INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE THIRD QUARTER OF 2020

NOVEMBER 2020

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	Third quarter accruals period from 01.01.20 to 30.09.20	Third quarter accruals period from 01.01.19 to 30.09.19	Third quarter accruals period from 01.01.20 to 30.09.20	Third quarter accruals period from 01.01.19 to 30.09.19
Data related to the interim condensed consolidated financial statements				
Interest income and similar	862,999	1,051,190	194,282	243,975
Fee and commission income	463,327	496,213	104,306	115,168
Profit before tax	333,008	433,046	74,968	100,508
Net profit	230,333	306,291	51,853	71,088
Comprehensive income	506,738	366,602	114,079	85,086
Net cash flows	(1,212,094)	(3,751,154)	(272,871)	(870,622)
Total assets*	60,201,680	51,978,543	14,136,828	12,205,834
Amounts due to banks*	2,320,660	2,125,495	544,948	499,118
Amounts due to customers*	45,614,795	39,787,802	10,711,470	9,343,149
Equity*	7,581,393	7,074,655	1,674,780	1,661,302
Ordinary shares*	522,638	522,638	115,454	122,728
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN/EUR)*	58.02	54.15	12.82	12.71
Total capital adequacy ratio (%)*	20.4	17.2	20.4	17.2
Earnings per share (PLN / EUR)	1.76	2.34	0.39	0.54
Diluted earnings per share (PLN / EUR)	1.76	2.34	0.39	0.54
Data related to the interim condensed standalone financial statements				
Interest income and similar	862,667	1,050,515	194,205	243,819
Fee and commission income	429,295	470,289	96,644	109,152
Profit before tax	323,656	431,040	72,862	100,042
Net profit	223,322	304,861	50,275	70,757
Comprehensive income	499,426	365,086	112,433	84,734
Net cash flows	(1,212,068)	(3,751,045)	(272,865)	(870,597)
Total assets*	60,013,320	51,897,712	14,092,596	12,186,853
Amounts due to banks*	2,320,548	2,125,383	544,921	499,092
Amounts due to customers*	45,654,430	39,849,772	10,720,777	9,357,702
Equity*	7,523,129	7,023,703	1,661,909	1,649,337
Ordinary shares*	522,638	522,638	115,454	122,728
Number of shares (in pcs)*	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)*	57.58	53.76	12.72	12.62
Total capital adequacy ratio (%)*	20.1	17.0	20.1	17.0
Earnings per share (PLN/EUR)	1.71	2.33	0.38	0.53
Diluted earnings per share (PLN / EUR)	1.71	2.33	0.38	0.53
Declared or paid dividends per share (PLN/EUR)**	-	3.74	-	0.86

** Comparative data according as at 31 December 2019.*

*** The Bank's Management Board recommended leaving the entire net profit of the Bank for 2019 undivided. The proposal is in line with the recommendation of the Polish Financial Supervision Authority in connection with the state of the pandemic announced in Poland and possible further negative economic consequences of this state, as well as their expected impact on the banking sector. The presented ratios for the comparative period relate to the dividend paid out in 2019 from the 2018 profit distribution.*

**** The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 30 September 2020 – 4.5268 (as at 31 December 2019: PLN 4.2585; as at 30 September 2019 – PLN 4.3736); for the income statement, a statement of comprehensive income and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the I, II and III quarter of 2020 - PLN 4.4420 (in the I, II and III quarter of 2019: PLN 4.3086).*

Contents

Condensed consolidated income statement

PLN '000	Note	III quarter period from 01.07.20 to 30.09.20	III quarter accruals period from 01.01.20 to 30.09.20	III quarter period from 01.07.19 to 30.09.19	III quarter accruals period from 01.01.19 to 30.09.19
Interest income	6	208,789	804,054	331,854	972,979
Similar income	6	16,267	58,945	29,574	78,211
Interest expense and similar charges	6	(11,330)	(82,211)	(69,796)	(193,857)
Net interest income	**6**	**213,726**	**780,788**	**291,632**	**857,333**
Fee and commission income	7	**156,357**	**463,327**	164,015	496,213
Fee and commission expense	7	(19,136)	(61,336)	(22,329)	(67,381)
Net fee and commission income	**7**	**137,221**	**401,991**	**141,686**	**428,832**
Dividend income		**293**	**11,721**	**1,040**	**10,900**
Net gain/(loss) on trading financial instruments and revaluation	**8**	**83,648**	**177,990**	**98,641**	**286,283**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**1,731**	**175,932**	**19,440**	**73,587**
Net gain/(loss) on equity investments and other at fair value through income statement	**25**	**8,306**	**12,451**	**3,130**	**16,329**
Net gain/(loss) on hedge accounting		**2,512**	**1,049**	**(310)**	**(1,068)**
Other operating income	9	**4,351**	**15,227**	4,838	18,020
Other operating expenses	9	(11,564)	(26,752)	(7,164)	(21,674)
Net other operating income and expense	**9**	**(7,213)**	**(11,525)**	**(2,326)**	**(3,654)**
General administrative expenses	**10**	**(245,046)**	**(866,218)**	**(254,695)**	**(875,540)**
Depreciation and amortization		**(25,972)**	**(79,997)**	**(21,452)**	**(64,032)**
Profit on sale of other assets		**(32)**	**(426)**	**(265)**	**(296)**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	**11**	**25,321**	**(178,178)**	**(91,192)**	**(225,954)**
Operating income		**194,495**	**425,578**	**185,329**	**502,720**
Tax on certain financial institutions		**(28,968)**	**(92,570)**	**(25,469)**	**(69,674)**
Profit before tax		**165,527**	**333,008**	**159,860**	**433,046**
Income tax expense	**12**	**(50,857)**	**(102,675)**	**(46,195)**	**(126,755)**
Net profit		**114,670**	**230,333**	**113,665**	**306,291**
Including:					
Net profit attributable to Bank's shareholders			230,333		306,291
Weighted average number of ordinary shares (in pcs)			130,659,600		130,659,600
Earnings per share (in PLN)			1.76		2.34
Diluted net earnings per share (in PLN)			1.76		2.34

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

PLN '000	III quarter period from 01.07.20 to 30.09.20	III quarter period from 01.01.20 to 30.09.20	III quarter period from 01.07.19 to 30.09.190	III quarter period from 01.01.19 to 30.09.19
Net profit	**114,670**	**230,333**	**113,665**	**306,291**
Other comprehensive income, that might be subsequently reclassified to income statement:				
Changes of financial assets measured at fair value through other comprehensive income	11,404	276,104	44,579	60,225
Currency translation differences	64	301	143	86
Other comprehensive income net of tax	**11,468**	**276,405**	**44,722**	**60,311**
Total comprehensive income	**126,138**	**506,738**	**158,387**	**366,602**
Including:				
Comprehensive income attributable to Bank's shareholders	126,138	506,738	158,387	366,602

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of financial position

PLN '000 as at	30.09.2020	31.12.2019
ASSETS		
Cash and balances with the Central Bank	2,201,482	3,736,706
Amounts due from banks	1,592,064	1,165,684
Financial assets held-for-trading	5,538,943	5,446,511
Debt financial assets measured at fair value through other comprehensive income	25,724,629	15,484,578
Equity and other instruments measured at fair value through income statement	75,089	62,638
Amounts due from customers	22,667,054	23,731,874
Tangible fixed assets	480,503	499,753
Intangible assets	1,459,462	1,443,139
Current income tax receivables	28,458	3,016
Deferred tax asset	192,302	238,065
Other assets	235,531	166,579
Non-current assets held-for-sale	6,163	-
Total assets	**60,201,680**	**51,978,543**
LIABILITIES		
Amounts due to banks	2,320,660	2,125,495
Financial liabilities held-for-trading	3,475,609	1,877,898
Hedging derivatives	69,961	19,226
Amounts due to customers	45,614,795	39,787,802
Provisions	60,021	65,199
Current income tax liabilities	1,057	41,725
Deferred tax reserve	86	-
Other liabilities	1,078,098	986,543
Total liabilities	**52,620,287**	**44,903,888**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	3,002,265	3,003,290
Revaluation reserve	390,997	114,893
Other reserves	2,795,069	2,867,358
Retained earnings	870,424	566,476
Total equity	**7,581,393**	**7,074,655**
Total liabilities and equity	**60,201,680**	**51,978,543**

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2020	**522,638**	**3,003,290**	**114,893**	**2,867,358**	**566,476**	**-**	**7,074,655**
Total comprehensive income, including:	-	-	276,104	301	230,333	-	506,738
Net profit	-	-	-	-	230,333	-	230,333
Currency translation differences from the foreign operations' conversion	-	-	-	301	-	-	301
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	276,104	-	-	-	276,104
Transfer to capital	-	(1,025)	-	(72,590)	73,615	-	-
Balance as at 30 September 2020	**522,638**	**3,002,265**	**390,997**	**2,795,069**	**870,424**	**-**	**7,581,393**

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

PLN'000	Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Non-controlling interest	Total equity
Balance as at 1 January 2019	**522,638**	**3,003,290**	**84,372**	**2,883,838**	**562,612**	**-**	**7,056,750**
Total comprehensive income, including:	-	-	30,521	(4,073)	480,124	**-**	506,572
Net profit	-	-	-	-	480,124	**-**	480,124
Currency translation differences from the foreign operations' conversion	-	-	-	(47)	-	**-**	(47)
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	30,521	-	-	**-**	30,521
Net actuarial profits/(losses) on defined benefit program valuation	-	-	-	(4,026)	-	**-**	(4,026)
Dividends paid	-	-	-	-	(488,667)	**-**	(488,667)
Transfer to capital	-	-	-	(12,407)	12,407	-	-
Balance as at 31 December 2019	**522,638**	**3,003,290**	**114,893**	**2,867,358**	**566,476**	**-**	**7,074,655**

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows

PLN '000	III quarter accruals period from 01.01.20 to 30.09.20	III quarter accruals period from 01.01.19 to 30.09.19
Cash at the beginning of the reporting period	**3,796,861**	**7,474,978**
Cash flows from operating activities	(1,126,206)	(3,242,564)
Cash flows from investing activities	(74,864)	(5,754)
Cash flows from financing activities	(11,024)	**(502,836)**
Cash at the end of the reporting period	**2,584,767**	**3,723,824**
Increase/(decrease) in net cash	**(1,212,094)**	**(3,751,154)**

Explanatory notes are an integral part of the interim condensed consolidated financial statements.

Supplementary notes to the interim condensed consolidated financial statements

1 General information about the Bank and the Capital Group

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

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

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

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

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

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

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

In the third quarter of 2020 there was no change in the structure of Group's comparing to the second quarter of 2020.

The Group consists of the following subsidiaries:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2020	31.12.2019
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A. („DMBH")	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00
Handlowy-Inwestycje Sp. z o.o.	Warsaw	100.00	100.00

2 Declaration of conformity

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

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

In accordance with the Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, No. 757, as amended) the Bank is obliged to publish its financial results for the 9 month period ended 30 September 2020 which is deemed to be the current interim financial reporting period.

3 Significant accounting policies

The interim condensed consolidated financial statement of the Group for the third quarter of 2020 has been prepared in accordance with accounting principles adopted and described in the annual consolidated financial statements of the Group for the financial year ended 31 December 2019.

The interim condensed consolidated financial statements of the Group have been prepared for the period from 1 January 2020 to 30 September 2020 and for the consolidated statement of financial position as at 30 September 2020. Comparative financial data are presented for the period from 1 January 2019 to 30 September 2019 and for the consolidated statement of financial position as at 31 December 2019.

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

The preparation of interim condensed consolidated financial statements of the Group with accordance to International Financial Reporting Standards requires that the Management should make certain estimates and adopt related assumptions that affect the amounts reported in the financial statements. This financial statement are based on the same estimation rules which were used in the annual consolidated financial statements of the Group for the financial year ended 31 December 2019, including account the information in the note 27. "Impact of COVID-19 on the Group's operations".

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

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

The key estimates were presented in the annual Consolidated Financial Statements of the Group for 2019. Additionally, with respect to interim financial statements, the Group applies the principle of recognizing the financial result income tax charges based on the estimate of the annual effective income tax rate expected by the Group in the full financial year.

Standards and interpretations awaiting European Union's approval:

- IFRS 17 „Insurance" replacing IFRS 4 „Insurance contracts" and introducing comprehensive regulations for accounting of insurance contracts, in particular the measurement of relevant liabilities. Standard eliminates differences in accounting of insurance contracts depending on local jurisdictions, allowed by IFRS 4,
- IAS 1 'Presentation of financial statements' amendment – in the area of classification of liabilities as current or non-current, clarifying criteria for classification a liability as long-term,
- Amendments to IFRS 3 updating reference to conceptual framework,
- Amendments to IAS 16 prohibiting from deduction from fixed assets production costs of any proceeds from selling items produced while the entity is preparing the assets for its intended use. Instead, an entity recognizes those proceeds, together with the costs of producing them, in profit and loss. Effective date - an annual period beginning on January 1, 2022 or after that date,
- Amendments to IAS 37 specifying that „costs of fulfilling" an onerous contract include „ costs that relate directly to the contract". Those costs can be both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Effective date - an annual period beginning on January 1, 2022 or after that date,
- IFRS 4 'Insurance contracts' amendment issued on 25 June 2020 in relation to deferral of effective date of IFRS 17, regarding obligation to adopt IFRS 9,
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 providing practical expedient not to recognize immediate gain or loss from modification of a financial instrument or right-of-use, applying to the extent it is only a result of the benchmark rates reform, and the new rate is economically equivalent to the previous one. The amendments introduce also additional practical expedients in the area of hedge accounting, as well as new obligatory disclosures related to transition management and risks,

will not have significant impact on the financial statements.

Standards and interpretations applicable from 1 June 2020:

- IFRS 16 'Leases' amendment introducing practical expedient from accounting treatment of rent concessions related to COVID-19 as lease modifications,

Standards and interpretations applicable from 1 January 2020:

- IFRS 3 'Business combinations' amendment - introducing a clarification of the definition of a project that helps to distinguish between acquisitions as a group of assets or a project,
- Amendments in the Conceptual Framework introducing comprehensive clarifications in respect of financial reporting, among others regulating the area of measurement and its basis, presentation and disclosures, derecognition of assets and liabilities from balance sheet, and updates and explanations of specific terms - the amendment does not have a significant impact on the financial statements.
- IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' to clarify the definition of the term 'significant' and to align it with the definition used in the conceptual assumptions - the amendment does not have a significant impact on the financial statements.
- IFRS 9, IAS 39 and IFRS 7 applicable to all hedging relationships directly affected by interest rate benchmark reform and uncertainties it gives rise to. Amendments introduce temporary exceptions from applying specific hedge accounting requirements that allow not to discontinue hedging relationships. Changes require entities to disclose additional information on hedging relationships that are affected by the above mentioned uncertainties - the amendment does not have a significant impact on the financial statements.

