recover the cultural heritage lost by Poland during WWII.
- **Roots** is a program under which the Foundation promotes the history of the Bank and the profile and achievements of its founders, the Kronenberg family. In 2013, the Foundation and the National Bank of Poland co-hosted an annual international conference organized by the European Association for Banking and Financial History (EABH). The Foundation also continued the production of digital copies of photographs and documents relating to the Bank the Kronenbergs.
- **Employee Volunteering Program of Citi Handlowy** aims to promote the social commitment of present and former employees of the Bank. For more information see page 54 of this report
- **Grant Program** is a competition through which the Foundation supports the most valuable projects conceived by non-for-profit organizations in the area of education and local development. In 2013, 37 grants were allocated in the total amount of PLN 1,033,687.
- **Responsible Business League (*Liga Odpowiedzialnego Biznesu*)** is a program that promotes in the academic community the CSR concept as a business standard. The program is organized by the Responsible Business Forum in cooperation with the Leopold Kronenberg Foundation and public universities under the honorary patronage of the Ministry of Science and Higher Education. The 9th edition of the program (academic year 2012/2013) covered over 8000 participants.

2. Cultural patronage and sponsorship

In 2013, Citi Handlowy sponsored several national and international conferences. It supported the 5th European Economic Congress in Katowice (May 13-15) and the CEE IPO Summit in the Warsaw Stock Exchange (June 6-7). It was also a partner of the Lewiatan Awards Gala on May 25 in the National

Philharmonics Concert Hall in Warsaw, with the President of the Republic of Poland Bronisław Komorowski as the honorary guest.

In 2013, Citi Handlowy also supported the 7th Forum of Regions organized as a side-event of the 23rd Economic Forum in Krynica (September 3-5) and the Modern Self-Government Forum in Warsaw (December 3). It was also a partner of the jubilee 25th Academia Europea Conference (September 16-19) in Wrocław.

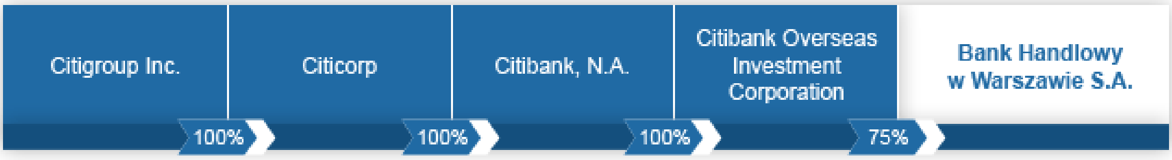
IX. Investor information

1. The Bank's shareholding structure and performance of its shares on the WSE

1.1 Shareholders

The only shareholder of the Bank that holds a minimum 5% participation in its share capital and votes at its General Shareholders' Meeting (GSM) is Citibank Overseas Investment Corporation (COIC), a Citigroup company that holds the group's overseas investments. COIC is at the same time the strategic majority shareholder of the Bank. Throughout the year 2013, neither the number of shares held by COIC nor its participation in the share capital and votes at the GSM of the Bank changed, and stood at 97,994,700 shares representing a 75% participation in the share capital and votes at the GSM.

The following diagram depicts the positioning of Bank Handlowy w Warszawie S.A. in the organizational structure of Citigroup:



The remaining shares (32,664,900, equivalent to 25% of the share capital) constitute free float, which means that they remain in free trading and are listed on the WSE.

Among shareholders participating in the share capital of the Bank are Open Pension Funds which, in accordance with public information about the structure of assets as at 31 December 2013, held a total of 14.1% of shares of the Bank, which was a decrease of 0.2 p.p. against 31 December 2012.

Shareholding of Open Pension Funds in the Bank was as follows:

Shareholder	31.12.2013		31.12.2012	
	Number of shares and votes in GSM	% of total number of shares and votes in GSM	Number of shares and votes in GSM	% of total number of shares and votes in GSM
ING OFE	5,713,025	4.37%	6,464,317	4.95%
Aviva OFE Aviva BZ WBK	3,952,560	3.03%	3,285,343	2.51%
OFE PZU „Złota Jesień"	1,890,020	1.45%	2,048,920	1.57%
Amplico OFE	1,425,785	1.09%	1,509,294	1.16%
AXA OFE	1,084,681	0.83%	1,085,723	0.83%
Aegon OFE	774,840	0.59%	553,289	0.42%
Allianz Polska OFE	741,618	0.57%	705,884	0.54%
PKO BP Bankowy OFE	712,224	0.55%	600,468	0.46%
Generali OFE	671,397	0.51%	672,043	0.51%
Nordea OFE	496,843	0.38%	861,812	0.66%
OFE Pocztylion	371,263	0.28%	371,620	0.28%
Pekao OFE	338,011	0.26%	290,503	0.22%
OFE Warta	292,133	0.22%	292,413	0.22%
Razem	**18,464,400**	**14.13%**	**18,741,630**	**14.34%**

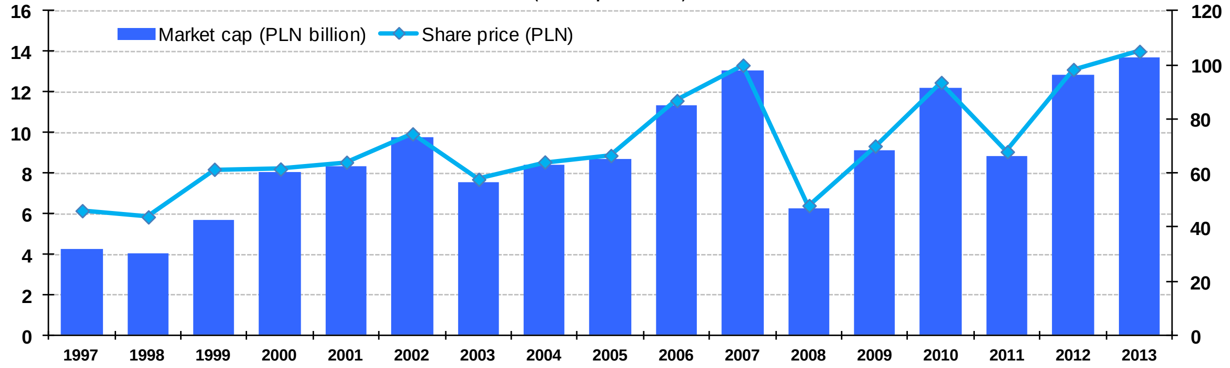
Source: Annual information about the structure of assets of Open Pension Funds; Bank share closing price at the end of the period.

1.2 Performance of the Bank's shares on the WSE

In 2013, sixteen years passed since the Bank's first quotation on the Warsaw Stock Exchange. In 2013, the Bank was included in the following indices: WIG, WIG20, WIG30, WIG Banks and WIGdiv. In addition, the Bank was once again included in the RESPECT Index of socially responsible companies listed on the WSE Main Market.

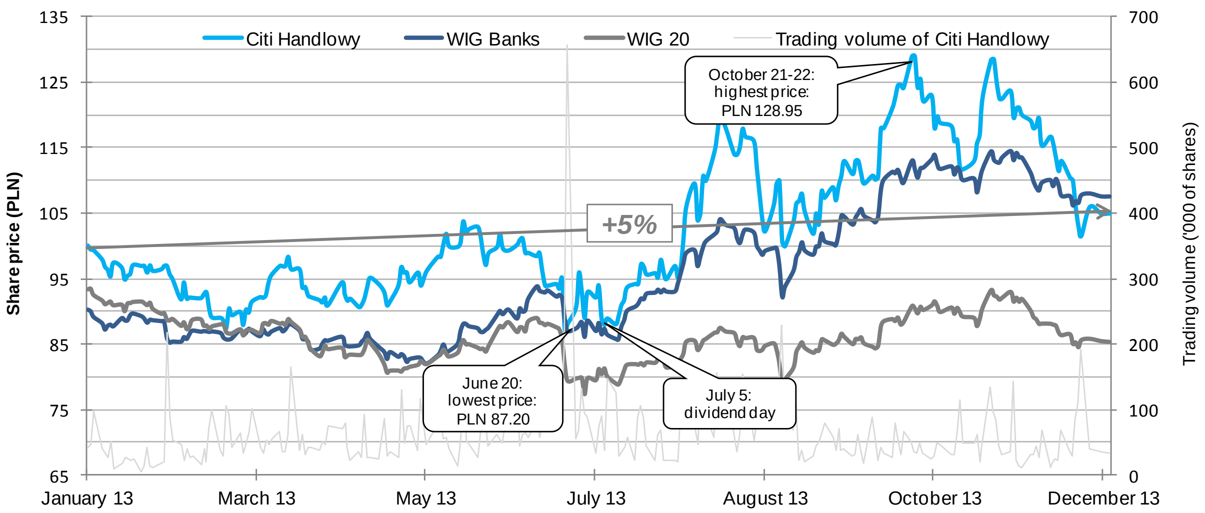
During the last session in 2013 (December 30, 2013), Citi Handlowy's price was PLN 105.0, i.e. above the level from December 28, 2012 (PLN 98.30) and January 2, 2013 (PLN 100.10) by 7% and 5%, respectively. The main WSE indices also went up in 2013, with WIG-20 as the only exception. The Bank' shares followed WIG and were a positive surprise compared to declining WIG-20. As compared to 2012 year end, WIG and WIG-Banks rose 8% and 21%, respectively, while WIG-20 declined by 7%.

Market capitalisation and share price of Citi Handlowy since its debut on the WSE
(end-of-period data)



The capitalization of the Bank at the end of 2013 stood at PLN 13.7 billion (compared to PLN 12.8 billion at the end 2012). The market price ratios were as follows: price to earnings (P/E) at 14.1 (13.2 in 2012); price to book value (P/BV) at 1.9 (vs. 1.7 in 2012).

The Bank's share price and trading volume in 2013 vs. WIG-Banks and WIG20 indices
(30 December 2013 = PLN 105.00)



After a relatively weak start of the year (when the Bank's shares were gradually falling until February 20, 2013), the Bank bounced back in the end of February to break PLN 100 in the beginning of May and finally reach PLN 103.80 on May 15. From that moment on, the trend reversed to a regular decline to 2013 low on June 20. Next, the Bank's shares returned on the path of growth to PLN 93.00 (at close on June 28).

In the second half of 2013, the price continued to rise, while setting consecutives highs in 2013, and reached the year's high on October 21-22 (PLN 128.95).

In 2013, the average price for the Bank's shares was PLN 102.28 and the average daily turnover of trade in the Bank's shares exceeded PLN 63,500.

2. Dividend

On June, 20, 2013, the Bank's Ordinary General Meeting decided to allocate 75.0% of the stand-alone net profit of 2012 for a dividend, which implies a dividend per share at PLN 5.79.

On 4 March 2014, the Management Board of the Bank adopted a resolution on the proposed distribution of net profit for the year 2013 and recommended to allocate 99.9% of the stand-alone net profit of 2013 for a dividend, which implies a dividend per share at PLN 7.15.

The table below shows a history of dividends since 1997, i.e., since the floatation of the Bank on the WSE.

Financial year	Dividend (PLN)	EPS (PLN)	Dividend per share (PLN)	Dividend pay-out ratio
1997	130,000,000	6.21	1.40	22.5%
1998	93,000,000	3.24	1.00	30.8%
1999	186,000,000	5.08	2.00	39.4%
2000	130,659,600	1.57	1.00	63.8%
2001	163,324,500	1.25	1.25	99.8%
2002	241,720,260	1.86	1.85	99.6%
2003	241,720,260	1.86	1.85	99.7%
2004	1,563,995,412	3.17	11.97	*)
2005	470,374,560	4.51	3.60	79.8%
2006	535,704,360	4.75	4.10	86.4%
2007	620,633,100	6.19	4.75	76.8%
2008**	-	4.94	-	-
2009	492,586,692	4.02	3.77	94.0%
2010	747,372,912	5.72	5.72	99.9%
2011	360,620,496	5.52	2.76	50.0%
2012	756,519,084	7.72	5.79	75.0%
2013***	934,216,140	7.15	7.15	99.9%

** Dividend-pay-out ratio for 2004 - 100% plus prior year profits*
*** On 18 June 2009, the Bank's Ordinary General Meeting decided to pay no dividend for 2008*
**** As recommended by the Management Board on March 4, 2014.*

3. Rating

The Bank has a full rating of the international rating agencies Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"). Moreover, Standard & Poor's gives the Bank a rating which is not commissioned by the Bank, on the basis of publicly available information.