Income tax in interim financial statements

Income tax in interim financial statements is accrued in accordance with IAS 34. Interim period tax expense is accrued using the tax rate that would be applicable to expected total annual result, that is, the estimated average annual effective income tax rate applied to the pre-tax result of the interim period. The calculation of the average annual effective income tax rate requires the use of a pre-tax income forecast for the entire fiscal year and permanent differences between the carrying amounts of assets and liabilities and their tax base.

Foreign currency

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

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

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

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

PLN		30 September 2020	31 December 2019	30 September 2019
1	USD	3.8658	3.7977	4.0000
1	CHF	4.1878	3.9213	4.0278
1	EUR	4.5268	4.2585	4.3736

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

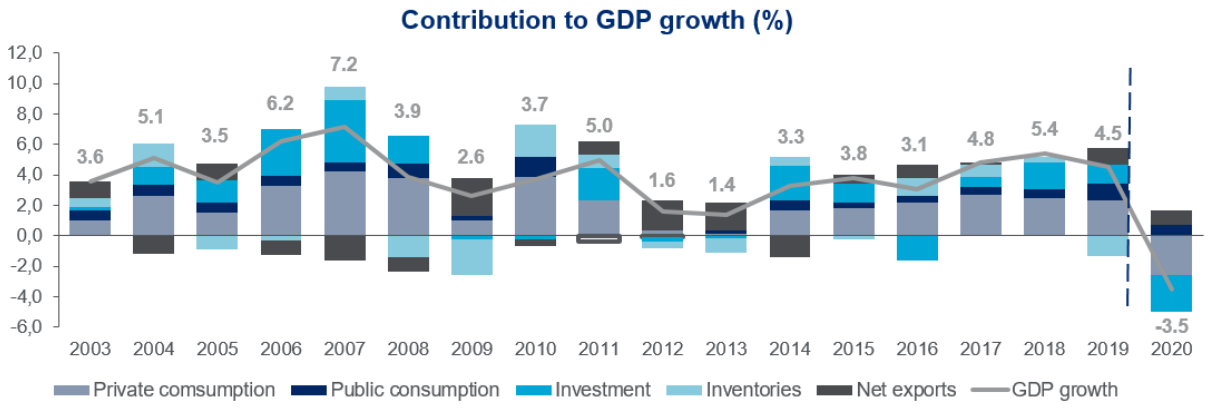
1. Macroeconomic conditions and the situation in money and foreign exchange markets

It is most probable that in the third quarter of 2020 the economic growth rebounded significantly from the economic crash in the second quarter of 2020. According to our estimates, GDP grew in the third quarter by around 8% QoQ, against the drop by 9% QoQ in the second quarter of 2020, which translates into higher annual GDP dynamics – up to around (-1) – (-2)% YoY, from (-8.2)% in the second quarter. Owing to the gradual opening of the European and Polish economy, combined with a slower increase in the number of new COVID-19 cases and revival in trade exchange, industrial output clearly increased and in July was already higher than a year before. In the period from July to September, industrial output increased by around 2.8% YoY against a decrease by 13.6% YoY in the second quarter of 2020. Similar trends were recorded in retail sales, which grew in the third quarter by around 2.0% YoY, vs. the drop by 10.6% in the second quarter. Construction sector output performed significantly worse, where the decrease got even more severe, from -2.8% in the second quarter of 2020 to -11.7% YoY between July-September.

Revival in industrial output was accompanied by a rapid rebound recorded in exports of goods in the period from July to August to 1.2% YoY after the decline by 15.6% YoY in the second quarter, and also by slightly slower revival in imports – from -22.3% in the second quarter to -4.8% in the third quarter of 2020.

Labour market improved in the third quarter of 2020 along with higher economic activity. In the third quarter of 2020, the growth of average pay in the companies sector accelerated to 4.5% YoY from 2.2% in the second quarter, as compared to 7% in the first quarter of 2020. The employment rate decrease, in turn, slowed down to 1.6% YoY from -2.9% YoY in the second quarter of 2020. The following factors contributed to the improvement in the labour market: restoration of the normal working hours of employees from before the pandemic and employees' return from care and sickness benefits as well as unpaid leave. Registered unemployment rate remained unchanged in the third quarter of 2020 and stood at 6.1% as at the end of September vs. 6.1% as at the end of June and 5.4% as at the end of March 2020. In 2020, the scale of the deterioration in the labor market was relatively small considering the scale of the recession. Such situation was possible owing to the anti-crisis programs initiated by the government to protect jobs. Since the epidemic has intensified in the fourth quarter of 2020, the situation on the labour market may still deteriorate, and the unemployment rate will most probably rise.

The economic restrictions connected with the pandemic imposed in Poland and other countries are likely to lead to a GDP decline in the fourth quarter of 2020. This decline may amount to around 4% QoQ or more, depending on the restrictions imposed. It may be that, until a vaccine is invented, economic growth and mobility will change periodically, with higher activity recorded during the periods of lower number of infections, and with lower activity recorded during the periods of higher number of new cases. The return to the GDP level from before the crisis can take a lot of time and will depend on the incidence curve and the development of the pandemic in the world, as well as on the permanence of changes in consumer behaviours and the readiness of companies to invest. We expect that GDP will decline in the entire 2020 by around -3.5% YoY, and that the economy will revive in 2021 by 3.7%. The economy will be supported by the fiscal packages presented by the government and the dovish monetary policy, i.e. low interest rates, purchase of bonds by NBP and the weak zloty.



Source: Chief Statistical Office, Citi Handlowy forecasts

Prices of consumer goods and services rose by 3.0% YoY in the third quarter of 2020, as compared to 3.2% YoY in the second quarter and 4.4% in the first quarter. The slowdown of CPI in the second quarter resulted first of all from the declining fuel prices, after the oil price breakdown throughout the global markets, and as a result of a lower increase in food prices. Still, the inflation decline YTD turned out lower than expected. This resulted from the continued high inflation rate of services in the third quarter of 7%, with the simultaneous slight decline in the inflation rate of goods from 1.8% to 1.6%. Some service providers decided to transfer the higher costs caused by the pandemic to consumers. In consequence, the net inflation rate increased in the third quarter of 2020 to 4.2% from 3.8% in the second quarter, persisting near the highest levels since 2001. In the subsequent months, we expect the inflation rate to continue to drop toward an average of 2% annually in 2021, provided that the delayed impact of weak demand will have an increasing influence on prices.

After the Monetary Policy Council (RPP) cut the reference rate from 1.50% to 0.1% between March and May 2020 and narrowed the interest rate band, the parameters of the monetary policy remained unchanged in the third quarter of 2020. NBP continued to purchase T-bonds and bonds guaranteed by the State Treasury totaling around PLN 107 billion.

After the situation in the FX market stabilized in July and August, the end of the third quarter of 2020 saw a depreciation of zloty against euro. The Polish currency exchange rate and that of other currencies in the region was negatively affected by the concerns about the second wave of the pandemic, appreciation of dollar against euro, the approaching election day and no agreement on a new fiscal package in the USA. Given the decline of the risk appetite, the previous cuts of interest rates carried out by NBP and the decline in the difference to Eurozone interest rates did not favour the Polish zloty. The EUR/PLN rate ended up at the end of September 2020 at the level of 4.53 against 4.44 at the end of June. As dollar appreciated on global markets, the USD/PLN rate decreased from 3.95 as at the end of June to 3.86 as at the end of September 2020.

In the third quarter of 2020, yields on treasury securities continued to decrease. Higher bond prices are first of all a result of lower credit spreads, including, in particular, on short-term bonds. The swap curve became steeper, with bonds of up to 5 years decreasing by 2-6 bp, and long-term bonds of 5-10 years increasing by 1-7 bp. Low swap rates were maintained owing to, among others, continued, dovish approach of the Monetary Policy Council, while Poland's credit risk premium might have been supported by the good performance of the central budget in the third quarter of 2020 and the continued purchase of bonds by the National Bank of Poland. The yield of 2-year bonds decreased to 0.09% as at the end of September from 0.4% as at the end of 2019, while the yield of 10-year bonds dropped by 7 bp to 1.31%. The WIBOR 3M rate decreased as at the end of September 2020 to 0.22% as compared to 0.26% at the end of June 2020.

2. Capital market situation

Third quarter of 2020 saw an improvement in the sentiments on global financial markets. After the crash in the global economy, triggered by the restrictions related to the COVID-19 pandemic in late March and early April, the macro readings in the subsequent months indicated a gradual rebound in the economic activity. Continuation by central banks of the liquidity-supporting programs and better-than-expected results of companies for second quarter of 2020 had a positive impact on the situation in the stock markets, which was reflected in the record-high index readings in the United States. Profits were partially realized in the last weeks, while the optimism in the market was slightly dampened by the concerns about the increasing number of COVID-19 cases.

In this environment, WIG, the main index on the Warsaw Stock Exchange, recorded a symbolic drop by 0.3% QoQ. The rates of return of the main indices indicate that small and medium enterprises were preferred over entities with the greatest capitalization. mWIG40 was up 2.7%, while sWIG80 improved by 6.0% against the end of June 2020. During the same period, the WIG20 blue-chip index declined by 2.6% (2.3% including dividends).

The most dynamic growth among sector subindices was recorded by WIG-Mining (almost +30% QoQ, supported by significant increases in quotations of JSW and KGHM). Companies of the medical sector are also worth mentioning (WIG-Medicine went up by 24.6% QoQ). On the other hand, the fuel and chemical sectors experienced the greatest drops, by 18.7% and 15.9% QoQ, respectively.

The activity in the initial public offerings market remained insignificant in the last three months of 2020. Merely one new entity appeared on the main market, its offer valued at PLN 21.3 million (in the prior year period, two entities had their début after being transferred from the alternative New Connect market). Meanwhile, the shares of 5 entities were withdrawn from trading at the WSE, as a result of which the number of listed companies reduced to 436 as at the end of September (against 458 a year before). The total capitalization of all companies reduced by 28% YoY, to PLN 804.7 billion.

Equity market indices as of 30 September 2020

Index	30 September 2020	30 June 2020	Change (%) QoQ	30 September 2019	Change (%) YoY
WIG	49,411.53	49,569.17	(0.3%)	57,320.30	(13.8%)
WIG-PL	50,517.08	50,648.82	(0.3%)	58,544.60	(13.7%)
WIG-div	982.04	911.88	7.7%	1,033.45	(5.0%)
WIG20	1,712.73	1,758.82	(2.6%)	2,173.29	(21.2%)
WIG20TR	3,131.53	3,205.90	(2.3%)	3,956.69	(20.9%)
WIG30	1,959.16	2,023.71	(3.2%)	2,463.49	(20.5%)
mWIG40	3,562.00	3,468.48	2.7%	3,701.37	(3.8%)
sWIG80	14,222.02	13,411.95	6.0%	11,484.02	23.8%
WIG-Banks	3,698.72	4,157.20	(11.0%)	7,142.19	(48.2%)
WIG-Construction	2,991.16	2,754.02	8.6%	1,880.09	59.1%
WIG-Chemicals	6,785.02	8,067.33	(15.9%)	8,665.92	(21.7%)
WIG- Energy	1,857.90	1,958.16	(5.1%)	1,946.72	(4.6%)
WIG-Games	33,510.60	30,951.13	8.3%	16,171.76	107.2%
WIG- Mining	3,746.50	2,894.00	29.5%	2,647.44	41.5%
WIG-IT	3,837.18	3,419.23	12.2%	2,387.55	60.7%
WIG-Medicines	6,061.14	4,865.52	24.6%	5,345.73	13.4%
WIG-Media	4,992.09	5,042.77	(1.0%)	5,205.80	(4.1%)
WIG-Motorisation	3,765.10	3,388.79	11.1%	3,458.26	8.9%
WIG- Developers	2,148.94	2,119.03	1.4%	2,300.65	(6.6%)
WIG-Clothing	3,830.05	3,719.69	3.0%	5,870.39	(34.8%)
WIG- Fuel	4,134.41	5,087.79	(18.7%)	7,260.24	(43.1%)
WIG- Food	3,003.79	3,048.24	(1.5%)	3,124.23	(3.9%)
WIG-Telecoms	897.09	802.32	11.8%	755.55	18.7%

Source: WSE, DMBH.

Equity and bond trading value and derivatives trading volumes on WSE in the third quarter of 2020

	Q3 2020	Q2 2020	Change (%) QoQ	Q3 2019	Change (%) YoY
Shares (PLN million)*	127,096	144,262	(11.9%)	100,435	26.5%
Bonds (PLN million)	777	760	2.3%	1,013	(23.3%)
Futures (in thousand contracts)	4,498	5,346	(15.9%)	3,819	17.8%
Options (in thousand contracts)	168	147	14.2%	144	16.8%

**excluding calls*

Source: WSE, DMBH.

5 Banking sector

The data published by the National Bank of Poland show that the loans granted to businesses exceeded PLN 356 billion as at the end of the third quarter of 2020 (-3.4% YoY). A decrease was recorded in PLN loans (-5.5% YoY), while the volume of foreign currency loans increased by +1.9% YoY, influenced mainly by the depreciation of PLN to EUR. In terms of time to maturity, the highest decrease rate was recorded by loans granted for up to 1 year (-21.0% YoY), loans with time to maturity between 1 and 5 years decreased much less significantly (-2.6% YoY), while loans with time to maturity over 5 years increased by +4.2% YoY.

By type, the highest rate of growth occurred for investment loans (+4.4% YoY). Real property loans were growing slower (+1.9% YoY), while current loans dropped by -13.3% YoY. Also in this case, the currency of a contract exerted a significant impact – a high share of foreign currency loans in investment loans considerably accelerated the growth of their total volume. Lower demand for current loans is related mainly to the public subventions allocated to support enterprises during the economic recession brought about by the COVID-19 pandemic. Simultaneously, great uncertainty about the future macroeconomic situation in Poland discourages enterprises from making investments financed with loans.

The available data on the credit portfolio quality indicate a significant increase of past due corporate loans in consequence of the economic restrictions related to the COVID-19 pandemic. The share of non-performing loans (NPL) increased from 8.3% as at the end of August 2019 to 8.8% as at the end of August 2020. NPL represented also 11.6% of the entire loan portfolio gross for SME and 5.6% of the loans for big enterprises. In both categories of entities, a comparable growth rate was observed for loans more than 90 days past due. The financial condition of enterprises differs substantially depending on the industry in which they are active. As we enter the second wave of the pandemic and the second period of increased social distancing, the condition of the companies in the most impacted industries should be expected to deteriorate further, which will translate into a poorer quality of the credit portfolio.

Loans to households reached nearly PLN 779 billion as at the end of the third quarter of 2020 (+2.7% YoY). The COVID-19 pandemic caused a drastic decrease in the demand for consumer loans and mitigated the demand for mortgage loans, which was seen, above all, in the second quarter of 2020. In the third quarter of 2020, however, banks recorded a gradual improvement on the credit market in the consumer segment. Housing loans increased by +6.4% YoY despite a -4.1% YoY decrease in mortgage loans in foreign currencies. The volume of consumer loans managed only to bounce back to the prior year level (+0.2% YoY), while investment and current loans for individual entrepreneurs and farmers recorded significant drops (by -10.5% and -7.2% YoY, respectively).

The impact of the pandemic on the portfolio of loans granted to households has so far been lower than in the corporate segment. The share of non-performing loans increased by +0.2 p.p. YoY, to 6.1% as at the end of August 2020. Meanwhile, the quality of the CHF loans portfolio deteriorated by +0.5 p.p. YoY, to 3.9%, which was however offset by improved quality of the PLN loans portfolio. As a result, the quality of the entire mortgage loans portfolio remained unchanged at 2.4%. The deterioration of the macroeconomic situation exerted a much greater influence on the consumer loans portfolio, where the share of non-performing loans increased by 0.6 p.p. YoY, up to 11.4% as at the end of August 2020. Also in this case negative trends may continue due to the ongoing second wave of the pandemic.

The inflow of assistance funds from the state budget contributed to a significant growth in the deposits of enterprises in the banking sector (+29.6% YoY, to PLN 374 billion). On the other hand, the decisions of the Monetary Policy Council (RPP) to cut interest rates and the consequent drops in the interest rates offered by banks will translate into a greater outflow of funds from term deposits (-23.6% YoY), to current deposits (+51.4% YoY). Given the fact that interest rates have already dropped to nearly zero, we can expect the outflow of funds from term deposits to slow down. At the same time, we should expect a lower growth rate of current deposits and the exhaustion of the assistance funds as companies use the obtained funds.

Similar trends could be seen in the households segment, where the total liabilities of banks exceeded PLN 962 billion (+10.5% YoY). A significant growth of current deposits was observed also in this area (+28.5% YoY), offset, to a great extent, by the outflow of cash from term deposits (-24.2% YoY).

The banking sector is currently dealing with the greatest plunge of the net result since at least 2009. In the first 8 months of 2020 (January – August), the banking sector generated net profit of PLN 5.6 billion (-46.8% YoY). The decline in the interest income was greatly offset by lower interest expenses, as a result of which the interest income decreased by -2.2% YoY. An improvement was recorded in the commission income (+7.8% YoY). As a result, the total revenues of the banking sector for the first eight months of 2020 amounted to PLN 45.6 billion, i.e. were down by 5.5% as compared to the prior year period.

A number of optimization measures taken by banks, decrease in costs resulting from already conducted mergers and savings in selected areas were sufficient to cover the costs resulting directly from the precautions taken to prevent the spread of the COVID-19 pandemic. This allowed total operating and administration costs to remain similar to those recorded in the prior year period (-0.9% YoY). The dynamic growth in the balance total of most banks, in turn, translated into an increase in the bank levy paid by around +3.4% YoY. However, banks' results were mainly burdened by the additional provisions resulting from the necessity to secure, in advance, funds to cover the credit losses related to the deteriorating macroeconomic situation. The costs shown by the banking sector in "impairment losses/provisions" for the period from January to August 2020 slightly exceeded PLN 10 billion (+45.6% YoY). The decline in the sector's operating result led to a lower amount of income tax paid, lower by 12.5% YoY.

The second wave of the pandemic will prolong the economic recession, even if the ability to run a business is now much less restricted than before. This will result in even more losses of enterprises in the most impacted industries and delays in settling financial liabilities, which will force banks to set up more provisions to cover credit losses.

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

1. Consolidated statement of financial position

As of the end of the third quarter of 2020 **total assets** stood at PLN 60.2 billion, up by PLN 8.2 billion (or 15.8%) compared to the end of 2019.

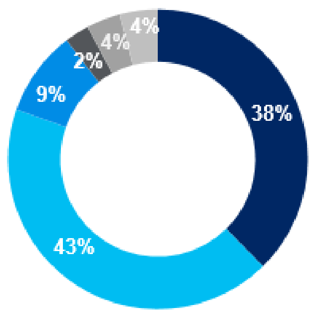
The biggest nominal increase was observed in **debt investment financial assets**. They amounted to PLN 25.7 billion, up by PLN 10.2 billion (or 66.1%) compared to the end of 2019, due to higher volumes of Polish Treasury bonds. At the same time, debt investment financial assets had the biggest share in the Group's total assets at the end of September 2020 and amounted to 42.7% (up by 13 percentage points compared to the end of 2019), due to a significant increase in deposit volumes, especially in the institutional banking segment, and their allocation on the active side of the Group's balance sheet. The **loan-to-deposit ratio** fell to 50% at the end of September 2020 (down by 10 percentage points compared to the end of December 2019).

The second largest share in the structure of the Group's assets at the end of the third quarter of 2020 had the **net amounts due from customers**. Their share in total assets was 37.7% at the end of September 2020. At the end of the third quarter of 2020, the value of net amounts due from customers amounted to PLN 22.7 billion and was lower by PLN 1.1 billion (i.e. 4.5%) compared to the end of 2019.

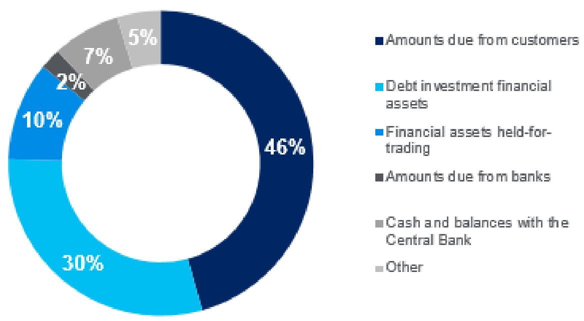
The value of net loans in the Institutional Banking segment, representing the sum of amounts due from both financial sector and non-financial sector entities – corporate clients, amounted to PLN 15.4 billion, down by PLN 1 billion (or 6.0%) compared to the end of 2019. The decrease in loan volumes was related to lower demand for loans (mainly for overdrafts), especially of Commercial Bank customers, whose activities were significantly affected by the COVID-19 pandemic (a decrease in revenues from the sale of enterprises, on the other hand, their liquidity was supported by government aid programs). A detailed breakdown of assets by segments in management view is presented in Note 8.

The volume of net loans made to individual customers dropped by PLN 90 million (or 1.2%) to PLN 7.3 billion compared to the end of December 2019. The drop in loan volumes was due to unsecured receivables (due to weaker customer demand for cash loans caused by the COVID-19 pandemic - customers' uncertainty as to their financial situation). On the other hand, mortgage loans increased by PLN 244 million (i.e. 13%) compared to the end of 2019.

Group's asset structure as at 30.09.2020



Group's asset structure as at 31.12.2019



Amounts due from customers

PLN '000	30.09.2020	31.12.2019	Change	
			PLN '000	%
Amounts due from financial sector entities, including:	**3,716,987**	**3,150,586**	**566,401**	**18.0%**
Loans	3,671,116	3,120,369	550,747	17.7%
Receivables related to reverse repo transactions	45,871	30,217	15,654	51.8%
Amounts due from non-financial sector entities, including:	**18,950,067**	**20,581,288**	**(1,631,221)**	**(7.9%)**
Institutional clients* including:	11,660,485	13,201,441	(1,540,956)	(11.7%)
public sector units	18,531	30,769	(12,238)	(39.8%)
Individual clients, including:	7,289,582	7,379,847	(90,265)	(1.2%)
unsecured receivables	5,156,166	5,490,546	(334,380)	(6.1%)
credit cards	3,048,259	3,355,444	(307,185)	(9.2%)
cash loans to private individuals	2,067,573	2,085,656	(18,083)	(0.9%)
mortgage loans	**2,133,416**	1,889,301	244,115	12.9%
Total receivables from customers	**22,667,054**	**23,731,874**	**(1,064,820)**	**(4.5%)**

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

Amounts due from customers as per credit risk classification

PLN '000	30.09.2020	31.12.2019	Change	
			PLN '000	%
Receivables not impaired (Stage 1), including	**21,509,445**	**21,225,119**	**284,326**	**1.3%**
financial institutions	3,720,988	3,152,788	568,200	18.0%
non-financial sector entities	17,788,457	18,072,331	(283,874)	(1.6%)
institutional clients* including:	11,286,389	11,659,740	(373,351)	(3.2%)
public sector units	18,629	30,793	(12,164)	(39.5%)
individual customers	6,502,068	6,412,591	89,477	1.4%
Receivables not impaired (Stage 2), including	**1,136,280**	**2,355,543**	**(1,219,263)**	**(51.8%)**
financial institutions	25	14	11	78.6%
non-financial sector entities	1,136,255	2,355,529	(1,219,274)	(51.8%)
institutional clients* including:	310,686	1,376,283	(1,065,597)	(77.4%)
public sector units	5	-	5	-
individual customers	825,569	979,246	(153,677)	(15.7%)
Receivables impaired (Stage 3), including:	**872,753**	**831,720**	**41,033**	**4.9%**
financial institutions	-	-	-	-
non-financial sector entities	872,753	831,720	41,033	4.9%
institutional clients*	507,629	516,611	(8,982)	(1.7%)
individual customers	365,124	315,109	50,015	15.9%
Amounts due from matured derivative instruments (Stage 3)	**4,080**	**10,040**	**(5,960)**	**(59.4%)**
Total gross loans to customers, including:	**23,522,558**	**24,422,422**	**(899,864)**	**(3.7%)**
financial institutions	3,721,013	3,152,802	568,211	18.0%
non-financial sector entities	19,797,465	21,259,580	(1,462,115)	(6.9%)
institutional clients*	12,104,704	13,552,634	(1,447,930)	(10.7%)
individual customers	7,692,761	7,706,946	(14,185)	(0.2%)
Provisions for expected credit losses, including:	**(855,504)**	**(690,548)**	**(164,956)**	**23.9%**
Amounts due from matured transactions in derivative instruments	(4,077)	(4,241)	164	(3.9%)
Total net amounts due from customers	**22,667,054**	**23,731,874**	**(1,064,820)**	**(4.5%)**
Provisions coverage ratio	**73.8%**	**66.7%**		
institutional clients*	69.7%	60.4%		
individual customers	79.6%	77.1%		
Non-performing loans ratio (NPL)	**3.7%**	**3.4%**		

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

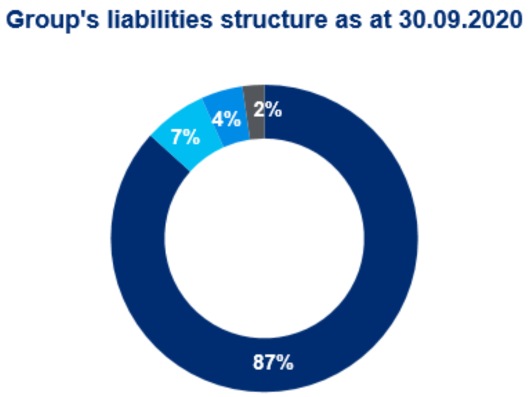
*** The ratio of non-performing loans is defined as the ratio of Receivables impaired (Stage 3) (Stage 3) to total gross loans to customers.*

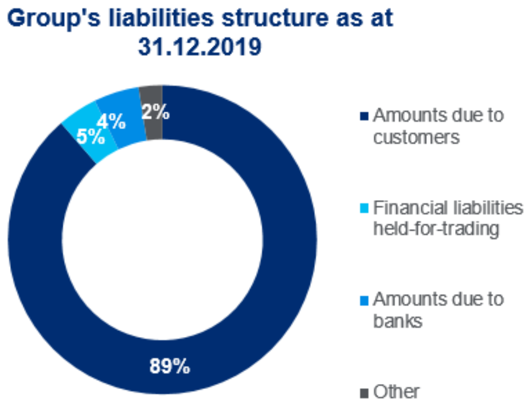
The value of gross receivables as of the end of the third quarter of 2020 does not include contractual interest in the amount of PLN 271,845,000 accrued from the moment of transferring the exposure to Stage 3 (as at the end of 2019, PLN 311,351,000). This does not affect the net value of the receivables qualified for Stage 3 because including them in gross value, in accordance to the guidelines of the Transition Resource Group for Impairment of Financial Instruments would also lead to an increase in expected credit losses by the same value.

As of the end of the third quarter of 2020 **total liabilities** amounted to PLN 52.6 billion, up by PLN 7.7 billion (or 17.2%) compared to the end of 2019.

In the third quarter of 2020 **amounts due to customers** were the dominant source of financing of the Group's activity and as of September 30, 2020 they accounted for 75.8% of the Group's liabilities and equity. At the same time, a current accounts were the dominant item in amounts due to customers, with a share of 77% (an increase by 5 percentage points compared to the end of 2019). Total amounts due to customers as of the end of the third quarter of 2020 amounted to PLN 45.6 billion, up by PLN 5.8 billion (or 14.6%) compared to the end of 2019. **Amounts due to institutional clients** which were higher by PLN 4.7 billion (i.e. 18.2%) compared to the end of the previous year had the largest share in this increase. The increase mentioned above resulted from the acquisition of new banking service mandates or the extension of the current cooperation, primarily with global clients, and from the increased balance of deposits held by Commercial Banking clients (mainly in current accounts due to support received under government aid programs to mitigate the effects of the COVID-19 pandemic).

At the same time **amounts due to individual clients** rose by PLN 0.9 billion (or 6.9%) compared to the end of 2019, as a result of an increase in current account volumes (the number of clients from the defined target group increased by 4% compared to the end of 2019) and the total change in the position was also affected by the depreciation of the Polish zloty.