In 2013, the ratings remained unchanged. The last change of Moody's rating took place on 22 June 2012, while Fitch affirmed ratings at the unchanged level on 29 April 2013.

As at the end of 2013, the Bank had the following ratings awarded by Moody's:

Rating for long-term deposits in the domestic currency	Baa3
Rating for long-term deposits in foreign currencies	Baa3
Rating for short-term deposits in the domestic currency	Prime-3
Rating for short-term deposits in foreign currencies	Prime-3
Financial strength	D+
Financial strength rating outlook	*Stable*
Long- term and short-term deposits in the domestic and foreign currency rating outlook	*Stable*

As at the end of 2013, the Bank had the following ratings awarded by Fitch:

Long–term IDR	A-
Outlook	Stable
Short-term IDR	F2

Viability rating (VR)*	bbb+
Support rating	1

** Viability rating represents Fitch's view as to the intrinsic creditworthiness of an issuer excluding any impact of external factors.*

The rating from Standard & Poor's (prepared on the basis of publicly available information) remained unchanged at BBBpi in 2013 (affirmed on 15 November 2013).

4. Investor relations

An integral element of the Bank's information policy, intended to cater to information needs of all persons and institutions interested in corporate information about the Company, are investor relations which provide information to the existing and potential investors as well as capital market analysts and rating agencies. In terms of investor relations, the main tools of the information policy are:

- systematic contacts with investors and analysts, in the form of teleconferences and meetings, also at the Bank's premises, attended by members of the Management Board of the Bank;
- support of the Press Office during quarterly press conferences for the media, organized after publication of interim reports;
- publishing current information on the Bank and its projects as well as all current and interim reports on the website. The website also makes it possible to contact the Investor Relations Team, which has a broad knowledge of the Bank and the Capital Group;
- enabling the media to be present at the General Meetings of the Bank.

As part of investor relations activities in 2013, five conferences were held for analysts and investors to present financial results and significant events and business achievements of the Bank. In December 2013, representatives of the Bank's Management Board and the Investor Relations Unit meet with analysts and investors in the just opened Smart outlet in Warsaw to present the concept of the Smart Banking Ecosystem.

In addition, members of the Bank's Management Board and representatives of the Investor Relations Unit participated in regular meetings with investors and analysts (at the Bank's office and investor conferences).

In 2013, Citi Handlowy was again a partner of the nation-wide educational program "Civic Shareholding. Know How to Invest" organized by the Ministry of the State Treasury for individual investors. The Bank supported educational initiatives under the program, for example it prepared two extras on investing that were published by the opinion-forming Polityka weekly magazine.

X. Statements of Bank Handlowy w Warszawie S.A. on its application of corporate governance rules in 2013

1. Corporate governance rules applied by Bank Handlowy w Warszawie S.A.

It is the priority of Bank Handlowy w Warszawie ("Bank", "Company") to become the most respected financial institution in Poland with a considerable focus on business and social responsibility. Since 2003, the Bank has complied with corporate governance rules approved by the Warsaw Stock Exchange ("WSE") as the Best Practices in Public Companies 2005 and, as of 1 January 2008 ("Best Practices"), available on www.corp-gov.gpw.pl, being the official website of the Warsaw Stock Exchange dedicated to corporate governance of companies listed on the WSE Main Market and NewConnect.

The key objective of the adoption of the corporate governance rules as a standard of the Bank has been to establish transparent relations among all corporate bodies and entities involved in the Company's operation as well as to ensure that the Company and its enterprise are managed properly, with due diligence and loyally with respect to all shareholders. The willingness to ensure transparency of the operation of Bank Handlowy w Warszawie S.A., including in particular the relations and processes among the Company's statutory bodies, led to the adoption by the Bank of the best practices as set forth in the Best Practices for WSE Listed Companies. The Bank continuously takes measures aimed at improving transparency in its organization, the division of powers and the functioning of its governing bodies and their mutual relations. These include the following:

– The Bank has published its financial statements in accordance with the International Financial Reporting Standards (IFRS) since 1 January 2005;
– The Supervisory Board includes independent members;

– The Audit Committee, composed of two independent members, including the independent Chairman of the Committee, has been established within the Bank's Supervisory Board;
– Remuneration of all members of the Company's governing bodies is commensurate with the company size and reflects the scope of duties and responsibilities;
– All significant internal regulations as well as information and documents relating to the Bank's General Meetings are available at the Bank's registered office and on its website.

2. Corporate governance rules set forth in the Best Practices for WSE Listed Companies which were not applied by the Bank in 2013

In 2013, the Bank did not comply with the following rules and recommendations:

(i) rule II.3 (applicable to the Management Board) and rule III.9 (applicable to the Supervisory Board) in respect of the Supervisory Board's approval of material transactions / agreements with related parties entered into as part of ongoing operations, in particular those related to liquidity management;

(ii) rule IV.10 (2) concerning bilateral communication in real time, under which shareholders may take the floor during the General Meeting from a location other than the venue of the General Meeting.

(iii) rule I 12 ensuring the shareholders the ability to perform either in person or by proxy their voting rights during the General Meeting from a location other than the venue of the General Meeting with the use of electronic communication means.

Ad (i) The Bank did not apply rules II.3 and III.9 of the Best Practices only with respect to agreements with related parties entered into as part of ongoing operations, in particular those related to liquidity management. Considering the nature and the number of transactions entered into as part of ongoing operations, it is not possible from the operational perspective to obtain the Supervisory Board's approval for their conclusion. Other agreements with related parties fulfilled the criteria of the material agreement in the meaning of the Bank's Statute.

Ad (ii) The Management Board of the Bank also decided that during the Ordinary General Meeting held in 2013 it would not apply rule IV.10 of the Best Practices concerning bilateral communication in real time, under which shareholders may take the floor during the General Meeting from a location other than the venue of the General Meeting. The said decision was taken on account of the risks of legal as well as organizational and technical nature related to providing shareholders not participating personally in the General Meeting with real-time bilateral communication with the use of electronic communication means, which may negatively impact the course of the General Meeting.

Ad (iii) The Bank believes that voting by means of remote communication at general meetings of shareholders (recommendation I.12 of the Best Practices) may raise some concerns and generates greater risk of irregularities in the course of GM. The current technology does not guarantee the full safety of remote voting, which may result in the decisions of the general shareholders meeting being declared null and void. The Bank considered potential technical problems which may occur during such a meeting, including problems with identification of shareholders participating online, selecting proper means of communication, risk of not meeting technical requirements by a shareholder, unpredicted transmission delays for shareholders from different time zones, communication problems beyond the Bank's control, including Internet connection problems in shareholder's region.

3. Internal control and risk management systems in the process of drawing up financial statements of the Bank

The financial statements of the Bank are drawn up by the Financial Reporting and Control Department, which is a separate organizational unit in the Financial Division in the Management and Support Sector, reporting directly to the Chief Financial Officer and Vice-President of the Management Board of the Bank.

The process of drawing up the financial statements is covered by the Bank's internal control system aimed at ensuring accuracy and fairness of the data shown in the Bank's financial statements. The internal control system includes identification and control of risks related to the process of drawing up the financial statements, monitoring of the Bank's compliance with legal provisions and internal regulations in this respect, as well as internal audit.

Functional internal control is exercised by every employee and additionally by their direct superiors, peers as well as managers of the Bank's organizational units with respect to the quality and correctness of the employees' performance of duties with the objective of ensuring compliance of such activities with the Bank's control procedures and mechanisms. Risk management is performed by means of internal mechanisms of risk identification, assessment, prevention, control, monitoring and reporting, executed and supervised by specialized organizational units. The internal control functions include a separate financial control function performed by a separate unit of the Financial Division. The Bank's financial control applies to the accounting policy and financial reporting. The quarterly Risk and Control Self-Assessment (RCSA) ensures an evaluation of control processes and represents a proactive, effective key risk management process, integrated with the process of drawing up the financial statements. The quarterly RCSA process is the Bank's fundamental tool used for monitoring the operational risk levels and changes in the financial reporting environment, identification of new threats, verification of the effectiveness of control mechanisms, and implementation of corrective action plans. Within identification, prevention, control, monitoring and reporting of operational risk exposure, Bank implemented efficient mechanisms ensuring the security of technology systems. The IT systems used in the process of drawing up the financial statements are covered by the Bank's COB plan.

The functional control system is supervised by the Bank's Management Board supported by the Risk and Capital Management Committee.

The Bank's internal audits are conducted by the Audit Department. The Audit Department is responsible for independent and objective assessment of the adequacy and effectiveness of the internal control system and assessment of the Bank's management system including effectiveness of the management of risks related to the activities of the Bank. The Audit Department performs internal controls, undertakes the assessment of activities executed by organizational units of the Bank, and performs audits in subsidiaries of the Bank as part of the Bank's supervision of risks related to the activity of the subsidiaries in terms of their compliance with internal regulations, applicable legal provisions and regulatory requirements, as well as effective and rational control mechanisms. The Audit Department is a separate organizational unit of the Bank, reporting directly to the Vice President of the Bank's Management Board, Head of the Management and Support Sector.

The Supervisory Board of the Bank exercises supervision over the internal control system and the operations of the Audit Department. The Supervisory Board performs its functions with the support of the Audit Committee, which, as part of the supervisory function and in cooperation with the Bank's Management Board and the statutory auditor, verifies the fairness of the financial statements as well as proper execution of the processes related to their preparation and submits recommendations regarding the approval of the annual and interim financial statements by the Bank's Supervisory Board.

The Head of the Audit Department provides the Management Board and the Audit Committee of the Supervisory Board with audit findings and, on a periodic basis at least once per year, provides the Supervisory Board with collective information on irregularities identified and conclusions drawn in the course of the internal audits performed as well as measures undertaken to eliminate the irregularities. The Head of the Audit Department has the right to participate in meetings of the Management Board and the Supervisory Boards at which issues related to the Bank's internal control are considered.

4. Significant shareholdings

The Bank's shareholder holding a significant block of the Bank's shares is Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., which holds 97,994,700 shares, representing 75% of the Bank's share capital. The number of votes corresponding to COIC's shareholding is 97,994,700, representing 75% of the total number of votes at the Bank's General Meeting.

All shares issued by the Bank are ordinary bearer shares which do not confer any special control privileges with respect to the Bank.

There are restrictions resulting from Article 25 of the Banking Act: an entity which intends to purchase or acquire, directly or indirectly, shares or rights attached to shares of a domestic bank in an amount that ensures reaching or exceeding the thresholds of 10%, 20%, one-third, 50% of the total number of votes at the General Meeting or of the share capital, respectively, is obliged to notify at each time the Polish Financial Supervision Authority of such intention to purchase of acquire. An entity which intends to become, directly or indirectly, a parent company of a domestic bank in a manner other than by purchasing or acquiring shares or rights attached to shares of a domestic bank in an amount that ensures a majority of the total number of votes at the General Meeting is obliged to notify at each time the Polish Financial

Supervision Authority of such intention. The Bank's Articles of Association do not provide for any other restrictions as regards the transfer of its shares.

5. Rules governing the appointment and dismissal of Members of the Management Board and their powers

The Management Board of the Bank is composed of five to nine members, including the President of the Management Board of the Company, Vice-Presidents of the Management Board of the Company, as well as Members of the Management Board. At least half of the members of the Management Board should be of Polish nationality. Each member of the Management Board is appointed by the Supervisory Board for an individual term of three years. The appointment of two members of the Bank's Management Board including the President requires the approval of the Polish Financial Supervision Authority.

The term of office of a member of the Management Board expires:

1) as of the date of the General Meeting which approves the Management Board's report on the activities of the Bank as well as the financial statements for the last full financial year of a Management Board member's term of office;
2) upon the death of a Management Board member;
3) as of the date of dismissal of a Management Board member;
4) as of the date of resignation submitted to the Chairman of the Supervisory Board in writing.