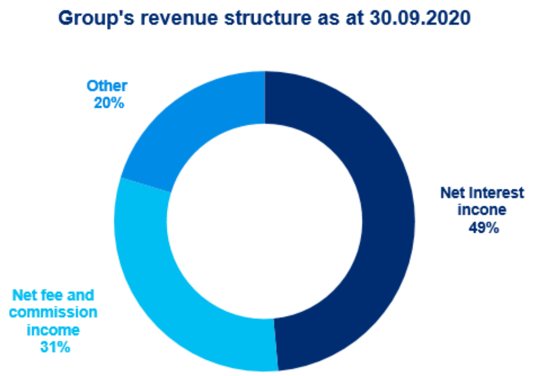
Amounts due to customers

PLN '000	30.09.2020	31.12.2019	Change	
			PLN '000	%
Current accounts, including:	**35,193,336**	**28,512,209**	**6 681 127**	**23.4%**
financial sector entities	1,111,656	797,540	314 116	39.4%
non-financial sector entities, including:	34,081,680	27,714,669	6 367 011	23.0%
institutional clients*, including:	21,391,718	17,379,160	4 012 558	23.1%
public sector units	2,400,329	3,388,779	(988 450)	(29.2%)
individual clients	12,689,962	10,335,509	2 354 453	22.8%
Term deposits, including:	9,987,679	11,007,282	**(1 019 603)**	**(9.3%)**
financial sector entities	5,388,195	3,759,106	1 629 089	43.3%
non-financial sector entities, including:	4,599,484	7,248,176	(2 648 692)	(36.5%)
institutional clients*, including:	2,899,239	4,121,754	(1 222 515)	(29.7%)
public sector units	63,909	66,653	(2 744)	(4.1%)
individual customers	1,700,245	3,126,422	(1 426 177)	(45.6%)
Total customers deposits	**45,181,015**	**39,519,491**	**5 661 524**	**14.3%**
Other amounts due to customers	**433,780**	**268,311**	**165 469**	**61.7%**
Total amounts due to customers	**45,614,795**	**39,787,802**	**5 826 993**	**14.6%**

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

2. Consolidated income statement

In the third quarter of 2020, the Group delivered **a consolidated net profit** of PLN 114.7 million, slightly up by PLN 1.0 million (or 0.9%) compared to the third quarter of 2019. The higher net profit was driven by lower provisions for expected credit losses on financial assets by PLN 116.5 million, partially offset by lower revenue (mainly net interest income due to a decline in interest rates in Poland, as a result of which the benchmark interest rate was cut by 140 bps taking place in the period from March to May 2020).



The main determinants of the Group's revenue in the third quarter of 2020 when compared to the corresponding period of the previous year were the following:

- **Net interest income** declined by PLN 77.9 million (or 19.4%) compared to the third quarter of 2019 and amounted to PLN 213.7 million.

  Interest income in the third quarter of 2020 declined by PLN 136.4 million (or 37.7%) compared to the corresponding period of 2019 and amounted to PLN 225.1 million. Interest income from amounts due from customers, which are the main source of interest income, amounted to PLN 132.2 million, down by PLN 111.4 million (or 45.7%) compared to the third quarter of 2019. The biggest nominal decrease in interest income was visible mostly in the Consumer Banking segment as a result of the reduction of the maximum interest rate to 7.2% from 10%. At the same time the Group's interest income was charged with PLN 17.1 million for the provision for prepaid loans in 2020 and expected future prepayments relating to early repaid consumer loans (see more about the CJEU judgement in the Chapter on information on pending litigations). As a consequence of the above-mentioned interest rate cuts, the Group adjusted its base of **interest expenses** paid on deposits which in the third quarter of 2020 dropped by PLN 58.5 million (or 83.3%) and amounted to PLN 11.3 million.

Net interest income

PLN '000	01.07 – 30.09.2020	01.07 – 30.09.2019	Change	
			PLN '000	%
Interest income	**208,789**	**331,854**	**(123,065)**	**(37.1%)**
Financial assets measured at amortized cost	**132,670**	**250,159**	**(117,489)**	**(47.0%)**
Balances with the Central Bank	61	1,858	(1,797)	(96.7%)
Amounts due from banks	451	4,761	(4,310)	(90.5%)
Amounts due from customers, in respect of:	132,158	243,540	(111,382)	(45.7%)
financial sector	7,566	13,868	(6,302)	(45.4%)
non-financial sector, including:	124,592	229,672	(105,080)	(45.8%)
credit cards	26,944	71,152	(44,208)	(62.1%)
Financial assets measured at fair value through comprehensive income	**76,119**	**81,695**	**(5,576)**	**(6.8%)**
Debt investment financial assets measured at fair value through comprehensive income	76,119	81,695	(5,576)	(6.8%)
Similar income	**16,267**	**29,574**	**(13,307)**	**(45.0%)**
Debt securities held-for-trading	3,203	18,062	(14,859)	(82.3%)
Liabilities with negative interest rate	8,448	3,226	5,222	161.9%
Derivative instruments in hedge accounting	4,616	8,286	(3,670)	(44.3%)
	225,056	**361,428**	**(136,372)**	**(37.7%)**
Interest expense and similar charges for				
financial liabilities measured at amortized cost	(6,831)	(61,056)	54,225	(88.8%)
Amounts due to banks	(594)	(16,062)	15,468	(96.3%)
Amounts due to customers	(5,187)	(43,895)	38,708	(88.2%)
Amounts due to financial sector entities	(1,562)	(12,285)	10,723	(87.3%)
Amounts due to non-financial sector entities	(3,625)	(31,610)	27,985	(88.5%)
Amounts due to Leasing	(1,050)	(1,099)	49	(4.5%)
Assets with negative interest rate	**(450)**	**(162)**	**(288)**	**177.8%**
Derivatives in hedge accounting	**(4,049)**	**(8,578)**	**4,529**	**(52.8%)**
	(11,330)	**(69,796)**	**58,466**	**(83.8%)**
Net interest income	**213,726**	**291,632**	**(77,906)**	**(26.7%)**

- **Net fee and commission income** amounted to PLN 137.2 million compared to PLN 141.7 million in the third quarter of 2019 – down by PLN 4.5 million (or 3.2%). The above decrease was mainly visible in the net fee and commission income of the Consumer Banking segment, which reported a drop by PLN 3.8 million (or 6.1%). Lower mobility of individual customers due to the restrictions caused by COVID-19 had a negative impact on FX income from payment cards. On the other hand, third quarter to second quarter, 2020, thanks to the adjustment measures implemented by the Bank and higher activity of customers, net fee and commission income in the Consumer Banking segment grew by PLN 17.0 million (or 41.1%). In the Institutional Banking segment, the COVID-19 pandemic had a negative impact on lower income from corporate cards (volumes drop in the business trips segment) in the area of transactional banking, which, on the other hand, was mostly offset by strong brokerage activity result.

Net fee and commission income

PLN '000	01.07 – 30.09.2020	01.07 – 30.09.2019	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products distribution*	14,999	15,527	(528)	(3.4%)
Payment and credit cards	35,249	42,725	(7,476)	(17.5%)
Payment orders	27,939	27,938	1	0.0%
Custody services	24,058	23,437	621	2.6%
Brokerage activity	12,171	9,084	3,087	34.0%

PLN '000	01.07 – 30.09.2020	01.07 – 30.09.2019	Change PLN '000	Change %
Clients' cash on account management services	6,862	6,173	689	11.2%
Guarantees granted	4,050	4,718	(668)	(14.2%)
Financial liabilities granted	1,445	2,303	(858)	(37.3%)
Other, including:	29,584	32,110	(2,526)	(7.9%)
installment products in credit card	6,592	7,159	(567)	(7.9%)
	156,357	**164,015**	**(7,658)**	**(4.7%)**
Fee and commission expense				
Payment and credit cards	(5,974)	(8,681)	2,707	(31.2%)
Brokerage activity	(2,449)	(2,918)	469	(16.1%)
Fees paid to the National Depository for Securities (KDPW)	(5,283)	(5,118)	(165)	3.2%
Brokerage fees	(1,009)	(1,093)	84	(7.7%)
Other	(4,421)	(4,519)	98	(2.2%)
	(19,136)	**(22,329)**	**3,193**	**(14.3%)**
Net fee and commission income				
Insurance and investment products distribution	14,999	15,527	(528)	(3.4%)
Payment and credit cards	29,275	34,044	(4,769)	(14.0%)
Payment services	27,939	27,938	1	0.0%
Custody services	24,058	23,437	621	2.6%
Brokerage activity	9,722	6,166	3,556	57.7%
Clients' cash on account management services	6,862	6,173	689	11.2%
Guarantees granted	4,050	4,718	(668)	(14.2%)
Financial liabilities granted	1,445	2,303	(858)	(37.3%)
Fees paid to the National Depository for Securities (KDPW)	(5,283)	(5,118)	(165)	3.2%
Brokerage fees	(1,009)	(1,093)	84	(7.7%)
Other	25,163	27,591	(2,428)	(8.8%)
Net fee and commission income	**137,221**	**141,686**	**(4,465)**	**(3.2%)**

- **Other operating income** (i.e. non-interest and non-commission income) of PLN 89.3 million vs. PLN 119.6 million in the third quarter of 2019 – down by PLN 30.3 million (or 25.4%), due to lower gains from the sale of debt securities. YTD 2020 vs. the corresponding period of 2019 the treasury result was almost flat (drop by 1.7%). At the same time, in other operating income and expenses a provision of PLN 5.4 million was recognized for prepaid loans in previous years (see more about the CJEU judgement in the Chapter on Information on pending litigations).
- **General administrative and depreciation expenses of** PLN 271.0 million compared to PLN 276.1 million in third quarter of 2019 – down by PLN 5.1 million (or 1.9%), due to lower staff bonuses in the Consumer Banking segment and lower advertising and marketing costs. On the other hand, the Bank consistently implemented its technology projects allowing for customer service and improving security in remote channels based on biometrics processes.

In the reporting period the headcount in the Group dropped by 109 FTEs.

General administrative expenses and depreciation expense

PLN '000	01.07 – 30.09.2020	01.07 – 30.09.2019	Change PLN '000	Change %
Staff expenses	**(119,792)**	**(125,126)**	**5,334**	**(4.3%)**
Remuneration costs	(90,894)	(91,054)	160	(0.2%)
Bonuses and rewards	(15,120)	(20,084)	4,964	(24.7%)
Social security costs	(13,778)	(13,988)	210	(1.5%)
Administrative expenses	**(125,254)**	**(129,569)**	**4,315**	**(3.3%)**
Telecommunication fees and hardware purchase costs	(53,088)	(48,889)	(4,199)	8.6%
Costs of external services, including advisory, audit, consulting services	(12,335)	(13,258)	923	(7.0%)
Real estates maintenance and rent costs	(13,486)	(14,468)	982	(6.8%)
Advertising and marketing costs	(8,367)	(11,129)	2,762	(24.8%)
Costs of cash management services, costs of clearing services and other transaction costs	(9,329)	(10,049)	720	(7.2%)
Costs of external services related to distribution of banking products	(11,769)	(11,246)	(523)	4.7%
Postal services, office supplies and printmaking costs	(1,494)	(2,074)	580	(28.0%)

PLN '000	01.07 – 30.09.2020	01.07 – 30.09.2019	Change	
			PLN '000	%
Training and education costs	(130)	(585)	455	(77.8%)
Banking and capital supervision costs	(34)	(33)	(1)	3.0%
Bank Guarantee Funds costs	(4,789)	(2,270)	(2,519)	111.0%
Other expenses	(10,433)	(15,568)	5,135	(33.0%)
Depreciation	**(25,972)**	**(21,452)**	**(4,520)**	**21.1%**
General administrative expenses and depreciation expense, total	**(271,018)**	**(276,147)**	**5,129**	**(1.9%)**

- Net result of provisions for expected credit losses on financial assets and provisions for off-balance sheet commitments amounted to positive PLN 25.3 million versus negative PLN 91.2 million in the third quarter of 2019. In the case of Institutional Banking, the main driver of the decrease in provisions was the reduction in impaired exposure. At the same time, the Group has reflected an improvement in the quality of their clients in stage 2 and they were transferred to stage 1. In the case of Consumer Banking, after recognition of provisions in the first half of 2020, the net result in the third quarter of 2020 was relatively stable as compared to third quarter of 2019 (the Group has not observed deterioration of the loan portfolio).

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

PLN '000	01.07 – 30.09.2020	01.07 – 30.09.2019	Change	
			PLN '000	%
Provision for expected credit losses on amounts due from banks				
Provision creation	(1,837)	(1,184)	(653)	55.2%
Provision release	2,372	2,546	(174)	(6.8%)
	535	**1,362**	**(827)**	**(60.7%)**
Provision for expected credit losses on amounts due from customers				
Provision creation and reversals	**(1,079)**	**(36,939)**	**35,860**	**(97.1%)**
Provision creation	(62,922)	(87,798)	24,876	(28.3%)
Provision release	62,867	51,995	10,872	20.9%
Other	(1,024)	(1,136)	112	(9.9%)
Recoveries from debt sold (written-off)	**(33)**	**12**	**(45)**	**(375.0%)**
	(1,112)	**(36,927)**	**35,815**	**(97.0%)**
Provision for expected credit losses on debt investment financial assets measured at fair value through other comprehensive income				
Provision creation	(149)	-	(149)	-
Provision release	-	1,002	(1,002)	(100.0%)
	(149)	**1,002**	**(1,151)**	**(114.9%)**
Provision for expected credit losses on financial assets	**(726)**	**(34,563)**	**33,837**	**(97.9%)**
Created provisions for granted financial and guarantee commitments	(11,667)	(67,447)	55,780	(82.7%)
Release of provisions for granted financial and guarantee commitments	37,714	10,818	26,896	248.6%
Provision for expected credit losses for granted off-balance sheet commitments	**26,047**	**(56,629)**	**82,676**	**(146.0%)**
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	**25,321**	**(91,192)**	**116,513**	**(127.8%)**

3. Financial Ratios

In the third quarter of 2020, the key efficiency ratios were as follows:

Total financial ratios	Q3 2020	Q3 2019
ROE*	5.7%	7.0%
ROA**	0.7%	0.9%
Cost/Income	62%	50%
Loans/Deposits	50%	64%
Loans/Total assets	38%	45%
Net interest income/Revenue	49%	53%
Net fee and commission income/Revenue	31%	26%

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

Group employment*

In full time job equivalents (FTE)	01.01 - 30.09.2020	01.01 - 30.09.2019	Change	
			FTEs	%
Average employment in the third quarter	3,036	3,189	(153)	(4.8%)
Employment at the end of quarter	3,013	3,122	(109)	(3.5%)

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

Capital adequacy*

PLN '000	30.09.2020	31.12.2019
Common Equity Tier I before regulatory adjustments	7,351,059	6,595,425
Total regulatory adjustments to Common Equity Tier I	(1,623,010)	(1,473,250)
Common Equity Tier I	5,728,049	5,122,175
Tier I Capital	5,728,049	5,122,175
Own Funds	5,728,049	5,122,175
The total amount of risk exposure	28,131,792	29,738,301
Common Equity Tier 1 capital ratio	20.4	17.2
Tier 1 capital ratio	20.4	17.2
Total capital ratio	**20.4**	**17.2**

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

Leverage ratio*

PLN '000	30.09.2020	31.12.2019
Tier I Capital	5,728,049	5,122,175
Total leverage ratio exposures	63,690,772	57,561,528
Leverage ratio	**9.0**	**8.9**

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

Overview of RWAs

PLN '000			RWA		Minimum capital requirements
CRR			30.09.2020	31.12.2019	30.09.2020
	1	**Credit risk (excluding CCR)**	**21,995,080**	**23,365,872**	**1,759,606**
Article 438 (c) (d)	2	Of which the standardised approach	21,995,080	23,365,872	1,759,606
Article 107 Article 438 (c) (d)	6	**CCR**	**1,016,109**	**1,528,845**	**81,289**
Article 438 (c) (d)	7	Of which mark to market	920,658	1,197,463	73,653
Article 438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	2,964	2,457	237

PLN '000			RWA		Minimum capital requirements
CRR			**30.09.2020**	**31.12.2019**	**30.09.2020**
Article 438 (c) (d)	12	Of which CVA	92,487	328,925	7,399
Article 438 (e)	**13**	**Settlement risk**	-	-	-
Article 449 (o) (i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**234,368**	**253,671**	**18,749**
	18	Of which standardised approach	234,368	253,671	18,749
Article 438 (e)	**19**	**Market risk**	**1,271,180**	**1,022,525**	**101,694**
	20	Of which the standardised approach	1,271,180	1,022,525	101,694
Article 438 (e)	22	Large exposures	-	-	-
Article 438 (f)	**23**	**Operational risk**	**3,615,055**	**3,567,388**	**289,204**
	25	Of which standardised approach	3,615,055	3,567,388	289,204
Article 437 (2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	480,755	595,164	38,460
	29	**Total**	**28,131,792**	**29,738,301**	**2,250,542**

In the third quarter of 2020 the Group fulfilled the capital adequacy requirements. Total capital ratio is calculated according to respective regulations.