The Management Board decides, by way of resolutions, on the Company's matters not reserved by the applicable laws and the Articles of Association as a responsibility of another governing body, and in particular:

1) determines the strategy of the Company;
2) establishes and liquidates the Company's committees and determines their competences;
3) drafts the Regulations of the Management Board and submits them to the Supervisory Board for approval;
4) drafts regulations regarding the management of special funds created from the net profit and submits them to the Supervisory Board for approval;
5) determines dividend payment dates within the deadlines specified by the General Meeting;
6) appoints proxies, general attorneys and general attorneys with the right of substitution;
7) decides on matters specified in the Regulations of the Management Board;
8) resolves issues raised by the President, a Vice-President or a member of the Management Board;
9) takes independent decisions regarding acquisition and disposal of real properties, perpetual usufruct or interest in property;
10) adopts the Company's draft annual financial plan, accepts investment plans and reports on their implementation;
11) accepts reports on the activities of the Company as well as financial statements;
12) draws up motions regarding profit distribution or loss coverage methods;
13) approves the HR and credit policy as well as legal rules governing the Company's operation;
14) approves the principles governing the Company's capital management;
15) approves the employment structure;
16) determines the fundamental organizational structure of the Company, appoints and dismisses Sector Heads, appoints and dismisses Division Heads and determines the scope of their competence;
17) develops the plan of control measures undertaken in the Company and accepts reports on audits conducted;
18) resolves other issues subject to submission to the Supervisory Board or the General Meeting pursuant to the Articles of Association;
19) decides on contracting liabilities or managing assets whose total value with respect to one entity exceeds 5% of the Company's equity or grants authorizations to designated parties to take the

aforementioned decisions; however, with respect to issues for which the Company's Committees have responsibility, such decisions are made upon consultation with the competent Committee;

20) determines the organizational structure and the scope of responsibilities of the Audit Department, including mechanisms ensuring audit independence.

The Management Board is in charge of designing, implementing and ensuring proper functioning of the Company's management system. It develops, implements, approves and updates written strategies, procedures, plans and analyses, undertakes other measures in respect of the risk management, internal control and internal capital assessment system and reviews of the internal capital assessment and maintenance process. Members of the Management Board and heads of the organizational units specified in the Regulations of the Management Board are authorized to file motions to be considered by the Management Board with respect to matters within the competence of the aforementioned units.

The President of the Management Board:

1) manages the activities of the Management Board, including designation from among the Management Board members of a person performing the role of Deputy President in his/her absence, and determines the method of deputizing other Management Board members in their absence;
2) convenes and chairs meetings of the Management Board;
3) presents the position of the Management Board to the Company's governing bodies, state and local authorities as well as the general public;
4) files motions to the Supervisory Board regarding the appointment or dismissal of members of the Management Board as well as determination of their remuneration;
5) issues internal regulations governing the Company's operations and has the right to authorize the remaining members of the Management Board or other employees of the Company to issue such regulations;
6) decides on the use of internal audit results and notifies the audited unit of any decisions made with respect to the audit;
7) exercises other rights under the regulations adopted by the Supervisory Board.

The President of the Management Board has the right to assign to individual members of the Management Board as well as Division Heads particular responsibilities as specified above, except for those referred to in points (1) and (4).

6. Amendments to the Articles of Association

The General Meeting of the Bank is authorized to introduce amendments to the Bank's Articles of Association. Any changes to the Articles of Associations must be entered in the court register. Pursuant to Article 34.2 of the Banking Act of 29 August 1997, any amendments to the Bank's Articles of Association require approval of the Polish Financial Supervision Authority if they pertain to:

1) the Bank's name;
2) the Bank's registered office as well as the object and scope of its business activities;
3) the governing bodies and their powers, in particular those of members of the Management Board appointed upon the consent of the Polish Financial Supervision Authority, as well as the principles governing the decision-making process, the fundamental organizational structure of the Bank, principles for submitting declarations with respect to property rights and obligations, the procedure for issuing internal regulations and the decision-making process regarding contracting liabilities or disposal of assets whose total value with respect to one entity exceeds 5% of the Bank's equity;
4) the principles governing the internal control system;
5) equity and financial management principles;
6) share privilege or restrictions with respect to the voting right.

7. General Meeting procedure, description of its fundamental powers as well as shareholder rights and their exercise method

7.1 General Meeting procedure

The General Meeting of the Bank operates in accordance with the Regulations of the General Meeting, the Articles of Association as well as applicable laws. The Bank's General Meeting ("General Meeting") follows stable Regulations setting forth detailed principles for conducting meetings and adopting resolutions.

It is the Company's practice that the General Meeting is held at the registered office of the Company in Warsaw. The ordinary General Meeting is convened by the Management Board of the Bank. It should be held within the first six months after the end of each financial year. The Company's practice is to convene the Ordinary General Meeting no later than in the last week of June, before noon. The Supervisory Board has the right to convene an ordinary General Meeting if the Management Board fails to convene such meeting within the timeframe set in the Articles of Association and to convene an extraordinary General Meeting if the Supervisory Board considers it necessary. An extraordinary General Meeting is convened by the Management Board on its own initiative and at the request of a shareholder or shareholders representing at least one-twentieth of the share capital. A request for convening an extraordinary General Meeting should be submitted to the Management Board in writing or in an electronic form. If an extraordinary General Meeting is not convened within two weeks from submission of a request to the Management Board, the registration court may, by way of a decision, authorize the shareholder or shareholders who have made such request to convene the extraordinary General Meeting. The shareholder or shareholders authorized by the registration court should refer to the decision of the registration court mentioned in the previous sentence in the notice convening the extraordinary General Meeting. The chairman of such an extraordinary General Meeting is appointed by the registration court. An extraordinary General Meeting may also be convened by shareholders representing at least one half of the Bank's share capital or at least one half of the total number of votes in the Bank. The chairman of such a General Meeting is appointed by the shareholders. The General Meeting is convened by way of an announcement placed on the Bank's website and in the manner stipulated for the distribution of current filings by public companies, provided that such an announcement is made at least twenty six days before the scheduled date of the General Meeting. Shareholders who have the right to demand that a certain issue be included on the agenda of a General Meeting should, in order to exercise such right, submit a motion to the Bank's Management Board in writing or in an electronic form along with a justification and a draft resolution related to the proposed item on the agenda, no later than twenty one days before the date of the General Meeting. The Management Board will place the issue on the agenda of the next General Meeting immediately, no later than eighteen days before the scheduled date of the General Meeting. A General Meeting may be cancelled only if it has become expressly irrelevant or there are extraordinary obstacles preventing it. A General Meeting is cancelled, or its date is changed, in the same manner as it is convened, except that the twenty six day period is not applied. Cancellation or change of date of a General Meeting must be made in a manner minimizing the adverse effects for the Bank and the shareholders. The General Meeting can resolve not to consider an issue placed on its agenda and to change the order of issues included on the agenda. However, in order to remove an issue from the agenda or resolve not to consider an issue included on the agenda at shareholders' request, prior consent is required of all present shareholders who have made such a request supported by 80% of votes at the General Meeting. Motions concerning such matters should be justified in a detailed way.

A full text of the documentation to be presented at a General Meeting along with the draft resolutions (and, if a given case does not require passing of a resolution, along with comments of the Management Board) and other information with respect to a General Meeting is placed on the Bank's website as of the day of convening such a General Meeting. Materials to be used at the General Meeting are made available at the Bank's registered office at the time specified in the Bank's announcement convening the General Meeting. Notwithstanding the foregoing, the Bank fulfills all disclosure requirements related to convening of General Meetings imposed by the applicable laws.

The General Meeting is opened by the Chairman of the Supervisory Board and, in his/her absence, by the Vice-Chairman of the Supervisory Board or a member of the Supervisory Board. It is the Company's practice with respect to holding General Meetings that a Chairman of the Meeting is elected immediately after opening the Meeting. The General Meeting does not make any decisions prior to the election of the Chairman.

Through the party in charge of opening the General Meeting, the Bank's Management Board always provides the Chairman of the General Meeting with instructions for performing such a function in a manner ensuring compliance with generally applicable laws, corporate governance rules, the Articles of

Association as well as internal regulations of the Bank. Members of the Bank's Management Board and Supervisory Board as well as the statutory auditor of the Bank should participate in the General Meeting if it discusses financial issues.

The General Meeting votes in an open ballot. Secret ballot is applied with respect to elections and motions regarding dismissal of members of the Company's governing bodies or liquidators, holding them liable, as well as in personal matters. In addition, secret ballot must be ordered upon the motion of at least one shareholder present or represented at the General Meeting.

The General Meeting is valid irrespective of the number of shares represented at it, subject to specific circumstances defined by applicable laws. Resolutions are adopted by the General Meeting by an absolute majority of votes cast by the attendees, unless the applicable laws or the Articles of Association provide otherwise.

The Bank may organize the General Meeting in a manner allowing the shareholders to participate in the General Meeting using electronic communication means, in particular by way of:

1) real-time broadcast of the General Meeting;
2) two-way real-time communication enabling shareholders who use electronic communication means to speak during the General Meeting from a remote location;
3) exercising the voting right in person or through an attorney before or during the General Meeting.

The rules of shareholders' participation in the General Meeting and the procedures followed during the General Meeting, as well as the mode of communication between the shareholders and the Bank through electronic communication means, are set out in the Regulations of the General Meeting. The Regulations of the General Meeting may authorize the Bank to define means of communication between the shareholders and the Bank through electronic communication means other than those set out in the Regulations.

The Management Board will announce other means of communication in the announcement convening the General Meeting. Notwithstanding the foregoing, the Bank may broadcast the General Meeting online, record the Meeting and publish the record of the Meeting on the website of the Bank after the Meeting.

In practice, voting takes place through a computer system for casting and counting votes, which ensures that the number of votes cast corresponds to the number of shares held and eliminates the possibility to identify the votes cast by individual shareholders in the event of secret ballot.

The Chairman of the General Meeting should formulate resolutions in a manner ensuring that each authorized party who objects to the decision constituting the object of the resolution has an opportunity to appeal against it. The Chairman of the General Meeting is obliged to ensure that resolutions are drawn up in a clear and explicit manner. Additionally, the Management Board of the Company provides the Chairman with the potential assistance of the entity rendering legal services to the Company.

Resolutions adopted by the General Meeting are recorded in the form of minutes by a notary public. The minutes should state that the General Meeting has been properly convened and has the capacity to adopt resolutions, as well as list the resolutions adopted, the number of votes for each resolution as well as objections filed. The minutes should be supplemented with an attendance list, including signatures of the participants in the General Meeting. The evidence supporting the fact of convening the General Meeting should be enclosed by the Management Board in the book of minutes.

The Management Board encloses a copy of the minutes in the book of minutes.

General Meetings may be attended by the media.

7.2 Fundamental powers of the General Meeting

The General Meeting should be convened to:

1) examine and approve the Management Board's reports on the activities of the Company, its financial statements for the previous financial year as well as the consolidated financial statements of the Company's capital group;
2) adopt a resolution on profit distribution or loss coverage;
3) acknowledge the fulfillment of duties by the members of the governing bodies of the Company.

In addition to the powers set forth in mandatory provisions of law, the responsibilities of the General Meeting include:

1) disposing of and leasing the enterprise or its organized part and establishing a limited property right on the enterprise or its part;
2) amending the Articles of Association;
3) increasing or reducing the Company's' share capital;
4) determining the date of exercising the pre-emptive right with respect to new issue shares;
5) determining the date of dividend payment for the previous financial year as well as dividend payment deadlines;
6) creating and liquidating special funds from profit;
7) appointing and dismissing members of the Supervisory Board;
8) determining the amount of remuneration paid to members of the Supervisory Board;
9) business combination or liquidation of the Company;
10) appointing and dismissing liquidators;
11) redeeming the Company's shares;
12) using the supplementary and reserve capitals, including the reserve capital created for the purpose of collecting undistributed profit (not allocated to dividend paid in a given financial year), as well as the general risk fund.

The General Meeting decides upon profit distribution by determining the amount of allocations for:

1) supplementary capital created on an annual basis with allocations from profit in the amount of at least 8% of the profit generated in a given financial year until the capital amounts to at least one third of the share capital. The General Meeting has the right to adopt a resolution imposing the obligation to make further allocations;
2) reserve capital;
3) general risk fund;
4) dividend;
5) special purpose funds;
6) other purposes.

In the event of the Company's liquidation, upon the motion of the Supervisory Board, the General Meeting appoints one or more liquidators and determines the liquidation method.

7.3 Shareholders' rights and their exercise methods

The Company's shares are disposable bearer shares. The shareholders have the right to a share of the profit disclosed in the financial statements audited by the statutory auditor, which has been allocated to payment to the shareholders by the General Meeting. The profit is distributed proportionately to the number of shares.