In the first quarter of current year the bank received a letter from the Polish Financial Supervision Authority (PFSA) specifying the required conditions in order to consider offsetting agreements in the capital adequacy account as limiting risk. The bank submitted the required documents to the PFSA and since March this year has included all its key contracts in the capital adequacy account as risk mitigation.

7 Segment reporting

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

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

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

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

Institutional Banking

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

Consumer Banking

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

Consolidated income statement of the Group by business segment

For the period	01.01 – 30.09.2020			01.01 – 30.09.2019		
PLN '000	Institutional Banking	Consumer Banking	Total	Institutional Banking	Consumer Banking	Total
Net interest income	430,426	350,362	780,788	378,335	478,998	857,333
Internal interest income, including:	(42,890)	42,890	-	(52,693)	52,693	-

For the period	01.01 – 30.09.2020			01.01 – 30.09.2019		
PLN '000	**Institutional Banking**	**Consumer Banking**	**Total**	**Institutional Banking**	**Consumer Banking**	**Total**
Internal income	-	42,890	42,890	-	52,693	52,693
Internal expenses	(42,890)	-	(42,890)	(52,693)	-	(52,693)
Net fee and commission income	244,052	157,939	401,991	228,328	200,504	428,832
Dividend income	1,416	10,305	11,721	2,302	8,598	10,900
Net gain/(loss) on trading financial instruments and revaluation	154,168	23,822	177,990	265,693	20,590	286,283
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	175,932	-	175,932	73,587	-	73,587
Net gain/(loss) on equity investments and other measured at fair value through income statement	4,169	8,282	12,451	15,404	925	16,329
Net gain/(loss) on hedge accounting	1,049	-	1,049	(1,068)	-	(1,068)
Net other operating income	3,324	(14,849)	(11,525)	7,457	(11,111)	(3,654)
General administrative expenses	(418,695)	(447,523)	(866,218)	(420,034)	(455,506)	(875,540)
Depreciation and amortization	(16,370)	(63,627)	(79,997)	(14,845)	(49,187)	(64,032)
Profit on sale of other assets	(157)	(269)	(426)	(128)	(168)	(296)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(97,109)	(81,069)	(178,178)	(157,821)	(68,133)	(225,954)
Operating income	**482,205**	**(56,627)**	**425,578**	**377,210**	**125,510**	**502,720**
Tax on certain financial institutions	(73,426)	(19,144)	(92,570)	(51,604)	(18,070)	(69,674)
Profit before tax	**408,779**	**(75,771)**	**333,008**	**325,606**	**107,440**	**433,046**
Income tax expense	-	-	(102,675)	-	-	(126,755)
Net profit	**-**	**-**	**230,333**	**-**	**-**	**306,291**

State as at	30.09.2020			31.12.2019		
PLN '000	**Institutional Banking**	**Consumer Banking**	**Total**	**Institutional Banking**	**Consumer Banking**	**Total**
Total assets	**52,585,741**	**7,615,939**	**60,201,680**	**44,299,208**	**7,679,335**	**51,978,543**
Total liabilities and equity, including:	**42,774,408**	**17,427,272**	**60,201,680**	**35,665,583**	**16,312,960**	**51,978,543**
Liabilities	36,692,465	15,927,822	52,620,287	30,254,827	14,649,061	44,903,888

8 Activities of the Group

Institutional Banking

1.1. Summary of segment results

PLN '000	Q3 2020	Q3 2019	Change PLN '000	Change %
Net interest income	127,643	129,380	(1,737)	(1.3%)
Net fee and commission income	78,813	79,500	(687)	(0.9%)
Net income on dividends	231	1,040	(809)	(77.8%)
Net gain/(loss) on trading financial instruments and revaluation	76,236	91,590	(15,354)	(16.8%)
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income	1,731	19,440	(17,709)	(91.1%)
Net gain/(loss) on equity investments and other measured at fair value through income statement	24	3,130	(3,106)	(99.2%)
Net gain/(loss) on hedge accounting	2,512	(310)	2,822	-
Net other operating income	1,862	1,644	218	13.3%
Total income	**289,052**	**325,414**	**(36,362)**	**(11.2%)**
General administrative expenses and depreciation	(112,927)	(113,993)	1,066	(0.9%)
Profit on sale of other assets	3	(129)	132	-
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	40,854	(75,826)	116,680	-
Tax on certain financial institutions	(22,564)	(19,340)	(3,224)	16.7%
Profit before tax	**194,418**	**116,126**	**78,292**	**67.4%**
Cost/Income	**39%**	**35%**		

The key highlights that impacted the gross profit of the Institutional Banking Segment in the third quarter of 2020 compared to the corresponding period of the previous year were as follows:

- decrease in **net interest income** as a result of a reduction of the benchmark rate by 140 basis points in the period from March to May of 2020);
- slight decrease in **net fee and commission income** as a result of lower income from corporate cards, partially offset by the strong result on brokerage activities;
- decrease in **other operating income** (i.e. non-interest and non-commission income) due to a lower result on the sale of investment debt securities;

1.2. Institutional Bank and the Capital Markets

Institutional Bank

As at the end of the third quarter of 2020, the number of institutional clients (which include strategic clients, global clients and commercial bank clients) was over 5,500 i.e. decreased by 3% as compared to the third quarter of 2019, when their number was slightly below 5,700. The decrease mentioned above applies mainly to commercial bank clients.

In terms of client's acquisition in the Commercial Bank segment the Bank attracted 64 new clients in the third quarter of 2020, including 5 Large Companies, 54 Small and Medium-Sized Companies and 5 Public Sector Entities. In the strategic and global client segments, the Bank established 9 new client relationships.

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

Assets

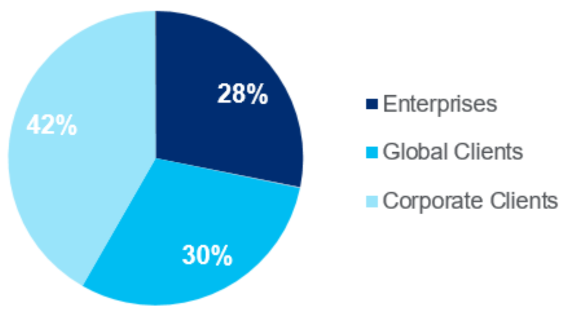
PLN million	30.09.2020	31.12.2019	30.09.2019	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	3,953	4,664	5,288	(711)	(15%)	(1,335)	(25%)
SMEs	1,341	1,442	1,571	(101)	(7%)	(230)	(15%)
MMEs	2,612	3,222	3,717	(610)	(19%)	(1,105)	(30%)

Public Sector	14	25	50	(11)	(46%)	(36)	(72%)
Global Clients	4,213	4,755	3,605	(542)	(11%)	608	17%
Corporate Clients	5,847	6,162	5,965	(315)	(5%)	(117)	(2%)
Other	8	0	0	8	-	8	-
Total Institutional Banking*	**14,034**	**15,606**	**14,907**	**(1,571)**	**(10%)**	**(872)**	**(6%)**

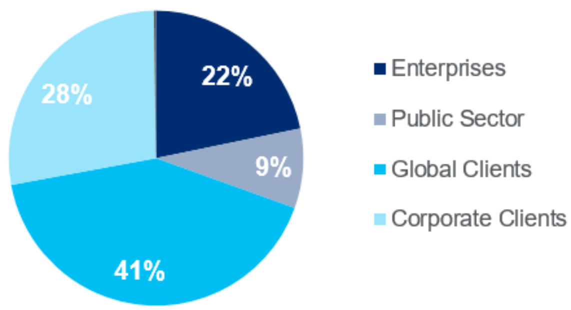
Liabilities

PLN million	30.09.2020	31.12.2019	30.09.2019	Change (1)/(2)		Change (1)/(3)	
	(1)	(2)	(3)	PLN million	%	PLN million	%
Enterprises, including:	6,447	4,783	4,408	1,664	35%	2,040	46%
SMEs	3,491	2,592	2,497	899	35%	994	40%
MMEs	2,956	2,191	1,910	765	35%	1,046	55%
Public Sector	2,585	3,658	2,322	(1,073)	(29%)	262	11%
Global Clients	12,329	10,887	9,160	1,442	13%	3,170	35%
Corporate Clients	8,199	5,888	6,340	2,311	39%	1,859	29%
Other	69	65	74	4	6%	(5)	(7%)
Total Institutional Banking*	**29,630**	**25,282**	**22,304**	**4,348**	**17%**	**7,326**	**33%**

Structure of the Institutional Bank assets as of 30.09.2020



Structure of the Institutional Bank liabilities as of 30.09.2020



Key transactions and achievements in Institutional Banking in the third quarter of 2020:

Credit activity	**<u>Granting new financing in the amount of PLN 0.7 billion</u>** • PLN 230 million for Commercial Bank clients; • PLN 226 million for Corporate clients; • PLN 226 million for Global clients, incl. a leading hi-tech company and one of the largest retail chains in Europe.
Investing Banking	**<u>The Best Investment Banking by Dealogic</u>** • Establishing cooperation with an international investor and beginning servicing of the M&A structure in Poland related to the biggest M&A transaction in the logistics sector in the region; • Conclusion of an FX forward transaction of a total amount of CNH 1.2 million and USD 140 million to hedge the FX exposure with a client from the consumer sector.
Transactional Banking	**<u>Opening 8 new customer relationships and extending the two existing ones</u>** • Transfer of the Regional Supplier Finance Program in the amount of USD 100 million to the Citi Handlowy platform for a Polish company that is part of a global food company; • Issuing a bank guarantee for the amount of PLN 110 million, securing the two-year realization of the contract to modernize the railway infrastructure.

Activity and business achievements of the Treasury Division

FX volumes	HUB FX new tool	CitiFX Pulse electronic currency exchange platform	Puls Rynku FX mobile application
+3% YoY	Support for the global activity of Polish entrepreneurs - settling accounts with their contractors in exotic currencies, such as Mexican Pesos, Singapore Dollar	Remote and secure transactions making and providing access to the latest data, analyses and economic forecasts	Contains currency alerts, quotes, forecasts and reports of Citi Handlowy analysts

Loan activity	Syndicated Loans	Debt Securities
	EUR 50 million - amount of commitment - client from the fuel and energy industry	Acquisition of bonds issued for the COVID-19 Countermeasure Fund

Transactional banking

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

Electronic Banking	The Bank provides clients with safe and hassle-free solutions that enable clients to perform all banking operations in a self-service manner and without additional contact with the Bank through: • **CitiDirect BE Mobile** - mobile application with **biometric authentication** • **MobilePass** mobile token • **CitiDirect BE** system **administrator module** • **eWnioski (eForms)** - electronic documentation exchange platform
	In the third quarter of 2020, the Bank processed over **8.5 million transactions via electronic channels, i.e. increase by 13% as compared to the second quarter of 2020**. At the same time, over **4,350 customers** used the CitiDirect BE electronic banking system.
	The bank promoted knowledge about **cyber security** among its clients of electronic banking. The bank focused especially on **the methods of social engineering** (including those connected to the COVID-19 epidemic) that hackers may try to use to successfully siphon funds from bank accounts.
Card products	**<u>Biometric authentication in CitiManager</u>** At the cusp of the second and third quarter of 2020, the Bank implemented an option to authenticate online transactions with the use of the biometric data of a corporate card holder who uses the CitiManager mobile app. Biometric authentication of transactions is a very convenient solution for card holders. The card holder doesn't have to wait for additional messages from the Bank or enter single-use codes. It is available after selecting the option of biometric identification on the phone, depending on the device model: **either Fingerprint ID or Face ID.**
	In the third quarter of 2020, the Bank recorded an **increase in the number of non-cash payments by 25%** compared to the second quarter of 2020.
Trade finance products	The Bank focused on developing the following solutions: **Split Payment for foreign currencies**

The Bank is the only entity in the Group that offers financing of transactions in foreign currencies according to the Split Payment regulations and also the only bank on the Polish market to offer both Supply Chain Finance, which is a regional solution, and split payment in zlotys and in foreign currencies.

Direct Presentation

Full digitization of the processing of documentary collection transactions – enables presenting scans of the export documentary collection documents through a Citi Trade Portal platform, without the need to send the original commercial documents to the Bank.

Custody services

The Bank provides custody services for domestic and foreign institutional investors and services of a custodian bank for domestic pension and investment funds. For many years, Citi Handlowy has been a leader in the Polish market of depository banks.

As part of its statutory activities, under a license issued by the Polish Securities and Exchange Commission (at present, the Polish Financial Supervisory Authority (KNF)), the Bank maintains securities accounts, settles securities transactions, processes dividend and interest payments, provides valuations of asset portfolios, delivers individual reports and arranges representation at general meetings of shareholders of listed companies. The Bank keeps collective accounts for authorized foreign entities. In addition, the Bank provides services consisting in maintenance of registers of foreign securities, under which it acts as intermediary in settlements of transactions executed by domestic clients in foreign markets.