The right to participate in the General Meeting of the Bank as a public company is vested exclusively in persons who are the Bank's shareholders at least sixteen days prior to the date of the General Meeting (Date of Registration of participation in a General Meeting). A shareholder participating in the General Meeting is entitled to vote, file motions and raise objections as well as present a concise statement of reasons for his/her position.

Draft resolutions proposed for adoption by the General Meeting as well as other important materials should be provided to the shareholders together with a statement of reasons and the opinion of the Supervisory Board prior to the General Meeting within a time limit sufficient for the shareholders to read and evaluate the above documents.

A shareholder has the right to participate in the General Meeting and exercise his/her voting right in person or through an attorney.

Each shareholder has the right to stand as a candidate for the Chairman of the General Meeting, as well as propose one candidate for the Chairman of the General Meeting to the minutes.

Under every point of the agenda, the shareholder is entitled to make a statement and a response.

On a shareholder's request, the Management Board is obliged to provide him/her with information on the Company, on condition that such a request is justified for the purpose of evaluating the issue included in the agenda. The Management Board should refuse access to information if such an action:

1) could be detrimental to the Company, its related party or subsidiary, in particular through the disclosure of technical, trade or organizational secrets of the enterprise;
2) could expose a member of the Management Board to criminal, civil or administrative liability.

In justified cases, the Management Board has the right to provide information in writing, not later than within 2 (two) weeks from the date of closing the General Meeting.

The governing bodies of the Company do not limit information but, at the same time, they comply with the provisions of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies, the Act on Trading in Financial Instruments, the Regulation on current and periodical reporting by issuers of securities and on the conditions under which the legally required information originating in a non-member state can be deemed equivalent thereof, as well as the provisions of the Code of Commercial Companies.

The General Meeting is valid irrespective of the number of shares represented at it, subject to specific circumstances defined by applicable laws. Resolutions are adopted by the General Meeting by the absolute majority of votes cast by the attendees, unless the applicable laws or the Articles of Association provide otherwise.

Each shareholder has the right to object to the provisions of a resolution adopted by the General Meeting as well as present his/her arguments and statement of reasons.

Each shareholder has the right to propose changes and supplements to draft resolutions included in the agenda of the General Meeting until the closing of the discussion regarding a particular item of the agenda with respect to the draft resolution to which the proposal applies. Proposals and their brief justifications should be presented in writing.

A shareholder may file a motion on a formal issue at the General Meeting. Motions on formal issues concern the procedure and voting.

The shareholders have the right to propose their candidates to the Bank's Supervisory Board in writing to the Chairman of the General Meeting or orally to be included in the minutes; in both cases, the proposals require a brief justification.

The shareholders have the right to access the book of minutes and request the issuance of copies of resolutions certified by the Management Board.

Shareholders who voted against a resolution at the General Meeting and, after its adoption, requested their objection to be recorded in the minutes; shareholders who have not been admitted to participate in the General Meeting for no legitimate reasons; and shareholders absent from the General Meeting shall have the right to file an action regarding cancellation of a resolution adopted by the General Meeting only in the event that the procedure for convening the General Meeting was not executed correctly or a resolution was adopted with respect to an issue not included in the agenda.

The shareholders have the right to file an action against the Company in order to cancel a resolution adopted by the General Meeting which does not comply with an applicable legal act.

The Company's shares may be redeemed upon the consent of a shareholder through their acquisition by the Company (voluntary redemption). Share redemption requires the adoption of a relevant resolution by the General Meeting. The resolution should determine in particular the legal basis for the redemption, the amount of consideration payable to the shareholder of the redeemed shares, or a statement of reasons for share redemption without a consideration, as well as the method of reducing the share capital.

The Bank ensures adequate protection of the minority shareholders' rights, within the limits imposed by its corporate status and the associated primacy of the majority rule principle. In particular, in order to ensure equitable treatment of all shareholders, the Bank adheres, among others, to the following practices:

- The General Meetings of the Bank always take place in the Bank's registered office in Warsaw;
- Presence of representatives of the media at the General Meetings is allowed;
- In accordance with the Bank's practice, all important materials prepared for the General Meeting, including draft resolutions with justifications and opinions of the Supervisory Board, are made available to the shareholders no later than 14 days before the date of the General Meeting, at the Bank's registered office and on the Bank's website;
- The General Meeting has stable Regulations setting forth detailed principles for conducting meetings and adoption of resolutions;

- Members of the Supervisory Board and the Management Board take part in the General Meeting in order to provide its participants with explanations and information about the Bank within the scope of their responsibilities;
- The General Meeting participants objecting to a resolution are offered an opportunity for brief presentation of the rationale of their objection. Moreover, each General Meeting participant can submit written statements to the meeting minutes.

8. Composition of and changes to the Management Board and the Supervisory Board of the Bank, rules of procedure of the Bank's managing and supervisory bodies

8.1 Management Board

The Management Board of the Bank is composed of five to nine members, including the President of the Management Board of the Company, Vice-Presidents of the Management Board of the Company as well as Members of the Management Board. At least half of the members of the Management Board should be of Polish nationality. Each member of the Management Board is appointed by the Supervisory Board for a term of three years.

As at the day of signing this Report on Activities, the composition of the Company's Management Board was as follows:

Member of the Management Board	Professional experience
Sławomir S. Sikora *President of the Management Board*	Mr. Sławomir S. Sikora is a graduate of the Warsaw School of Economics. In 1990-1994, he served in the Polish Ministry of Finance as the Head of the Banking System and Financial Institutions Department. In 1994-2001, he worked for Powszechny Bank Kredytowy S.A. (PBK) as Vice-President of the Management Board of PBK responsible for Corporate and Investment Banking. In 2001-2003, he was the President of the Management Board of AmerBank. Sławomir S. Sikora was appointed President of the Management Board of Bank Handlowy w Warszawie S.A. on 2 July 2003. He is the Head of Corporate Bank. Since March 2005, he has been holding the office of Chief Executive Officer and Citigroup Country Officer, and has been responsible for overall operations of Citigroup in Poland. He is also a member of the Supervisory Board of the Polish Bank Association and the Management Board of the Confederation of Employers Leviathan.
Brendan Carney *Vice-President of the Management Board*	Brendan Carney was born in the USA. He is a graduate of Economics at the University of Michigan and Wharton School at the University of Pennsylvania. Brendan Carney joined Citi Belgium in March 2010, where he was Head of Consumer Banking. In February 2011, he also took the position of Chief Country Officer for Belgium. In his new role, he was responsible for all Citi operations in Belgium, including Consumer and Institutional Banking. He began his career in Citi in 2002, in Portugal, when he was managing the consumer banking area. Brendan Carney serves as Vice-President of the Management Board of Bank Handlowy w Warszawie SA as of May 21, 2012. He is the Head of the Consumer Bank.
Barbara Sobala *Vice-President of the Management Board*	Ms. Barbara Sobala has a university degree. She graduated from the Cracow University of Economics. She has extensive (over twenty years) experience in banking, especially in risk management and corporate restructuring. She joined Bank Handlowy in 2005 as Head of IRM. Since 2012 she has been the Head of Risk for the Institutional and Corporate Bank. She is the Chairperson of the Risk and Capital Management Committee, Vice Chairperson of the Equity Investments Committee and a member of the Assets and Liabilities Management Committee (ALCO) in the Bank. Before joining Bank Handlowy's team, she served 13 years for Bank BPH where she held various roles including Head of the Restructuring Department Head. She was also a member of the Bank's Credit Committee. Ms. Barbara Sobala serves as Vice-President of the Management Board of the Bank as of October 15, 2013. She is the Head of the Risk

Member of the Management Board	Professional experience
	Management Sector of the Bank.
Misbah Ur-Rahman-Shah *Vice-President of the Management Board*	Mr. Misbah Ur-Rahman-Shah holds a degree in Commerce from Government College of Commerce and Economics Karachi. He has been with the Polish banking business since 1992, when he became Head of Treasury of Citibank (Poland) S.A. In 1996-1998, he was the Head of Strategy & Management Processes for CEECA. His main responsibilities included strategy implementation in the Corporate Bank. In 1998-2002, as Member of the Management Board of Saudi American Bank (SAMBA), U.K., he was responsible for the treasury business. In 2002-2004, he managed the Sales & Trading Business in Central and Eastern Europe, Russia and CIS. On 12 September 2008, he was appointed Member of the Supervisory Board of Dom Maklerski Banku Handlowego w Warszawie S.A. and then, in 2011, the Chairman of the Supervisory Board. Since 2004, he has been the Head of the Treasury Division of Bank Handlowy w Warszawie S.A. and currently also the Head of Market Business for Central and Eastern Europe. Misbah Ur-Rahman-Shah was appointed Vice-President of the Management Board of the Bank on 15 March 2011. On December 17, 2013 the Bank received information that due to personal reasons Mr. Misbah Ur-Rahman-Shah, will not seek re-election for another term. Mr. Misbah Ur-Rahman-Shah's current 3-year term as Vice-President of the Management Board expires on March 15, 2014.
Witold Zieliński *Vice-President of the Management Board*	Mr. Witold Zieliński holds a master's degree and completed post-graduate studies in International Law at the University of Warsaw. He started his career in 1980 in Bank Handlowy w Warszawie S.A. in the Southern European Department in the Foreign Loans Division. In 1986-1990, he worked for the Polish Commercial Office in New York. In 1991, Witold Zieliński joined Citibank (Poland) S.A. In 1992-1995, he was a Member of the Management Board, then he worked for Citibank N.A. London Branch, where he was responsible for the sales of global products and customer risk assessment in Southern and Eastern European markets. In 1998, he set up a representative office of Citibank NA in Kiev and then established a fully licensed Citibank Ukraine, which he ran as President of the Management Board until the end of 2003. In 2004-2005, he was the President of the Management Board of Citibank Romania. Witold Zieliński was appointed Vice-President of the Management Board of Bank Handlowy w Warszawie S.A. on 1 January 2006. He is also the Chief Financial Officer and Head of the Management and Support Sector.
Iwona Dudzińska *Member of the Management Board*	Ms. Iwona Dudzińska holds an MA in Economics and is a senior executive with 15 years' experience in management of strategic projects and complex operation and technology processes. She has been with Citigroup since 1999, first as Senior Branch Operations Officer Citibank (Poland) S.A. responsible for management of documentary operations, local and foreign clearing, money market operations and the bank's administrative functions. She was also in charge of the Corporate Clients Department. In 2001-2004, she managed the Centralized Operations Division of the Corporate and Investment Bank. From April 2004 to July 2008, as the Managing Director, she was the Head of Operations and Technology of the Corporate and Investment Bank. As the Head of Operations and Technology Sub-Sector, she was responsible for all operation and technology activities in the Bank since July 2008. Iwona Dudzińska was appointed Member of the Management Board of Bank Handlowy w Warszawie S.A. on 18 September 2009 for a three-year term of office. She is also the Head of Operations and Technology Sub-Sector.

In 2013, the Management Board also included Mr. Robert Daniel Massey Jr., Vice-President of the Management Board, whose mandate expired on June 20, 2013.

The Management Board of the Company operates on the basis of generally applicable regulations, the Company's Articles of Association as well as the Regulations of the Management Board.

The Regulations of the Management Board of the Bank set forth the scope, rules of procedure of the Management Board as well as the procedure for the adoption of resolutions.

The President of the Management Board convenes and chairs meetings of the Management Board and may also determine fixed meeting dates.

The Corporate Services Office in the Corporate Communication and Marketing Department ("Corporate Services Office") provides organizational support to the Management Board.

The attendance of members of the Management Board at its meetings is obligatory. Absence must be excused. In addition to members of the Management Board, meetings may be attended by:

1) Division Heads;
2) Corporate Services Office Head or a designated person;
3) Compliance Head;
4) Legal Division Head.

The Head of the Audit Department may participate in meetings of the Management Board at which issues related to the Company's internal control are considered. Upon the motion of members of the Management Board, meetings may be attended by the Company's employees or third parties competent with respect to a particular matter. The chairman of the meeting may decide upon a debate without the participation of parties not being members of the Management Board.

For resolutions adopted by the Management Board to be valid, the presence of at least half of the members at the meeting is required. Resolutions by the Management Board are adopted by the absolute majority of votes.