As at 30 September 2020, the Bank maintained 15,000 securities accounts and collective accounts.

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

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

Moreover, the Bank was servicing an investment funds and pension funds operating under the Employee Capital Plans programme: PKO Emerytura SFIO, Santander PPK SFIO, Aviva SFIO PPK, Esaliens PPK SFIO, Nationale - Nederlanden DFE Nasze Jutro.

Brokerage activities

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

As at the end of the third quarter of 2020, DMBH was the market maker for 66 companies listed on the Warsaw Stock Exchange (of which 20 from the WIG20 index), i.e. 16% of the shares listed in its main equity market.

After three quarters of 2020, DMBH was the intermediary in in-session transactions accounting for 4.6% of equity turnover in the secondary market. The value of the in-session transactions concluded via DMBH in the equity market on the WSE was PLN 17.8 billion. After three quarters of 2020, DMBH was ranked eighth in terms of session turnovers on the WSE main market and fourth as a local WSE member.

The number of investment accounts maintained by DMBH was 14,8 thousand as at the end of the third quarter of 2020, and increased by 8.8% as compared to the same period in 2019. The increase in the number of accounts resulted from the great interest of individual investors in the offer, in particular in the investment advisory service which reflected the positive sentiment on the brokerage services market in the face of the market situation of lowered interest rates and high volatility on the stock market. In the third quarter of 2020, DMBH also acted as a co-bookkeeper in the largest IPO on the WSE in a decade - for Allegro.eu SA. The offer acquired a total of nearly PLN 10.5 billion for the company and shareholders.

The progress of COVID-19 pandemic in the first half of 2020 revealed a considerable risk of global recession. The prospect of global recession forced central banks and governments to launch large-scale stimulation activities and plans on an unprecedented scale. Polish institutions (including the National Bank of Poland, Government, Polish Financial Supervision Authority and Polish Bank Association and Chamber of Brokerage Houses) also presented various initiatives that are to alleviate the impact of COVID-19 on Poland's economy and financial sector.

Proposed legislation is monitored and assessed by DMBH on an ongoing basis. The current activities of DMBH are fully in line with initiatives started in the sector. Over the last weeks, DMBH carried out stable, and from time to time even intensified, activities to continuously respond to the needs of its clients.

Selected financial data as at 30 September 2020

Company's Name	Headquarter	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of Q1-Q3 2020
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	638 542	106 540	8 963

Leasing activities

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

Selected financial data as at 30 September 2020

Company's Name	Headquarters	% of authorized capital held by the Bank	Total assets	Total equity	Net financial result for the period of Q1 – Q3.2020
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	21,680	21,005	(399)

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q3 2020	Q3 2019	Change	
			PLN '000	%
Net interest income	86,083	162,252	(76,169)	(46.9%)
Net fee and commission income	58,408	62,186	(3,778)	(6.1%)
Dividend income	62	-	62	-
Net gain/(loss) on trading financial instruments and revaluation	7,412	7,051	361	5.1%
Net gain/(loss) on equity and other instruments measured at fair value through income statement	8,282	-	8,282	-
Net other operating income	(9,075)	(3,970)	(5,105)	128.6%
Total income	**151,172**	**227,519**	**(76,347)**	**(33.6%)**
General administrative expenses and depreciation	(158,091)	(162,154)	4,063	(2.5%)
Profit on sale of other assets	(35)	(136)	101	(74.3%)
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments	(15,533)	(15,366)	(167)	1.1%
Tax on certain financial institutions	(6,404)	(6,129)	(275)	4.5%
Profit before tax	**(28,891)**	**43,734**	**(72,625)**	**-**
Cost/Income	**105%**	**71%**		

The following factors influenced the profit before tax in the Consumer Banking Segment in the third quarter of 2020:

- lower **interest income** as a result of lowering the reference rate by the Monetary Policy Council and reduced acquisitions due to the COVID-19 epidemic, which translated into a slowdown in the growth rate of credit product balance (-1.1% YoY),
- decrease in **interest expenses** following a significant reduction in interest rates for the polish zloty and other currencies, despite a significant increase in the deposit balances (+ 8.8% YoY),
- decrease in **net fee and commission income** mainly from the lower transaction activity of customers using credit cards and debit cards due to the epidemic,
- decrease in **operating expenses** as a result of maintaining cost discipline, except for increased investment in technology.

The Bank has taken a number of initiatives mitigating the impact of changes in environmental conditions and intends to continue its strategy of developing consumer banking through remote channels in the process of acquiring new clients (thanks to biometric technology) and the development of the CitiKantor, digital account and CitiSpecials offer enabling the acquisition of new clients and increase transaction volumes of existing ones.

2.2. Selected business data

PLN '000	Q3 2020	Q2 2020	Q3 2019	Change QoQ	Change YoY
Number of individual customers	651.8	661.9	679.3	(1.5)	(4.0)
Number of current accounts	449.9	454.0	458.9	(0.9)	(2.0)
Number of saving accounts	135.4	138.1	139.1	(2.0)	(2.7)
Number of credit cards	619.0	632.9	659.3	(2.2)	(6.1)
Number of debit cards	232.5	234.1	240.8	(0.7)	(3.4)

Net amounts due from individual clients – management view

PLN '000	30.09.2020 (1)	31.12.2019 (2)	30.09.2019 (3)	Change (1)/(2)		Change (1)/(3)	
				PLN '000	%	PLN '000	%
Unsecured receivables, including:	5,156,166	5,490,546	5,533,561	(334,380)	(6.5%)	(377,395)	(6.8%)
Credit cards	2,542,358	2,766,068	2,747,001	(223,710)	(8.9%)	(204,643)	(7.4%)
Cash loans	2,573,474	2,675,032	2,726,360	(101,558)	(3.9%)	(152,886)	(5.6%)
Other unsecured receivables	40,334	49,446	60,200	(9,112)	(18.9%)	(19,866)	(33.0%)
Mortgage loans	2,133,416	1,889,301	1,836,242	244,115	12.0%	297,174	16.2%
Net client receivables	**7,289,582**	**7,379,847**	**7,369,803**	**(90,265)**	**(1.3%)**	**(80,221)**	**(1.1%)**

2.3. Key Business Highlights

Bank accounts

Current accounts

The total balance on the current accounts was PLN **9.3 billion**, i.e. increased by **36%** as compared to the end of the third quarter of 2019.

The number of personal accounts at the end of September 2020 was **450,000**, including 250,000. accounts kept in PLN, and 200,000 accounts kept in foreign currencies.

Savings accounts

The number of savings accounts at the end of the third quarter of 2020 amounted to **135,000**, the total balance of funds accumulated on those accounts amounted to PLN **3.5 billion** compared to 139,000 savings accounts with a total balance of PLN 3.2 billion in the same period of the previous year.

Changes in the offer As of August 20, 2020, the Bank implemented changes to the Personal Accounts price lists and the Interest Rates Table. The most important solutions are:

- changes to the conditions entitling to exemption from the fee for the Priority account – exemption is conditional upon execution of transactions totaling PLN 500 in a given month with the card linked to the account,
- introduction of a fee for newly opened FX accounts in EUR, which depends on the amount of funds in EUR accumulated on the account (for Citigold clients, the fee is not charged as long as the average monthly account balance does not exceed EUR 20,000),
- raise of the access fee for the services of the CitiPhone telephone banking,
- withdrawal of savings accounts in EUR and of a contactless medium in form of a sticker from the offer.

The changes implemented in the price list, the offer and interest rates on account are in line with the Bank's strategy, which focuses on **promoting payments with cards** linked to accounts and developing the services of Apple Pay and Google Pay which are currently available at the Bank.

In continuation of the digitization strategy, following the implementation of the possibility to open a personal account entirely remotely with the use of biometrics, in September 2020 the Bank added a **new version of a CitiKonto account** to its offer. A free account combined with a technologically advanced **currency exchange platform and attractive FX rates** is currently one of the most competitive and comprehensive offers

	on the market. The offer is addressed to those who travel abroad, shop in foreign currencies, repay FX loans or invest on the FX market. A holder of the CitiKonto account is not charged for its maintenance or for a debit card and may also use the functionalities of a multi-currency card free of charge. The first four ATM withdrawals in Poland and worldwide a month, and three Express Elixir transfers each month are free of charge. The opening and maintenance of FX accounts in USD, EUR (up to EUR 10,000), CHF and GBP, linked to a personal account, will be also exempted from fees.
Credit cards	The total debt on the credit cards amounted to **PLN 2.6 billion** as at the end of the third quarter of 2020, which means that the Bank was still the leader in the credit card market, in terms of the credits granted on the credit cards, with a market share of 22.4%, according to data as at the end of September 2020. The Bank has established **cooperation with OBI, a DIY retail chain**, concerning **purchases under the Komfort Instalment Payment Plan on a credit card** at 59 OBI stores across Poland. The partner's clients can apply online, in an entirely self-service mode, for a credit card with an option of instalments on the card.
Cash loans and cash loans associated with credit card accounts	The balance of unsecured loans (cash loans and loans on credit card) amounted to **PLN 2.6 billion** as at the end of the third quarter of 2020 and was lower by 6% as compared to the same period in previous year. Total sales of the loans mentioned above amounted to **PLN 215 million** in the third quarter of 2020, i.e decreased by 32% as compared to the same period in previous year. The sales level was impacted by the state of epidemic declared in March 2020, leading to a decline in demand for loans, among other things. At the same time, with the developed online and telephone processes, we managed to maintain the availability of the lending process at the unchanged level as compared to the periods before the pandemic. The possibility to obtain financing without leaving home and to conclude an agreement electronically is available both to the existing and new clients of the Bank who apply for a loan (using, among others, biometric identity verification for a new client).
Mortgage products	The mortgage loans offer was constantly dedicated to selected client segments, i.e. Citigold Private Client, CitiGold and Citi Priority - all the newly-originated mortgage and home equity loans were granted in those client segments. The mortgage products sold in the third quarter of 2020 reached **PLN 162 million**, i.e. **increased by 13%** comparing to the third quarter of 2019 when it stood at PLN 143 million. As at the end of that period, the mortgage portfolio amounted to **PLN 2.1 billion** as compared to PLN 1.8 billion in the corresponding period of 2019, i.e. **increased by 16% YoY**.
Insurance and investment products	As at the end of the third quarter of 2020, the funds under management as part of investment products (including insurance products, without dual currency investments) acquired by retail clients via the Bank were 3% higher than as at the second quarter of 2020.

2.4 Development of distribution channels

Online Banking and Mobile Banking

The online platform of the Bank for retail clients is built in a responsive technology, i.e. it aligns itself with a device used by the client. In the third quarter, the Bank launched a new currency exchange module of CitiKantor, which allows clients to, i.a., submit a conditional instruction and set a currency alert, as well as **a new multi-currency service – Citibank Global Wallet**, which automatically matches an FX account to the transaction currency without the need to re-link the card manually.

The number of active users of Citibank Online, i.e. those who logged in to the online or mobile banking service via a browser or the Citi Mobile application at least once in every 90-day period, was **382,000** as at the end of the third quarter of 2020. The share of active Citibank Online users in the entire client portfolio of the Bank was **60.2%** as at the end of the third quarter of 2020, i.e. it **increased by 0.2 p.p**. as compared to the corresponding period of 2019.

At the same time, **digital users** accounted for **82% of all transactionally active clients** at the end of the third quarter of 2020, which is an **0.6 p.p. increase** as compared to the third quarter of 2019.

As at the end of the third quarter of 2020, the number of **active users of mobile banking**, i.e. those who used mobile banking at least once in every 90-day period via the application or Citibank Online in responsive technology, amounted to **236,000, i.e. increased by 11 p.p.** as compared to the third quarter of 2019.

The share of active users of mobile banking in the retail client portfolio of Citi Handlowy was **37,3%**, i.e. **increased by 5.3 p.p.** as compared to the same period in 2019.

Social Media

The Bank actively conducts communication activities on social media, which are becoming an even more significant channel for maintaining and establishing client interactions in face of the threats resulting from COVID-19 and the "social distancing" policy.

Social Media play a big role in promoting new technology solutions dedicated to retail clients, communicating partnership offers that build transaction services and the ongoing CSR activities of the Bank. Social Media are also one of the acquisition channels in advertising campaigns. In the third quarter of 2020, Bank's communication on Facebook reached over 1.8 million users. Users of Facebook and Instagram had, on average, almost 4 contacts with the marketing materials of the Bank. In the third quarter of 2020, 51 posts were published on Facebook, including 41 video materials.

In the third quarter of 2020, the Bank used the Messenger app to reply to around 1,200 enquires about the Bank's products and services. The Bank has also implemented a client satisfaction survey concerning the services offered through this channel. 82% of respondents assessed this communication channel positively.

The Bank has **138,000** followers on Facebook.

Indirect and Direct Customer Acquisition

Citigold and Smart outlets

As at the end of the third quarter of 2020, the Bank's network comprised 19 branches, that is: 9 Hub Gold branches, 9 Smart branches and 1 corporate branch. The number of customer service centers did not change comparing to the second quarter of 2020. All branches maintained the same standard of customer service, and the ongoing activities focused on the close monitoring of the procedures implemented in response to the COVID-19 pandemic. All branches in the network implemented rules that ensure continuity of service. The units were equipped with the required protection measures, and their employees received relevant guidelines related to customer service. The efforts of the Bank's employees, especially after the defrosting of the economy and lifting of the restrictions, focused on ensuring an unaffected standard of services offered in a safe manner.

Changes to the network of outlets

Number of branches and other Points of Sale/touch points

	30.09.2020 (1)	31.12.2019 (2)	30.09.2019 (3)	Change (1)/(2)	Change (1)/(3)
Number of branches*:	**19**	**21**	**21**	**(2)**	**(2)**
Hub Gold	9	9	8	0	1
Smart Hub Gold	0	0	1	0	(1)
Investment Center	0	1	1	(1)	(1)
Smart branch	9	10	10	(1)	(1)
Corporate branch	1	1	1	0	0

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

9 Rating

As of end of the third quarter of 2020, the Bank had full ratings awarded by Fitch Ratings ("Fitch").

On September 29, 2020 Fitch as part of the annual review, affirmed all ratings of the Bank in the following levels:

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

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

The Bank's Ratings (IDRs) are driven by its intrinsic strength (as reflected in Viability rating ("VR") and potential parental support.

In the justification for the assessment, the rating agency stated that the Bank's Individual VR Rating is one notch higher than the rating for the Polish banking sector, which reflects the Bank's low risk appetite, high capitalization and high levels of liquidity, which makes the Bank more resilient to inherent risks in the Polish operating environment. The Bank's balance sheet is dominated by low risk assets, the quality of the loan portfolio is solid, which is the result of focusing on lending to high quality corporate and retail borrowers.