The Management Board adopts resolutions by voting in an open ballot. The chairman of the meeting may order a secret ballot on his/her own initiative or upon a motion of a member of the Management Board. A resolution of the Management Board enters into force as of the date of its adoption, unless a different adoption date is specified therein.

In justified cases, resolutions may be adopted by the Management Board in a circular procedure pursuant to a decision of the President of the Management Board or the Deputy President. A resolution may be adopted in a circular procedure provided that all members of the Management Board are notified of its adoption. A resolution adopted in a circular procedure constitutes an appendix to the minutes from the first meeting of the Management Board following its adoption.

Minutes are taken from Management Board meetings, which is a responsibility of the Corporate Services Office. Minutes of Management Board meetings should include:

1) the agenda;
2) the first and last names of attendees;
3) information on excused absence or reasons for the absence of members of the Management Board from a meeting;
4) texts of resolutions adopted;
5) the number of votes cast for a particular resolution and dissenting opinions;
6) the name of the entity or organizational unit or the first and last name of the person in charge of implementation of the resolution; and
7) resolution implementation deadline.

The minutes are signed by all members of the Management Board attending the meeting, immediately after they have received the document.

The Management Board provides the Supervisory Board with the following financial information:

1) upon preparation, but not later than 30 (thirty) days from each month-end, monthly and periodical (covering the period from the beginning of the year to the end of the preceding month) financial information, compared with the budget adopted in the annual plan and in relation to the previous year;
2) immediately upon preparation, but not later than 120 (one hundred and twenty) days after each financial year-end, annual individual and consolidated financial statements drawn up in accordance with the International Financial Reporting Standards and audited by the Company's statutory auditor;
3) immediately upon preparation but in each case not later than by the end of each year, the draft annual plan for the following financial year; and
4) immediately, other available financial data related to the Company's operations and financial position as well as the operations and the financial position of the Company's subsidiaries, which may be reasonably requested by a member of the Supervisory Board.

8.2 Supervisory Board

The Supervisory Board of the Company is composed of five to twelve members, each of whom is appointed by the General Meeting for a term of three years. In accordance with Article 14.2 of the Articles of Association, the Extraordinary General Meeting of the Bank determined in Resolution No. 6 of 5 December 2006 that the minimum number of members of the Supervisory Board is 8. At least half of the members of the Supervisory Board should be of Polish nationality. The Supervisory Board includes independent members.

As at the day of signing this Report on Activities, the composition of the Company's Supervisory Board was as follows:

Member of the Supervisory Board	Professional experience
Andrzej Olechowski *Chairman of the Supervisory Board*	Mr. Andrzej Olechowski holds a Ph.D. in Economics. Andrzej Olechowski is a member of the Board of Directors of Euronet and of Advisory Committees of Citigroup Europe and Macquarie European Infrastructure Fund. Previously, he was the Minister of Finance and the Minister of Foreign Affairs of the Republic of Poland. He was also a candidate for the office of the President of the Republic of Poland. He is a member of a number of non-governmental organizations, among others, the Chairman of the Polish Group of the Trilateral Commission. He is the author of numerous publications on international trade and foreign policy. Dr. Olechowski is a Professor at the Vistula University. In the years 1991-1996 and 1998-2000 Andrzej Olechowski served as Chairman of the Supervisory Board of Bank Handlowy w Warszawie S.A. He was reappointed to the Supervisory Board on 25 June 2003. He serves as Chairman of the Supervisory Board since 23 July 2012.
Shirish Apte *Vice-Chairman of the Supervisory Board*	Mr. Shirish Apte is Chairman, Banking for Citi Asia Pacific. He is a member of Citi Business Development Committee and the Senior Advisory Group. Mr. Apte took on his current role in January 2012 after serving as CEO for Citi Asia Pacific. Previously, Mr. Apte was CEO of Citi's Central & Eastern Europe Region and, prior to that he was CEO for Central & Eastern Europe, Middle East and Africa (CEEMEA), Citi Markets and Banking. Mr. Apte has more than 30 years' experience with Citi, starting as Relationship Manager with Citibank India. He held various assignments in Corporate Banking, Risk Management and Corporate Finance Investment Banking before becoming Markets & Banking Head in India. Mr. Apte moved to London in 1993 as senior Risk Manager for the group before becoming Corporate Finance Head for CEEMEA, including India. In 1997, he moved to Poland as Country Manager for Citibank Poland and Vice-President of the Management Board of Bank Handlowy w Warszawie S.A. Shirish Apte played a key role in the acquisition of Bank Handlowy by Citigroup in 2000. Shirish Apte is a Chartered Accountant from the Institute of Chartered Accountants in England and has an MBA from London Business School. He is Citi's Senior Statesman at the London Business School. Shirish Apte has been the Vice-Chairman of the Supervisory Board of Bank Handlowy w Warszawie SA. since 25 June 2003.
Adnan Omar Ahmed *Member of the Supervisory Board*	Mr. Adnan Omar Ahmed is a Managing Director, Head of Human Resources for Europe, Middle East and Africa (EMEA), and Global Head of Citi Shared Services in Citi Employee Services. Adnan Omar Ahmed joined Citi in July 2010 and is based in London. Prior to joining Citi, he spent a seventeen year career at Morgan Stanley. After the first two years in New York, Adnan spent the rest of his career in Asia, holding various senior positions including Head of Human Resources / Chief Talent Officer, and Chief Administrative Officer. In the latter role, he had responsibility for the development and execution of cross-divisional strategy and direct accountability for regional infrastructure and support functions, including Finance, Human Resources, Information Technology, Operations, Shared Services, Marketing and Communications, Corporate Services, and Operational Risk. His experiences include Start-Ups, Joint Ventures (China and India) and advising clients, including Corporates and Sovereign Wealth Funds, on their infrastructure, platform, and growth strategies. Before joining Morgan Stanley, Adnan Omar Ahmed worked at Mitsubishi UFJ Financial group in New York in Corporate Finance, Operations, Credit and Human Resources. Adnan has taught international management

Member of the Supervisory Board	Professional experience
	courses and lectured at educational institutions including INSEAD and the Hong Kong University. He has also been active in various non-profit organizations, including as a Board Member of the American Chamber of Commerce in Hong Kong, where he co-led a key initiative on Board Governance, and the English Schools Foundation (Hong Kong). He currently serves as a Board member of Temasek Management Services, a wholly owned subsidiary of Temasek Holdings. Adnan received his MBA degree from the A.B. Freeman School of Business at Tulane University (1990), and holds degrees in BSc Computer Science (Magna Cum Laude, 1988) and BA International Relations (Cum Laude, 1988), also from Tulane. He has been a Member of the Supervisory Board of Bank Handlowy w Warszawie SA since 21 June 2012.
Igor Chalupec *Member of the Supervisory Board*	Mr. Igor Chalupec is Executive Partner and President of the Management Board of ICENTIS Sp. z o.o. Corporate Solutions S. K-A and ICENTIS Capital Sp. z o.o. Graduate of the Faculty of Foreign Trade at the Warsaw School of Economics (formerly the Main School of Planning and Statistics) and the Faculty of Law and Administration at the Warsaw University. Licensed broker of securities. In 1991-1995, he was a founder and then manager of Centralne Biuro Maklerskie Banku Pekao SA, currently CDM Pekao SA. In 1995-2000, a Member and then, until 2003, Vice-President of the Management Board of Pekao SA (UniCredit Group) responsible for corporate and investment banking, treasury and custody services as well as asset management. In 2003-2004, Under-Secretary of State in the Ministry of Finance responsible for European affairs, financial markets and financial information. Vice-Chairperson of the Commission for Insurance and Bank Supervision (2003-2004). Author of the Warsaw City 2010 Agenda, the government's capital market development strategy. From October 2004 to January 2007, President of the Management Board and CEO of Polski Koncern Naftowy ORLEN, the biggest Polish company and, after the acquisition of the Lithuanian refinery Mazeikui Nafta in 2006, the biggest fuel company in Central Europe. Member of many Supervisory Boards, including the Warsaw Stock Exchange (1995-2003), Unipetrol, a.s. (2005-2007). Currently a member of the Supervisory Boards of PZU Życie SA and Budimex SA. Member of the Program Council of the Economic Forum in Krynica. Winner of many rewards and distinctions, including the Lesław A. Paga Award for setting modern standards in the Polish economy, the Hermes Award for outstanding contribution to the reconstruction of the Polish capital market and the Vector Award made by the Confederation of Polish Employers. Igor Chalupec has been a Member of the Supervisory Board of Bank Handlowy w Warszawie SA since 18 June 2009.
Mirosław Gryszka *Member of the Supervisory Board*	Mr. Mirosław Gryszka is a graduate of the Gdańsk Technical University. Since 1990, he has held managerial positions in Asea Brown Boveri Group. In the years 1997-2013 he has been the President of ABB Sp. z o.o. and Country Manager of ABB Group in Poland. Since September 2013 he is Director of Subregion "Baltic Countries, Russia, Central Asia Countries and Caucasus of ABB Group. Mirosław Gryszka has been a Member of the Supervisory Board of Bank Handlowy w Warszawie SA since 30 June 2000.
Marc Luet *Member of the Supervisory Board*	Mr. Marc Luet is the Chief Executive Officer of Consumer for Europe, Middle East and Africa (EMEA). He assumed this role in June 2010, and he is responsible for expanding the bank's leading presence in EMEA's developing markets. He oversees Citi's retail banking, wealth management and credit cards businesses and the strategy to offer high value products, superior service and cutting edge mobile and internet banking solutions to urban customers across the region. In 2008-2010, Marc Luet was VISA President for CEMEA, where he was responsible for Strategy, Marketing, Sales, Finance, Legal, Corporate Communications, and Regulatory Affairs for the region. He was also a member of the Operating Committee of Visa Inc. Before joining Visa, Marc Luet was CEO of Consumer Finance & Retail International at Fortis Group (2005-2008), CEO at Egg France (2002-2005) and Consumer Business Manager for Hungary and Belgium at Citigroup (1990-2002). Marc Luet is a graduate of the Institut d'Etudes Politiques de Paris, holds BSc in Economics from the Panthéon Sorbonne University and MBA from the Tuck School of Business Administration at Dartmouth College.

Member of the Supervisory Board	Professional experience
	Marc Luet has been a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 1 June 2011.
Frank Mannion *Member of the Supervisory Board*	Mr. Frank Mannion is the Citi Chief Financial Officer for Europe, the Middle East and Africa (EMEA), with responsibility for over 1,000 staff across the Region. He assumed this position in January 2011. Mr. Mannion began his career in Ireland before moving to join PricewaterhouseCoopers in London. Mr. Mannion joined Citi in the UK in 1989 in the Planning and Analysis team. He has held various Finance roles, including Technology Finance Manager and Head of CMB EMEA Product Control. He served as CMB EMEA Regional Controller, responsible for Product Control, Controllers and Regulatory Reporting and subsequently in March 2008 he was appointed the Citi Regional Franchise Controller for EMEA with responsibility for over 800 people covering all the businesses. Mr. Frank Mannion has a Commerce Degree from the National University of Ireland - Galway and is a Chartered Accountant. He lives in London with his family. Frank Mannion has been a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 28 June 2010.
Dariusz Mioduski *Member of the Supervisory Board*	Chief Executive Officer and President of the Management Board of Kulczyk Investments S.A. and Kulczyk Holding S.A., an international investment group, focused on the creation of deals and investment opportunities in global emerging markets, particularly in the areas of energy, mineral resources and infrastructure. He has extensive transactional and regulatory experience, particularly in the areas of privatizations, mergers and acquisitions and project finance in power, infrastructure, oil and gas sectors. Prior to becoming the CEO of Kulczyk Investments in 2007, Mr. Mioduski was the Executive Partner at CMS Cameron McKenna responsible for energy and infrastructure practice in Poland. He spent four years in the New York and Warsaw offices of White & Case LLP and before that was with Vinson & Elkins LLP in Houston He is a member of the Board of the Central Europe Energy Partners Association, the Vice President of the Harvard Club of Poland and the Vice President of the Polish Business Roundtable. He is also a member of the Polish Chapter of the Young Presidents' Organization. Mr. Mioduski is also a member of the Board of Directors of several public and non-public companies including Kulczyk Oil Ventures Inc., Autostrada Wielkopolska S.A., Aurelian Oil & Gas Corp. and KI Energy S.a r.l. Dariusz Mioduski holds Juris Doctor degree (1990) from Harvard Law School and Bachelor of Arts degree (1987) from the University of St. Thomas in Houston. Dariusz Mioduski has been a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 12 September 2011.
Anna Rulkiewicz *Member of the Supervisory Board*	Ms. Anna Rulkiewicz is a graduate of the Faculty of Humanities at the Nicolaus Copernicus University in Toruń. At the same time she graduated from the Faculty of Psychology at the University of Hamburg. Ms. Anna Rulkiewicz also completed postgraduate studies at the Polish-French Insurance Institute (operating within the French Institute), and a series of training courses in the field of management, sales, communication, marketing (including 3-year managerial studies), organized under the LIMRA certified insurance program "Marketing Strategies for Executive Advancement" (LIMRA Executive Development Group). She also completed several other management, sales, finance, marketing and banking courses. Ms. Anna Rulkiewicz works in LUX MED Sp. z o.o. Initially, she was a Member of the Management Board and Sales and Marketing Director. Since 2007 she has been the President of the Management Board of LUX MED Group. Since the end of 2011, she has also been the Managing Director of LMG Försäkrings AB, which operates in Poland under the brand - LUX MED Insurance. She is also the President of the Association of Private Employers of Medicine. Her professional experience also includes a period with Credit Suisse Life & Pensions Towarzystwo Ubezpieczeń na Życie (2001-2002), where she was responsible for the management of the Sales and Marketing Department. At Powszechne Towarzystwo Emerytalne / Winterthur she supervised the Internal Sales, External Sales, Group Life Insurance, and Marketing and