However, Bank's VR has limited tolerance for a material weakening of key credit metrics, therefore an advantages of the Bank mentioned above, may not protect it from the current challenges of the operating environment (including low interest rates and limited business activity). Therefore, Fitch changed the Bank's rating outlook from stable to negative.

10 Financial instruments disclosure

Fair value of financial assets and liabilities

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

PLN '000	30.09.2020		31.12.2019	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Cash and balances with the Central Bank	2,201,482	2,201,482	3,736,706	3,736,706
Amounts due from banks	1,592,064	1,592,064	1,165,684	1,165,682
Amounts due from customers	22,667,054	22,542,522	23,731,874	23,661,886
Financial liabilities				
Amounts due to banks	2,320,660	2,320,641	2,125,495	2,125,592
Amounts due to customers	45,614,795	45,613,234	39,787,802	39,781,867

Valuation methods and assumptions used for the purposes of fair value

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

- The fair value of financial instruments not quoted in active markets is determined using valuation techniques which are periodically assessed and verified. All the models are tested and approved before application. As far as possible, only observable data are used in the models, although in some areas, the Bank's management must use estimates. Changes in the assumptions relating to the estimated factors may affect the fair value of financial instruments disclosed.
  The Group applies the following methods of measurement of particular types of derivative instruments:
  - FX forwards – discounted cash flows model;
  - options – option market-based valuation model;
  - interest rate transactions – discounted cash flow model;
  - futures – current quotations.
- For valuation of securities' transactions current quotations are used. In case of lack of quotations, adequate models based on discount and forward curves, including decrease of credit spread, if needed, are used for valuation.
- The fair value of other assets and financial liabilities (excluding described above) are estimated in accordance to commonly accepted models of valuation based on discounted cash flow analysis, taking into account fluctuations in market interest rates and changes in margins during the financial period.

Fair value included in consolidated statement of financial position

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

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

  The active market includes stock and brokerage quotes and quotes in pricing services type systems, such as Reuters and Bloomberg, which represent the actual market transactions concluded on the market conditions. Level I mainly include securities held-for-trading or available-for-sale;
- Level II: financial assets/liabilities valued on the basis of models based on input data from the active market presented in Reuters and Bloomberg systems. Depending on financial instruments, the following specific valuation techniques are used:

- listed market prices for a given instrument or listed market prices for an alternative instrument,
- fair value of interest rate swaps and forward foreign exchange contracts is calculated as the current value of future cash flows based on the market yield curves and current NBP fixing exchange rate in case of foreign currency instruments,
- other techniques, such as yield curves based on alternative prices for a given financial instrument;

• Level III: financial assets/liabilities valued on the basis of valuation techniques using relevant non-market parameters.

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

As at 30 September 2020

PLN '000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	683,523	4,855,420	-	5,538,943
derivatives	198	3,144,342	-	3,144,540
debt securities	634,030	1,711,078	-	2,345,108
equity instruments	49,295	-	-	49,295
Hedging derivatives	-	-	-	-
Debt investment financial assets measured at fair value through other comprehensive income	24,900,386	824,243	-	25,724,629
Equity investments and other measured at fair value through income statement	31,645	-	43,444	75,089
Financial liabilities				
Financial liabilities held-for-trading	74,948	3,400,661	-	3,475,609
short sale of securities	74,948	-	-	74,948
derivatives	-	3,400,661	-	3,400,661
Hedging derivatives	-	69,961	-	69,961

As at 31 December 2019

PLN'000	Level I	Level II	Level III	Total
Financial assets				
Financial assets held-for-trading	2,921,813	2,524,698	-	5,446,511
derivatives	-	1,524,780	-	1,524,780
debt securities	2,881,897	999,918	-	3,881,815
equity instruments	39,916	-	-	39,916
Debt investment financial assets measured at fair value through other comprehensive income	15,484,578	-	-	15,484,578
Equity investments and other measured at fair value through income statement	1,108	-	61,530	62,638
Financial liabilities				
Financial liabilities held-for-trading	248,406	1,629,492	-	1,877,898
short sale of securities	248,406	-	-	248,406
Derivatives	-	1,629,492	-	1,629,492
Hedging derivatives	-	19,226	-	19,226

As at September 30, 2020, the amount of financial assets classified to level III includes the value of the share in Visa Inc. (privileged series C) in the amount of PLN 21,965 thousand and the value of other minority shareholding in the amount of PLN 21 479 thousand. As at December 31, 2019, the amount of financial assets classified to level III includes the value of the share in Visa Inc. (privileged series C) in the amount of PLN 41,324 thousand and the value of other minority interests in the amount of PLN 20,206 thousand.

In September 2020, VISA Inc. performed a partial conversion of series C privileged shares into series A privileged shares, which were classified to level I. The operation resulted in the recognition of PLN 8,208 thousand, which were included in the result on capital investments and other investments measured at fair value through the profit and loss.

The method of estimating the fair value of series C Visa Inc preference shares takes into account the value of Visa Inc. shares and corrections resulting from disputes (current or potential) to which Visa or the Bank would be a party. Minority shareholding in Biuro Informacji Kredytowej S.A. and Krajowa Izba Rozliczeniowa S.A. were measured at fair value based on the book value of net assets, based on the financial statements of the companies.

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

PLN '000	Equity and other investments measured at fair value through income statement	
	01.01.-30.09.2020	01.01.-31.12.2019
As at 1 January 2020	**61,530**	**47,741**
Sale	-	(600)
Conversion of shares	(22,168)	-
Revaluation	4,082	14,389
As at the end of period	**43,444**	**61,530**

In the nine month period of 2020 the Group has made no transfers between levels of instruments fair value due to changes in method of estimating fair value (with exception of conversion described above).

In the nine month period of 2020 the Group has not made any changes in classification criteria of financial instruments (presented in the consolidated statement of financial position at fair value) to each category reflecting the fair value (level I, level II, level III).

In the nine month period of 2020 the Group has not made any changes in financial assets classification that could result from asset's purpose or usage change.

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

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

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2020	**(2,594)**	**-**	**-**	**(2,594)**
Transfer to Stage 1	-	-	-	-
Creation/Releases in the period though the income statement	(87)	-	-	(87)
Foreign exchange and other movements	(159)	-	-	(159)
Provision for expected credit losses as at 30 September 2020	**(2,840)**	**-**	**-**	**(2,840)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2020	**(51,388)**	**(79,952)**	**(559,208)**	**(690,548)**
Transfer to Stage 1	(38,144)	37,733	411	-
Transfer to Stage 2	6,420	(7,760)	1,340	-
Transfer to Stage 3	615	15,427	(16,044)	(2)
Creation/Releases in the period though the income statement	(23,924)	(65,794)	(90,420)	(180,138)
Net changes due to modification derecognition	-	(1)	(94)	(95)
Amounts written off	-	-	14,091	14,091
Foreign exchange and other movements	(443)	158	1,473	1,188
Provision for expected credit losses as at 30 September 2020	**(106,864)**	**(100,189)**	**(648,451)**	**(855,504)**

As at 30 September 2020, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

In the period from 1 January to 30 September 2020, as well as in 2019, the Group did not create write-offs for impairment of tangible fixed assets, intangible assets and reversals of write-offs of that title.

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2019	**(3,910)**	**-**	**-**	**(3,910)**
Transfer between stages	-	-	-	-
Creation/Releases in the period though the income statement	1,608	-	-	1,608
Foreign exchange and other movements	(165)	-	-	(165)
Provision for expected credit losses as at 30 September 2019	**(2,467)**	**-**	**-**	**(2,467)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from customers				
Provision for expected credit losses as at 1 January 2019	**(56,110)**	**(74,776)**	**(535,674)**	**(666,560)**
Transfer to Stage 1	(510)	510	-	-
Transfer to Stage 2	1,518	(1,518)	-	-
Transfer to Stage 3	73	6,813	(6,886)	-
Creation/Releases in the period though the income statement	2,744	(10,801)	(158,404)	(166,461)
Net changes due to modification derecognition	(1)	-	(2,123)	(2,124)
Decrease in provisions due to write-offs	-	-	6,299	6,299
Foreign exchange and other movements	(198)	(52)	(501)	(751)
Provision for expected credit losses as at 30 September 2019	**(52,484)**	**(79,824)**	**(697,289)**	**(829,597)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due from banks				
Provision for expected credit losses as at 1 January 2019	**(3,910)**	**-**	**-**	**(3,910)**
Transfer between stages	-	-	-	-
Creations/Releases in the period through the income statement	1,420	-	-	1,420
Foreign exchange and other movements	(104)	-	-	(104)
Loss allowance as at 31 December 2019	**(2,594)**	**-**	**-**	**(2,594)**

PLN '000	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses - amounts due to customers				
Provision for expected credit losses as at 1 January 2019	**(56,110)**	**(74,776)**	**(535,674)**	**(666,560)**
Transfer to Stage 1	(14,461)	14,050	411	-
Transfer to Stage 2	7,241	(7,991)	750	-
Transfer to Stage 3	1,735	26,164	(27,899)	-
Creation/Releases in the period though the income statement	10,209	(37,459)	(186,780)	(214,030)
Net changes due to modification derecognition	-	-	(2,080)	(2,080)
Decrease in provisions due to write-offs	-	-	66,901	66,901
Decrease in provisions in connection with the sale of receivables	-	-	124,839	124,839
Foreign exchange and other movements	(2)	60	324	382
Provision for expected credit losses as at 31 December 2019	**(51,388)**	**(79,952)**	**(559,208)**	**(690,548)**

As at 31 December 2019, the Group did not identify POCI assets (assets acquired or granted with initial impairment).

12 Deferred tax asset and provision

PLN '000	30.09.2020	31.12.2019
Deferred tax asset	1,276,898	709 350
Deferred tax provision	1,084,596	472 012
Net asset due to deferred income tax of a parent company	**192,302**	**237 338**

Deferred tax asset and provision are presented in the consolidated statement of financial position after compensation at the level of the legal entity within the Group. The provision for deferred income tax presented in the condensed consolidated statement of financial position was created by subsidiaries subject to consolidation and represents the net value between the assets in the amount of PLN 1,088 thousand. PLN and a provision equal to 1,174 thousand PLN as at September 30, 2020. The value of the deferred income tax asset and provision of subsidiaries as at December 31, 2019 amounted PLN 1,102 thousand and PLN 375 thousand, respectively.

13 Acquisitions and disposals of tangible fixed assets

In the period from 1 January to 30 September 2020 the value of purchased by the Group components of "tangible fixed assets" equaled PLN 21,036 thousand (in 2019: PLN 31,031 thousand) and the value of disposals of "tangible fixed assets" amounted to 1,721 thousand (in 2019: PLN (1,295) thousand).

As at 30 September 2020 the Group has no significant commitments to purchase of tangible fixed assets.

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

Between 1 January and 30 September 2020 in the Group has been no occurrence of default or breach due to received credit agreement.

15 Seasonality or periodicity of business activity

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

16 Issue, redemption and repayment of debt and equity securities

In the nine month period of 2020 no issue, pay back or repurchase of debt or equity securities had place.

17 Paid (or declared) dividends

On June 4, 2020, the Annual General Meeting of Bank Handlowy w Warszawie S.A. adopted a resolution on the distribution of the net profit for 2019, including the decision to leave the entire net profit of the Bank for 2019 in the amount of PLN 478 802 436.53 undivided.

The resolution mentioned above is in line with the recommendation of the Polish Financial Supervision Authority expressed in its letter dated March 26, 2020, according to which the PFSA expects banks to retain all their net profits from previous years due to the state of pandemic declared in Poland and possible further negative economic consequences of this state, as well as their expected impact on the banking sector.

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

After 30 September 2020 there were no major events not included in the financial statement that could have a significant influence on the net result of the Group.

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

The detailed specification of granted financial and guarantee commitments as at 30 September 2020 and changes in comparison with the end of 2019 are as follows:

PLN '000	State as at		Change	
	30.09.2020	31.12.2019	PLN '000	%
Contingent liabilities granted				
Financial	**14,734,561**	**13,110,322**	**1,624,239**	**12.4%**
Import letters of credit issued	142,533	174,555	(32,022)	(18.3%)
Credit lines granted	14,592,028	12,935,767	1,656,261	12.8%
Guarantees	**2,268,414**	**2,331,632**	**(63,218)**	**(2.7%)**
Guarantees granted	2,215,035	2,273,926	(58,891)	(2.6%)
Export letters of credit confirmed	-	7,771	(7,771)	(100.0%)
Other	53,379	49,935	3,444	6.9%
	17,002,975	**15,441,954**	**1,561,021**	**10.1%**
Contingent liabilities received				
Guarantees (guarantees received)	18,590,095	20,106,687	(1,516,592)	(7.5%)
	18,590,095	**20,106,687**	**(1,516,592)**	**(7.5%)**
Contingent transactions due to FX, securities and derivatives (granted/received liabilities)				
Current*	2,049,118	2,506,174	(457,056)	(18.2%)
Forward**	295,644,322	315,159,366	(19,515,044)	(6.2%)
	297,693,440	**317,665,540**	**(19,972,100)**	**(6.3%)**

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

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

20 Changes in Group's structure

In the third quarter of 2020 there was no change in the structure of Group's entities comparing to the second quarter of 2020.

In the first quarter of 2020, the Bank signed with DMBH a conditional agreement of sale of the enterprise of DMBH to the Bank, on condition that the Bank obtains the approval to extend the brokerage license. That agreement covers the transfer of the brokerage activities carried out by DMBH to the Bank by way of transfer to the Bank of all assets and liabilities of DMBH via sale of the enterprise, including the assets necessary to run the brokerage activities of DMBH and the other assets and liabilities making up its enterprise. The merger process is expected to be finalized after the procedure is completed under the Polish Financial Supervision Authority.

21 Fulfilment of 2020 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2020.

22 Information about shareholders

As at the day of publishing the Interim Statement for the third quarter of 2020 the list of shareholders who held directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

	Value of shares (PLN '000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75	97,994,700	75
Other Shareholders	130,659	32,664,900	25	32,664,900	25
	522,638	**130,659,600**	**100**	**130,659,600**	**100**

In the period between publishing the annual consolidated financial report for the year 2019 and publishing this report for the third quarter of 2020 the structure of major shareholdings has not undergone any changes.

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

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

Name and surname	Function	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2020	Number of shares on day of publishing the Consolidated Financial Report for 2019	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2019
Andrzej Olechowski	Chairman of Supervisory Board	2,200	2,200	2,200
Total		**2,200**	**2,200**	**2,200**

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

24 Information on pending court proceedings

In Group's opinion no proceedings conducted in 3Q 2020 before in court, public administration authority or an arbitration authority, pose a threat to the Group's financial liquidity, individually or in total.