Member of the Supervisory Board	Professional experience
	Communications Departments. Between 1998 and 2001 she worked for Zurich Towarzystwo Ubezpieczeń na Życie S.A. and Zurich Powszechne Towarzystwo Emerytalne S.A. as Group Insurance and Training Director responsible for, among others, the group insurance segment, including the development of services, the recruitment system and the management of trainings. After her appointment as Corporate Customer Unit Director and Member of the Management Board of Zurich Towarzystwo Ubezpieczeń na Życie S.A., Ms. Rulkiewicz was responsible for small business and corporate segments. Between 1995 and 1998 she worked in Commercial Union Towarzystwo Ubezpieczeń na Życie S.A., where her most recent responsibilities included development of individual and group insurance sales in the area of bancassurance. She is a member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 20 June 2013.
Stanisław Sołtysiński *Member of the Supervisory Board*	Mr. Stanisław Sołtysiński, Professor of Law. Stanisław Sołtysiński is engaged in scientific activities as a law professor at the Adam Mickiewicz University in Poznań (where he also held the position of Dean of the Faculty of Law and Administration) and a recurring visiting professor at the University of Pennsylvania Law School in Philadelphia, the College of Europe in Bruges, the Max Planck Institute in Munich and the International Law Academy in the Hague. He is a member of many scientific associations and organizations. Among others, he is a correspondent member of the Polish Academy of Learning and a member of the Board of Directors of UNIDROIT. He is a co-author of the Commercial Companies Code. Professor Sołtysiński is also in private law practice as a partner in the law firm Sołtysiński, Kawecki i Szlęzak - Legal Advisors. Professor Sołtysiński was appointed to the Supervisory Board of Bank Handlowy w Warszawie S.A. on 26 March 1997 and was the Chairman of the Supervisory Board from 30 June 2000 to 20 June 2012. He is a member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 21 June 2012.
Zdenek Turek *Member of the Supervisory Board*	Mr. Zdenek Turek is currently responsible for the performance of all of Citi's businesses in Russia, the Czech Republic, Hungary, Romania, Slovakia, Bulgaria, Kazakhstan and Ukraine. He is based in Moscow. Citi provides a broad range of services including consumer, securities and markets and corporate and investment banking across the CEE region, one of Citi's top priority markets globally. Prior to his current role, between 2005 and 2008, Zdenek Turek was Citi Country Officer for Citibank South Africa and Division head for Africa, a region with 16 countries of Citi's presence. From 2002 to 2005, Zdenek Turek was the Citi Country Manager for Hungary, also managing the Central European cluster of 5 countries (Hungary, Czech Republic, Romania, Slovakia and Bulgaria). Zdenek Turek joined Citi in 1991 in Prague where he held a number of Corporate Bank and Corporate Finance management roles before moving to Citi Romania in 1998 as Head of Citi in Romania. Prior to joining Citi, Zdenek Turek was a member of the Foreign Exchange Department of the Czechoslovak Central Bank focusing mainly on Export/Import and Business sectors (1986-1990). He then joined A.I.C., an Austrian Management Consulting firm as Deputy Head of Representative Office, Prague responsible for corporate advisory focusing on restructuring and financial recovery of industrial companies. Zdenek Turek was born in Kolin, Czech Republic. He graduated with an MA in Finance and Banking from the University of Economics, Prague in 1986, an Advanced Management Development Program from Wharton University in 1997 and an MBA from INSEAD in 2010. Zdenek Turek is a member of the American Chamber of Commerce Board in Russia. He is a member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 21 June 2012.
Stephen R. Volk *Member of the Supervisory Board*	Mr. Stephen R. Volk holds the function of Vice Chairman of Citigroup Inc. and is responsible for Citigroup Senior Management matters as well as Investment Banking. He is also a member of the Citigroup Executive Committee. Before joining Citigroup in September 2004, Mr. Volk held the function of

Member of the Supervisory Board	Professional experience
	Chairman of Credit Suisse First Boston, where he worked together with the CEO on the company strategic management and client key matters. His professional experience with Credit Suisse First Boston began in August 2001 and before that he worked for Shearman & Sterling, a New York-based law firm, where he had been Senior Partner since 1991. During his career in Shearman & Sterling, Mr. Volk acted as legal counsel to a number of corporations including Citicorp. The firm provided advisory services for Citicorp within a wide range of fields including restructuring of the Citigroup debt portfolio in Latin America. Among some important transactions carried out with substantial participation of Mr. Volk were the following: mergers of Glaxo and SmithKlein, Viacom-Paramount, Viacom-CBS and Vivendi-Universal-NBC. He joined Shearman & Sterling in 1960 after graduating from Dartmouth College and Harvard Law School and became a Partner of this company in 1968. Mr. Volk is a Director of Continental Grain Company and a former Director of Consolidated Edison, Inc. as well as Trizec Hahn Properties. He is also a member of the Council on Foreign Relations, the Dean's Advisory Board of Harvard Law School and a fellow of the American Bar Foundation. Stephen R. Volk has been a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A. since 20 November 2009.

In 2013, the Supervisory Board also included Professor Krzysztof Opolski who resigned as of 28 June 2013.

The Supervisory Board of the Company operates on the basis of generally applicable regulations, the Company's Articles of Association as well as the Regulations of the Supervisory Board of Bank Handlowy w Warszawie S.A.

Apart from the rights and responsibilities stipulated in the applicable laws, the powers of the Supervisory Board include:

1) appointment and dismissal of the President of the Management Board of the Company in a secret ballot;
2) appointment and dismissal of Vice-Presidents and other members of the Company's Management Board in a secret ballot upon the motion of the President of the Management Board;
3) determination of the terms and conditions of employment contracts or other legal relationships between members of the Management Board and the Company;
4) granting consent to opening or closing of foreign branches;
5) adoption of the Regulations of the Supervisory Board as well as the approval of:
   a) Regulations of the Management Board of the Company;
   b) regulations for management of special funds created from the net profit;

   as adopted by the Management Board of the Company;
6) granting prior consent to undertaking measures with respect to management of the Company's fixed assets whose value exceeds 1/10 of the Company's share capital;
7) appointing of the entity authorized to audit financial statements to audit or review the financial statements;
8) granting consent to employment and dismissal of the Head of the Audit Department upon the motion of the Management Board and supervision over operations of the Audit Department;
9) any benefits provided by the Company and its related parties to members of the Management Board as well as granting consent to entering into a material agreement by the Company or its subsidiary with the Company's related party, member of the Supervisory Board or the Management Board as well as their related parties;
10) supervision over implementation and monitoring of the Bank's management system, including in particular supervision over compliance risk management, as well as evaluation, at least once a year, of the adequacy and effectiveness of this system;
11) approval of the Bank's operational strategy and the principles of prudent and stable management of the Bank;

12) approval of the fundamental organizational structure of the Bank, adjusted to the size and profile of incurred risk and determined by the Bank's Management Board;
13) acceptance of the general level of the Bank's risk;
14) approval of the principles of the Bank's compliance risk policy;
15) approval of the Bank's internal procedures concerning internal capital assessment, capital management and capital planning processes;
16) approval of the Bank's information policy;
17) approval of the internal control procedure;
18) approval of the general rules of the policy governing the variable components of remuneration for persons in managerial positions and performing periodic reviews of those rules;
19) approval of the policy governing the variable components of remuneration for persons in managerial positions in the Bank;
20) approval of the list of managerial positions in the Bank which have a significant impact on the risk profile in the Bank.

Additionally, the Supervisory Board is responsible for suspending individual or all members of the Management Board for material reasons as well as delegating members of the Supervisory Board to temporarily (for a period not exceeding three months) act in the capacity of members of the Management Board who have been dismissed, submitted a statement of resignation or are incapable of performing their duties for any other reasons.

Members of the Supervisory Board perform their duties in person. The Supervisory Board performs its duties collectively; each member of the Supervisory Board has the right to be provided by the Management Board with information required for due performance of their duties. Meetings of the Supervisory Board are held at least once a quarter. Such meetings are convened by Chairman of the Supervisory Board and, in his/her absence, by one of Vice-Chairmen of the Supervisory Board on their own initiative, upon the motion of a member of the Supervisory Board or upon the motion of the Management Board of the Company. The Chairman of the Supervisory Board may determine fixed dates of the Supervisory Board's meetings. Notices convening such meetings, including the agenda and materials to be debated upon, are distributed by the Secretary of the Supervisory Board to members of the Supervisory Board at least 7 (seven) days prior to the date of the meeting.

The Supervisory Board meets on the date of the General Meeting which approves the Management Board's report on the activities of the Company as well as the financial statements for the last full financial year of performing the function of member of the Management Board in which the terms of office expire, for the purpose of electing new members of the Management Board of the Company.

On an annual basis, the Supervisory Board adopts a resolution regarding the report on the activities prepared by the Supervisory Board, presenting the Supervisory Board's evaluation of the Company's position, evaluation of the Supervisory Board's activities, evaluation of the internal control system and the significant risk management system, as well as the results of the evaluation of the financial statements of the Company, including proposals of the Management Board as to profit distribution. The above document is submitted by the Supervisory Board to the General Meeting for approval.

Members of the Supervisory Board may participate in the adoption of resolutions by casting their vote in writing or through another member of the Supervisory Board. The Supervisory Board may adopt resolutions in a circular procedure or via telecommunication means.

Meetings of the Supervisory Board are chaired by the Chairman of the Supervisory Board and, in his/her absence, by one of the Vice-Chairmen of the Supervisory Board. If both the Chairman and Vice-Chairman are absent, the meeting is chaired by a member of the Supervisory Board elected by the remaining members.

For resolutions adopted by the Supervisory Board to be valid, the presence of at least half of the members at the meeting is required. Resolutions of the Supervisory Board are adopted by the absolute majority of votes. Without the consent of the majority of independent members of the Supervisory Board, no resolutions should be adopted with respect to:

1) any benefits provided by the Company or its related parties to members of the Management Board;

2) granting consent to entering into a material agreement by the Company or its subsidiary and the Company's related party, member of the Supervisory Board or the Management Board or their related parties;
3) appointment of the statutory auditor responsible for auditing the financial statements of the Company.

Each member of the Supervisory Board is obliged to immediately inform the remaining members of a conflict of interests and refrain from taking part in the discussion as well as voting on a resolution with respect to which a conflict has arisen.

The Supervisory Board adopts resolutions in an open ballot, except for the appointment and dismissal of the President of the Management Board of the Company in a secret ballot as well as the appointment and dismissal of Vice-Presidents and other members of the Company's Management Board in a secret ballot upon the motion of the President of the Management Board. The chairman of the meeting may decide upon a secret ballot with respect to other issues on his/her own initiative or upon a motion of a member of the Supervisory Board.

A resolution of the Supervisory Board enters into force as of the date of its adoption, unless a later effective date is specified therein.

Minutes are taken from the meetings of the Supervisory Board and should include the agenda, the first and last names of the present members of the Supervisory Board, the number of members absent from the meeting with the reasons for their absence, the number of votes for individual resolutions, dissenting opinions, as well as the full text of resolutions adopted. The list of members of the Supervisory Board attending the meeting as well as other participants constitutes an appendix to the minutes. The minutes are signed by all members of the Supervisory Board attending the meeting. The minutes from the meetings of the Supervisory Board for the whole term of its office are collected in a separate file stored by the Company.

Members of the Management Board of the Company attend meetings of the Supervisory Board, except for meetings concerning directly the Management Board. Upon the motion of the Chairman of the Supervisory Board or upon the motion of the Management Board of the Company, meetings may be attended by the Company's employees or third parties competent with regard to a particular matter. The Head of the Audit Department may participate in meetings of the Supervisory Board at which issues related to the Company's internal control are considered. In specially justified circumstances, the Chairman of the Supervisory Board may decide to convene a meeting without the participation of parties other than members of the Supervisory Board, irrespective of any previous regulations providing otherwise.

Supervisory Board Committees

Standing Committees of the Supervisory Board include:

1) Audit Committee; and
2) Remuneration Committee;
3) Risk and Capital Committee.

The Supervisory Board has the right to adopt a resolution on the appointment of committees other than those specified above and composed exclusively of members of the Supervisory Board. The relevant resolution of the Supervisory Board sets forth the scope of responsibilities of such a committee.

In line with the aforementioned procedure, in 2003 the Supervisory Board appointed the **Strategy and Management Committee** responsible for ongoing analyses of all issues related to the activities performed by the Bank's corporate bodies as well as streamlining of their functioning. The Committee is composed of: Shirish Apte acting as the Chairman, Stanisław Sołtysiński acting as the Vice-Chairman, and Igor Chalupec, Mirosław Gryszka, Marc Luet, Andrzej Olechowski, Anna Rulkiewicz, Zdenek Turek and Stephen R. Volk acting as Committee members.

Audit Committee

The Audit Committee is composed of:

1) Mirosław Gryszka – Chairman of the Committee,
2) Frank Mannion – Vice-Chairman of the Committee,
3) Shirish Apte - Member of the Committee,
4) Igor Chalupec - Member of the Committee,

5) Marc Luet – Member of the Committee,

Krzysztof Opolski was a member of the Committee until 28 June 2013.

The Audit Committee is a standing committee of the Company's Supervisory Board.

The roles and responsibilities of the Audit Committee include monitoring of financial reporting, monitoring of the effectiveness of the internal control and internal audit systems, monitoring of risk management, monitoring of audit performance and monitoring of the independence of the auditor.

Members of the Committee perform their roles pursuant to Article 390 of the Code of Commercial Companies. The Committee submits annual reports on its activities to the Supervisory Board. A report for each subsequent calendar year is submitted by the end of the first quarter of the following year. The aforementioned reports are made available to the shareholders through their publication on the Bank's website. During the first subsequent meeting of the Supervisory Board, the Committee provides the Supervisory Board with a report on every meeting of the Committee as well as recommendations of the Committee discussed at such meetings.

The Audit Committee should consist of at least two independent members, one of whom performs the function of the Committee Chairman. At least one member of the Committee should meet the independence requirements referred to in Article 56.3.1, 56.3.3 and 56.3.5 of the Act on Auditors, Their Self-government and the Entities Authorized to Audit Financial Statements, and on Public Supervision, as well as hold qualifications within the field of accounting or financial auditing.

Audit Committee meetings are convened by the Committee Chairman on his/her own initiative or upon the motion of a Committee member. Should the Committee Chairman be unable to convene a meeting for any reason whatsoever, the above right is exercised by the Vice-Chairman. Meetings are also convened upon the motion of a Committee member or the Chairman of the Supervisory Board.

A notice convening the meeting, including the agenda and materials subject to discussion, is distributed to members of the Audit Committee by the Secretary of the Committee (this role is performed by the Secretary of the Supervisory Board). Meetings of the Audit Committee are held at least four times per year on dates determined by the Chairman upon consultation with the Vice-Chairman of the Committee.

At least once every year, the Audit Committee meets:

1) with the Head of the Audit Department, without the participation of the management;
2) with the statutory auditor of the Company, without the participation of the management;
3) members of the Audit Committee, exclusively.

At its discretion, the Audit Committee may also meet with individual executives of the Company.

The agenda of the Audit Committee includes standing items as well as issues considered upon motion. The list of standing items considered at the Committee's meetings is determined in a resolution adopted by the Committee. The Supervisory Board, individual Committee members as well as the remaining members of the Supervisory Board have the right to propose issues to be considered at the Committee's meetings.

Based on materials received, the Secretary of the Audit Committee prepares a draft agenda, including a list of invitees, and submits it to the Committee Chairman and Vice-Chairman for approval. The draft agenda approved by the Committee Chairman and Vice-Chairman is distributed with materials to Committee members.

All members of the Audit Committee are obliged to participate in its meetings. A Committee member unable to take part in the meeting should inform the Secretary of the Committee accordingly seven days prior to the specified meeting date. The Committee has the right to consult advisors and invite the Company's employees or third parties to its meetings to discuss or examine the issues considered by the Committee. Parties invited by the Committee Chairman or Vice-Chairman may participate in the meeting or its relevant part.

Meetings of the Committee are chaired by the Chairman of the Audit Committee. In the Chairman's absence, meetings are chaired by the Vice-Chairman. Upon consultation with the Vice-Chairman of the Committee, the Chairman may remove an issue from the agenda, in particular for the purpose of supplementing a motion or obtaining an opinion.

Resolutions of the Audit Committee are adopted by the absolute majority of votes cast by Committee members attending a meeting.

Upon consultation with the Vice-Chairman of the Committee, the Chairman may decide on considering a matter by circular procedure.

Remuneration Committee

The Remuneration Committee is composed of:

1) Andrzej Olechowski – Chairman of the Committee,
2) Adnan Omar Ahmed – Vice-Chairman of the Committee,
3) Shirish Apte – Member of the Committee,
4) Stanisław Sołtysiński –- Member of the Committee.

The Remuneration Committee is a standing committee of the Company's Supervisory Board.

The Remuneration Committee is an advisory body of the Supervisory Board and the Committee members perform their functions pursuant to Article 390 of the Code of Commercial Companies. The Committee submits annual reports on its activities to the Supervisory Board. A report for each subsequent calendar year is submitted by the end of the first quarter of the following year. The aforementioned reports are made available to the shareholders through their publication on the Bank's website. During the first subsequent meeting of the Supervisory Board, the Committee provides the Supervisory Board with a report on every meeting of the Committee as well as recommendations of the Committee discussed at such meetings.

The powers and responsibilities of the Remuneration Committee include:

1) evaluating the remuneration paid to members of the Company's Management Board against market criteria;
2) evaluating the remuneration paid to members of the Company's Management Board with respect to the scope of duties of members of the Company's Management Board and their performance;
3) providing the Supervisory Board with recommendations as to the amount of remuneration paid to individual members of the Company's Management Board each time prior to its determination or modification;
4) performing a general assessment of the correctness of the remuneration policy adopted by the Company with respect to its executives not being members of the Management Board;
5) issuing opinions on the policy governing the variable components of remuneration for persons in managerial positions in the Bank;
6) issuing opinions on and monitoring of the variable components of remuneration for persons in managerial positions in the Bank related to risk management and compliance of the Bank with legal provisions and internal regulations.

The Remuneration Committee consists of at least 3 (three) members of the Supervisory Board, including 1 (one) independent member of the Supervisory Board. Committee members, including its Chairman and Vice-Chairman, are elected by the Supervisory Board in an open ballot.

Remuneration Committee meetings are convened by the Committee Chairman on his/her own initiative or by the Vice-Chairman if the Committee Chairman is unable to convene a meeting for any reason whatsoever. Meetings are also convened upon the motion of a Committee member or the Chairman of the Supervisory Board. Meetings of the Remuneration Committee are held at least 2 (two) times a year on dates determined by the Chairman of the Committee. The agenda of the Remuneration Committee includes standing items as well as issues considered upon motion.

Based on materials received, the Secretary of the Remuneration Committee prepares a draft agenda, including a list of invitees, and submits it to the Committee Chairman for approval.

All members of the Remuneration Committee are obliged to participate in its meetings. A Committee member unable to take part in the meeting should inform the Secretary of the Committee accordingly 7 (seven) days prior to the specified meeting date. Parties invited by the Committee Chairman, and in particular parties presenting individual issues, participate in the Committee meeting or its relevant part.

Resolutions of the Remuneration Committee are adopted by the absolute majority of votes cast by Committee members attending a meeting.

The Chairman of the Remuneration Committee may decide on considering a matter by circular procedure. A member of the Remuneration Committee voting against may request that a dissenting opinion be included in the minutes.

Minutes are taken from the meetings of the Remuneration Committee. They are signed by the Chairman and the Secretary. The minutes from the Committee meeting are acknowledged by the Committee members at the first subsequent meeting of the Committee.

Risk and Capital Committee

The Risk and Capital Committee is composed of:

1) Zdenek Turek – Chairman of the Committee,
2) Igor Chalupec – Vice-Chairman of the Committee
3) Frank Mannion – Member of the Committee
4) Andrzej Olechowski – Member of the Committee,
5) Stephen R. Volk – Member of the Committee,
6) Dariusz Mioduski – Member of the Committee.

Members of the Committee perform their roles specified in these Regulations pursuant to Article 390 of the Code of Commercial Companies. The Committee submits annual reports on its activities to the Supervisory Board. A report for each subsequent calendar year is submitted by the end of the first quarter of the following year. The aforementioned reports are made available to the shareholders through their publication on the Bank's website. During the first subsequent meeting of the Supervisory Board, the Committee provides the Supervisory Board with a report on every meeting of the Committee as well as recommendations of the Committee discussed at such meetings. The Committee's Regulations are published on the Bank's website and made available at its registered office.

The Committee is responsible for supervision over the implementation of the risk management system by the Bank's Management Board, assessment of the adequacy and effectiveness of the risk management system, as well as supervision over the internal capital assessment and capital management process.

The Committee consists of at least four members of the Supervisory Board, one of whom performs the function of the Committee's Chairman. For the resolutions adopted by the Committee to be valid, at least three members must participate in the meeting.

Committee meetings are convened by the Committee Chairman on his/her own initiative or upon the motion of a Committee member. Should the Committee Chairman be unable to convene a meeting for any reason whatsoever, the above right is exercised by the Vice-Chairman. Meetings are also convened upon the motion of a Committee member or the Chairman of the Supervisory Board.

Meetings of the Committee are held at least on a semi-annual basis on dates determined by the Committee Chairman upon consultation with the Vice-Chairman of the Committee.

A notice convening the meeting, including the agenda and materials subject to discussion, is distributed to members of the Committee by the Secretary of the Committee (this role is performed by the Secretary of the Supervisory Board). The notice should include the agenda as well as materials related to the matters discussed at the meeting. The agenda of the Committee includes standing items as well as issues considered upon motion. The Supervisory Board, individual Committee members as well as the remaining members of the Supervisory Board have the right to propose issues to be considered at the Committee's meetings.

All members of the Committee are obliged to participate in its meetings.

The Committee has the right to consult advisors and invite the Bank's employees or third parties to its meetings to discuss or examine the issues considered by the Committee.

Parties invited by the Committee Chairman or Vice-Chairman may participate in the meeting or its relevant part.

Meetings of the Committee are chaired by the Chairman of the Audit Committee. In the Chairman's absence, meetings are chaired by the Vice-Chairman of the Committee.

Resolutions of the Committee are adopted by the absolute majority of votes cast by Committee members attending a meeting. Upon consultation with the Vice-Chairman of the Committee, the Committee Chairman may decide on considering a matter by circular procedure.

Minutes are taken from the Committee's meetings.

9. Good practices in Dom Maklerski Banku Handlowego S.A. and in Handlowy-Leasing Spółka z o.o. - companies belonging to the Bank's capital group

Dom Maklerski Banku Handlowego S.A. (DMBH) and Handlowy-Leasing Spółka z o.o. (HL) are not public companies and therefore are not obliged to comply with the “Best Practices of WSE Listed Companies” and submit declarations in this respect; however, considering the significant role played by these entities in the capital group, the following circumstances should be mentioned:

DMBH is a member of the Chamber of Brokerage Houses; as a member of the Chamber it is obliged to comply with the Code of Good Practice of Brokerage Houses, developed by the Chamber of Brokerage Houses. This Code does not regulate the corporate governance issue but concerns mainly the rules for protection of trade secret, relationships with customers and conduct of the brokerage house’s employees, including the conduct in relations with other brokerage houses. DMBH is an entity regulated by the Act on Trading in Financial Instruments and therefore it adheres not only to the provisions of the Code of Commercial Companies but also to certain components of the corporate governance, arising from the provisions of this Act and executive regulations – e.g. pursuant to article 103 of the above mentioned Act the Management Board should be composed of at least 2 persons with higher education, at least 3 years of experience in financial institutions and good reputation regarding the performed functions. DMBH should notify the Polish Financial Supervision Authority of any changes to the composition of the Management Board. Additionally, DMBH has reporting obligations towards The Polish Financial Supervision Authority (including reports on changes to the composition of the Management Board and on the content of certain resolutions adopted by the General Meeting). The Act on Trading in Financial Instruments also regulates the issues concerning the acquisition of shares of a brokerage house. It provides that the head office of a brokerage house should be in the territory of Poland.

Handlowy-Leasing Spółka z o.o. (HL) is a company operating in the leasing industry. Leasing companies organized in the Polish Leasing Association has not developed Good Practices for Leasing Companies yet.

HL operates under the Code of Commercial Companies. Despite the absence of such a requirement in the Code, a supervisory body – in the form of the Supervisory Board – has been established in HL, to exercise continuing supervision over the operations of the company.

XI. Other information about the authorities of Bank Handlowy w Warszawie S.A. and corporate governance rules

1. Salaries and awards (in cash and in kind), including bonuses from profit, paid to persons managing and supervising the Bank

The total amount of salaries, awards and benefits paid to the current and former members of the Bank’s Management Board in 2013:

PLN’000	Salaries, awards and short-term benefits		Capital assets granted
	Base salaries and awards	Other benefits	
Sławomir S. Sikora	2,414	292	2187
Brendan Carney	1,664	256	186
Barbara Sobala (1)	169	15	-
Misbah Ur-Rahman-Shah	3,102	354	1,961
Witold Zieliński	1,090	113	594
Iwona Dudzińska	416	110	437
Byli członkowie Zarządu:			
Robert Daniel Massey JR (2)	1,043	84	388
Sonia Wędrychowicz-Horbatowska (3)	-	-	171
	9,898	**1,224**	**5,924**

(1) in employment since 15 October 2013

(2) in employment until 19 June 2013

(3) in employment until 13 May 2012

The total amount of salaries, awards and benefits paid to the current and former members of the Bank's Management Board in 2012:

PLN'000	Salaries, awards and short-term benefits		Capital assets granted
	Base salaries and awards	Other benefits	
Sławomir S. Sikora	3,025	233	577
Brendan Carney (1)	824	210	-
Robert Daniel Massey JR	2,361	367	39
Misbah Ur-Rahman-Shah	5,385	481	302
Witold Zieliński	1,405	104	120
Iwona Dudzińska	1,477	112	129
Former members of the Management Board:			
Sonia Wędrychowicz-Horbatowska (2)	975	2,077	197
Michał H. Mrożek (3)	-	120	55
Peter Rossiter (4)	-	-	32
Edward Wess (5)	-	-	6
Reza Ghaffari (6)	-	-	5
	15,452	**3,704**	**1,462**

(1) in employment since 21 May 2012
(2) in employment until 13 May 2012
(3) in employment until 28 February 2011
(4) in employment until 31 October 2009
(5) in employment until 30 November 2008
(6) in employment until 31 May 2006

"Base salaries and awards" include gross base salary well as awards paid 2013 and 2012.

"Other benefits" include the gross amount of paid remuneration arising from indemnification for employment contract termination, benefits in kind, lump-sum payment for the use of company car, insurance policy premiums, holiday leave equivalent, dividends and any supplementary benefits consistent with the employment contracts of foreign employees.

"Capital assets granted" include Citigroup shares granted in the previous years and distributed in 2013 and 2012 and paid management options, Additionally, in 2013 "Capital assets granted" include the value of paid awards short-term phantom shares of the Bank.

The total amount of salaries, awards and benefits paid to the current and former members of the Bank's Supervisory Board in respect of the years 2013 and 2012:

PLN'000	2013	2012
Andrzej Olechowski	228	229
Igor Chalupec	185	160
Mirosław Gryszka	168	160
Dariusz Mioduski	120	89
Stanisław Sołtysiński	168	200
Anna Rulkiewicz	30	-
Former members of the Supervisory Board:		
Krzysztof L. Opolski	70	-
	969	**958**

Remuneration paid and payable in respect of the years 2013 and 2012 to the persons managing subsidiaries of the Bank amounted to PLN 5,834 thousand and PLN 7,970 thousand respectively.

The persons supervising subsidiaries of the Bank did not receive any remuneration in either 2013 or 2012.

2. Total number and nominal value of the Bank's shares and shares in affiliated companies of the Bank held by members of the Management Board and the Supervisory Board

The total number and nominal value of the Bank's shares and shares in affiliated companies of the Bank held by members of the Management Board and the Supervisory Board as at 31 December 2013 is presented in the table below:

	Shares of Bank Handlowy w Warszawie S.A.		Shares of Citigroup Inc.	
	Number of shares (units)	Nominal value (PLN)	Number of shares (units)	Nominal value (PLN)
Management Board				
Sławomir S. Sikora	-	-	16,912	509
Brendan Carney	-	-	8,248	248
Barbara Sobala	-	-	206	-
Witold Zieliński	-	-	3,768	113
Iwona Dudzińska	600	2,400	1,581	48
Supervisory Board				
Andrzej Olechowski	1,200	4,800	-	-
Shirish Apte	-	-	143,866	4,333
Adnan Omar Ahmed	-	-	6,576	198
Marc Luet	-	-	15,000	452
Frank Mannion	-	-	20,902	630
Zdenek Turek	-	-	24,457	737
Stephen R. Volk	-	-	169,339	5,100

The total number and nominal value of the Bank's shares and shares in affiliated companies of the Bank held by members of the Management Board and the Supervisory Board as at 31 December 2012 is presented in the table below:

	Shares of Bank Handlowy w Warszawie S.A.		Shares of Citigroup Inc.	
	Number of shares (units)	Nominal value (PLN)	Number of shares (units)	Nominal value (PLN)
Management Board				
Sławomir S. Sikora	-	-	12,460	386
Brendan Carney	-	-	4,896	152
Robert Daniel Massey JR	-	-	1,719	53
Witold Zieliński	-	-	2,772	86
Iwona Dudzińska	600	2,400	9,611	298
Supervisory Board				
Andrzej Olechowski	1,200	4,800	-	-
Shirish Apte	-	-	73,590	2,281
Adnan Omar Ahmed	-	-	2,664	83
Marc Luet	-	-	28,513	884
Frank Mannion	-	-	16,400	508
Stanisław Sołtysiński	-	-	253,400	7,854
Stephen R. Volk	-	-	198,969	6,167

As at 31 December 2013 and 31 December 2012, no member of the Management Board and the Supervisory Board was a shareholder of a subsidiary of the Bank.

3. Agreements between the Bank and members of the Management Board that provide for compensation in case of their resignation or dismissal without reason or as a result of the Bank's takeover

In terms of employment relationship, there is only one employment agreement, out of employment agreements between the Bank and a Management Board Members, which provides for cash compensation following its termination.

Each of the Management Board Members signed a separate non-competition agreement with the Bank. A relevant paragraph in each of these agreements specifies that the Management Board Member must refrain from conducting business activities competitive to the Bank in the period of 12 months (6 months in case of one of the Management Board Member) following termination of the employment agreement with the Bank and that the Bank will pay relevant compensation to the Management Board Member.

4. Management policy

The management policy of the Bank did not change in 2013. The policy is described in a Note to the Annual Consolidated Financial Statements of the Capital Group of the Bank.

XII. Agreements concluded with the registered audit company

On 19 March 2013 the Supervisory Board of the Bank appointed the auditor: PricewaterhouseCoopers Sp. z o.o. having its registered office in Warsaw at 14, Al. Armii Ludowej St., registered audit company No. 144, to conduct an audit and a review of the annual and the interim financial statements of the Bank and the Capital Group of the Bank for 2013. PricewaterhouseCoopers Sp. z o.o. was selected in compliance with the applicable laws and auditing standards.

An audit and a review of the annual and the interim financial statements of the Bank and the Capital Group of the Bank for 2012 was made by KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. having its registered office in Warsaw at 51, Chłodna St., registered audit company No. 3546. KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. was selected on 16 March 2012 in compliance with the applicable laws and auditing standards.

The auditor's net fees under the agreements (paid or payable) for the years 2013 and 2012 are presented in the table below:

For the year *PLN'000*	**2013**	**2012**
Bank (the parent company) audit fees (1)	410	583
Bank (the parent company) review fees (2)	170	245
Subsidiary companies audit fees (3)	255	301
Other assurance fees (4)	165	193
	1,000	**1,322**

(1) The audit fees include fees paid or payable for the audit of the annual stand-alone financial statements of the Bank and the annual consolidated financial statements of the Capital Group of the Bank (the agreement relating to the year 2013 signed on 17 May 2013).

(2) The review fees include fees paid or payable for the review of the semi-annual stand-alone financial statements of the Bank and the semi-annual consolidated financial statements of the Capital Group of the Bank (the agreement relating to the year 2013 signed on 17 May 2013).

(3) The audit fees include fees paid or payable for the audit of the financial statements of the Bank's subsidiaries.

(4) The fees for other assurance services include all other fees paid to the auditor. These fees include assurance services related to the audit and review of the financial statements not mentioned in points (1) , (2) and (3) above.

XIII. Statement of the Bank's Management Board

Accuracy and fairness of the statements presented

To the best knowledge of the Bank's Management Board composed of: Mr. Sławomir S. Sikora, President of the Management Board; Mr. Brendan Carney, Vice-President of the Management Board; Ms. Barbara Sobala, Vice-President of the Management Board; Mr. Misbah Ur-Rahman-Shah, Vice-President of the Management Board; Mr. Witold Zieliński, Vice-President of the Management Board; and Ms. Iwona Dudzińska, Member of the Management Board, the annual financial data and the comparative data presented in the Annual Consolidated Financial Statements of the Capital Group of Bank Handlowy w Warszawie S.A. for the year ended 31 December 2013 were prepared consistently with the accounting standards in force and reflect the accurate, true and fair view of the assets and the financial position as well as the financial profit or loss of the Bank. The Annual Report on the Activities of the Capital Group of Bank Handlowy w Warszawie S.A. for 2013 contained in the annual financial statements is a true representation of the development, achievements and situation (together with a description of the main risks) of the Group in 2013.

Selection of the auditor authorized to audit the financial statements

The entity authorized to audit financial statements PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością has audited the Annual Consolidated Financial Statements of the Group of Bank Handlowy w Warszawie S.A. for the year ended 31 December 2013 and was selected in compliance with legal regulations. PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością and the registered auditors auditing the financial statements met the conditions necessary for issuing an impartial and independent auditor's opinion on the audited financial statements consistently with the applicable legal regulations and professional standards.

Other information required by the Regulation of the Minister of Finance of 19 February 2009 on current and periodical reporting by issuers of securities and on the conditions under which the legally required information originating in a non-member state can be deemed equivalent thereof (Journal of Laws of 2014 item 133) is included in the Annual Consolidated Financial Statements of the Capital Group of the Bank.

Signatures of Management Board Members

Date	Name	Position/function	Signature
13.03.2014	Sławomir S. Sikora	President of the Management Board	....
13.03.2014	Brendan Carney	Vice-President of the Management Board	....
13.03.2014	Barbara Sobala	Vice-President of the Management Board	....
13.03.2014	Misbah Ur-Rahman-Shah	Vice-President of the Management Board	....
13.03.2014	Witold Zieliński	Vice-President of the Management Board Chief Financial Officer	....
13.03.2014	Iwona Dudzińska	Member of the Management Board	....