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

  On 27 May 2019 the Bank received a statement of claim submitted by Rigall Arteria Management spółka z ograniczoną odpowiedzialnością sp. k. for the payment of PLN 386,139,180.89 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 50,017,463.89 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014.The Court has referred the matter to mediation proceedings, which have not resulted in a mutual agreement, so the Bank filed a response to the statement of claim on 20 February 2020.

On 10 February 2020 the Bank received a statement of claim submitted by Rotsa Sales Direct sp. z o.o. for the payment of PLN 419,712.468.48 along with statutory interest for delay from the date of filing the claim to the payment date and the amount of PLN 33,047,245.20 including statutory interest for delay from the date of filing the claim to the date of payment. The statement of claim refers to the agency agreement, which covered intermediary services for the Bank's products and services, primarily in the segment of consumer banking, and was terminated in 2014. On 11 May 2020 the Bank filed a response to the suit. The court referred the matter to mediation proceedings, which have not resulted in a mutual agreement.

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

- As at September 30, 2020, the Bank was among others a party to 21 court proceedings associated with derivative transactions. Among these, 18 proceedings have not been terminated with a legally binding conclusion, two proceedings are pending in the Supreme Court cassation proceeding, one proceeding has been terminated with a legally binding conclusion, however the time for cassation appeals has still not lapsed. In 14 proceedings the Bank acted as a defendant and in 7 as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of the dispute refers mainly to the validity of the derivative transactions and clients' liabilities demanded by the Bank with respect to those derivative transactions, as well as potential claims regarding potential invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they dispute their liabilities towards the Bank, question the validity of the agreements and, in some cases, demand payment from the Bank.

- The Bank was a party to proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa and Europay payment system operators and banks - issuers of Visa cards and Europay/Eurocard/Mastercard cards. The Bank was one of the addressees of the President of UOKiK's decision in the case. The proceedings have concerned alleged practices limiting competition on the payment cards market in Poland consisting in the fixing of interchange fees for transactions made with Visa and Europay/Eurocard/Mastercard cards, as well as limiting access to the market for operators who do not belong to the unions of card issuers, against whom the proceedings were initiated. The President of UOKiK's decision was the subject of legal analyses in appeal proceedings. On April 22, 2010, the Appeal Court overturned the verdict of the Court of Competition and Consumer Protection (SOKiK) and referred the case back to the court of first instance. On 21 November 2013 SOKiK gave a judgment, under which a penalty imposed on the Bank was modified and set in the amount of PLN 1,775,720. On October 6, 2015 the Appeal Court modified the verdict of the Competition and Consumer Protection Court and denied all appeals from the decision of the President of the Competition and Consumer Protection Office, including the changes of amounts of the fines that were imposed upon banks. As a result, the fine in the amount of 10,228,470 PLN that was originally imposed upon the Bank has been reinstated. As the Bank submitted extraordinary appeal on the 25 October 2017 the Supreme Court has overturned the Appeal Court's verdict and the case has been returned to the Appeal Court for a second review. The appeals proceedings has begun again. In the first quarter of 2018, the Bank received the reimbursed of the fine which was recognized in the profit and loss. The next hearing before the Court of Appeal was scheduled for November 23, 2020. The next hearing before the Court of Appeal was scheduled for November 23, 2020.

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

- On September 11, 2019, CJEU passed a ruling in the case C 383/18, indicating the following interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers (Directive): "the right of the consumer to a reduction in the total cost of the credit in the event of early repayment of the credit includes all the costs imposed on the consumer." Hence, according to the provisions of the Directive, the above-mentioned right of the consumer includes costs both related and not related to the duration of the contract. In performance of the banking activities falling under the definition of a consumer credit, the Bank charged commissions which were, in the light of the practice being in place during this time, structurally not related to the duration of the contract and thus not subject to reduction in the event of early repayment of a consumer credit. CJEU ruled on the interpretation of the provision of the Directive which is not directly binding upon domestic law entities.

  Starting from September 28, 2020, the Bank reimburses commissions using the "straight-line method" to all consumers who have repaid their consumer loan before the contractual maturity, after September 11, 2019, in relation to which the commission was charged during the period of validity of the loan.

  As at September 30, 2020, the Group created provisions for potential commission returns for clients in the amount of 22.5 PLN including PLN 5.4 million related to prepaid loans in previous years which was included in other operating costs, and PLN 17.1 million related to prepaid loans in 2020 and expected future prepayments that decreased the Group's interest income.

As at September 30, 2020, the Group is sued in 240 cases concerning the return of a part of commission for granting a consumer credit for the total amount of PLN 1.1 million and in 21 cases concerning a credit indexed to CHF for the total amount of PLN 3,7 million (most of the cases are in the first instance).

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

In the case of legal proceedings involving the risk of cash outflow as a result of meeting the Bank's commitments, the appropriate provisions are created. The value of provisions for disputes as at 30 September 2020 is PLN 3,7 million (PLN 3,2 million as at December 31, 2019).

In the third quarter of 2020 the Group did not make any significant settlement due to court ended with the final judgment.

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

In the third quarter of 2020, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

26 Information about significant guarantee agreements

In the third quarter of 2020 Bank and its subsidiaries did not grant guarantee – jointly to one entity or a subsidiary of that entity, which total value would be significant.

27 The impact of COVID-19 on the Group's functioning

The third quarter of 2020 was another full quarter in which the operating and financial activities of the Group were affected by the coronavirus pandemic, although compared to the second quarter the environment was more favorable due to the lifting of further economic restrictions. Customer activity began to return to the level of the previous year, which resulted in positive data on industrial production and retail sales.

<u>Operating activities</u>

The Group has focused on ensuring its employees' safety and operational agility. As at 30 September 2020 around 60% of employees continued working remotely from home, which means a decrease by 20 percentage points compared to the end of June 2020.

At the same time, the Group has developed the rules of working in the office, according to which employees can work from the office in a shift system, and implemented standards for safe office work (hygiene measures, defining the maximum number of people allowed in common rooms, etc.).

The Group focused on regular COVID-related communication with employees in the form of a constantly updated intranet website, where answers to frequently asked questions and a guide to current office conduct rules can be found. Employees also received e-mails/letters from the President of the Bank's Management Board and senior management. The Bank also supported the communication of direct managers in its teams. Additionally, in the third quarter of 2020, the Bank conducted a survey among employees assessing the activities carried out by the employer in response to the epidemic. 88% of employees gave the Bank a high and very high rating in terms of activities undertaken during COVID-19.

<u>Financial and capital situation</u>

In order to counteract the negative effects of the pandemic, the Monetary Policy Council decided (on March 17, April 8 and May 28, 2020) to lower interest rates (including the reference rate by a total of 140 basis points), which negatively affect the Group's net interest income. According to the current report No. 18/2020 published on June 8, 2020, the Group estimates this negative influence of lower interest rates upon the Group's interest income will amount to between PLN 150 and 180 million in total, in 2020. At the time of publication of this financial report, this estimate is still valid.

Equity ratios of the Group are at a significantly higher level than the regulatory minimum. Capital adequacy ratio amounted to 20,4% as at the end of the third quarter of 2020 and is by 9.64 percentage point above the regulator's expectations. Relative to the end of 2020, the capital adequacy ratio increased by 3.2 percentage point, mostly due to profit retention for 2019. Retaining the profit for 2019 was in accordance with the Polish Financial Supervision Authority's expectations.

<u>Business activities</u>

In the third quarter of 2020 the Bank has been focusing on continuing the development of digital solutions for clients and educating clients in the field of cybersecurity.

The Bank is also developing electronic channels of access to its products and solutions. For the Institutional Banking clients, in the third quarter of 2020, the Bank implemented the option to authenticate online transactions using biometric data of the corporate card holder and the CitiManager mobile application (fingerprint identification (Fingerprint ID) or face image (Face ID)). The Bank has processed over 23.5 million transactions electronically (an increase by 13% QoQ). The Bank also recorded an increase in the number of non-cash payments by 25% compared to the second quarter of this year.

At the same time, the number of clients using the CitiDirect system amounted to 4,350 at the end of the third quarter of 2020.

At the same time, the Bank conducted an extensive educational campaign on cybersecurity (devoted to, inter alia, social engineering methods used by hackers - including those related to the COVID-19 pandemic).

On the other hand, for the Consumer Banking clients, in the third quarter of 2020, the Bank launched a new Citi Kantor currency exchange module, which enables currency exchange at attractive rates, thus enabling securing against the depreciation of the zloty.

Due to the introduced restrictions aiming at containing the spread of coronavirus, behaviour and activities of the clients have undergone a change. In terms of transactional parameters of retail clients' credit cards, both the structure and volume of their expenditures have changed. After a decline in card expenditures observed in spring 2020, resulting from the introduction of the pandemic state, which resulted in the closure or partial limitation of the activity of many sectors of the economy (the largest decrease in expenditures by 33% YoY was recorded in April this year), there was a gradual rebound and a return in the holiday months to volumes similar to the corresponding periods of 2019. However, in the third quarter of 2020, the Bank continues to observe a decrease in foreign expenditures on an annual basis by 40% and it's increase by 62% compared to the second quarter of 2020.

On the other hand, the Bank records a rapid increase in the volume of mobile payments (through the Apple Pay and Google Pay applications) - a threefold increase in September compared to January 2020.

The impact on credit risk

In the third quarter of 2020, the Bank continued the implementation of a number of activities in terms of credit risk management, undertaken in the first half of 2020 and related to the outbreak of the COVID-19 pandemic. In cooperation with the Polish Bank Association, the Bank provided, inter alia, a solution of a temporary loan instalments repayment deferral.

Given significant dynamics of changes, high uncertainty regarding COVID-19-related incidents, especially in terms of the scale of slowdown, horizon or the effects of aid programmes, the Bank is analysing the market conditions and their influence upon credit portfolio quality on an ongoing basis as well as monitoring control guidelines in terms of the rules of including COVID-19's influence upon calculating provisions for expected credit losses, undertaking proper measures.

The Bank is monitoring credit portfolio, with particular emphasis on the assessment of the scale of influence and sensitivity of particular industries and clients on the situation related to the effects of the pandemic. The main measures of credit risk (non-performing loans ratio – NPL, coverage ratio) remain stable compared to the pre-pandemic periods.

The Bank grants and acts as an intermediary in granting aid tools for debtors as a part of statutory and non-statutory initiatives. The possibility of deferring repayments offered by the Bank is a part of non-statutory moratorium in the meaning of the guidelines of the European Banking Authority regarding statutory and non-statutory moratoriums for credit repayments, used by banks due to the crisis caused by COVID-19. This moratorium was finalized in May 2020 by banks being members of the Union of Polish Banks and notified to the EBA by the Polish Financial Supervision Authority. The moratorium comprises the aid instruments granted from 13 March to 30 June 2020, which was then extended to 30 September 2020. The non-statutory moratorium introduced by the members of the Union of Polish Banks was extended until the same date and notified by PFSA to EBA.

In June 2020, based on the introduced regulations, the Bank made possible for the consumers to suspend the loan repayment for the period of up to 3 months, with no interest charged for using the principal during this period (statutory moratorium). This moratorium was also notified to the EBA by the PFSA.

The table below shows the gross carrying amount of receivables subject to the moratoriums as at 30 September 2020.

PLN '000	Gross carrying amount				
	Residual term for moratoriums				
	Total	<= 3 months	> 3 months <= 6 months	> 6 months	expired
Institutional banking segment	**377,271**	**83,125**	**0**	**0**	**294,146**
Retail banking segment	**788,045**	**146,783**	**31,755**	**1,920**	**607,588**
Mortgage-secured loans	187,224	17,623	633	113	168,856
Cash loans	417,664	95,100	17,805	827	303,932
Credit cards	182,977	33,969	13,316	980	134,712
Other	180	92	0	0	89
Total	**1,165,316**	**229,908**	**31,755**	**1,920**	**901,734**

Deferred payment of receivables is treated by the Bank as a payment schedule change that is an insignificant contract change and the effect of this change is included in the interest income, in the income statement. The income from the insignificant change included in the income statement in the third quarter of 2020 was not siginificant. The occurrence of moratorium does not automatically cause reclassification of credit exposure to assets with a significant credit risk increase since the initial recognition.

Community anti-COVID actions support

In the third quarter of 2020, the Bank together with Kronenberg Foundation at Citi Handlowy undertook a number of actions to support the health service in the fight against COVID-19. The most important are:

- providing support for to two hospitals: the Independent Public Healthcare Center of the MSWiA with the Oncology Center of Warmia and Mazury in Olsztyn and for the Hospital of the Medical University of Warsaw. These facilities were equipped with mobile respirators and personal protective equipment, such as FFP3 and FFP2 masks, visors, gowns and coveralls. In addition, the Polish Center for International Aid, cooperating with Foundation, conducted training for the teams of these hospitals in the treatment of patients with COVID-19 and the use of innovative equipment such as a mobile respirators.

- providing support for paramedics by equipping them with innovative equipment - mobile ultrasound heads, ultrasound tablets and video laryngoscopes, which were delivered to medics from the Rescue Support Foundation. These devices are designed to help better diagnose patients at risk of COVID-19. In addition, the purchased equipment increases the comfort and safety of emergency services when diagnosing patients. Mobile ultrasound is one of the first such solutions in Poland.

- employee volunteering: over 1,700 volunteers - employees of the Bank, supported various groups particularly affected by the pandemic, i.e. nursing homes, seniors, refugee homes and orphanages through, inter alia, sewing protective masks, supplying institutions with personal protective equipment, and seniors - with basic necessities.

- supporting the education system by launching a pilot project by Citi Handlowy to support the competences of teachers and students in the times of remote education. The CyberMocn@ Szkoła program is designed to help teachers navigate the world of new technologies and show how engagingly can conduct "remote" classes and discover the potential, but also a threat, of using remote education in the context of cybersecurity. The project also involves providing teachers with ready-made lesson plans, incl. with cybersecurity. The project, initially planned for up to 400 teachers, due to the very high interest, has been extended to 600 participants who are currently taking part in a series of webinars and training courses scheduled for the next 3 months.

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

The most serious risk factor in 2020 and in the following years is the further spread and potential intensification of the COVID-19 pandemic, as well as repeated temporary restriction of business activity aimed at stopping the spread of the virus. Such a scenario would most likely mean that Poland's and Europe's economy will be shut down on a regular basis, which would lead, indirectly, to a decline in trade with main partners from the EU. Under the above scenario, the room for additional fiscal and monetary measures would be more limited than in 2020. And this in turn could cause more bankruptcies of companies, a significant increase in unemployment and tensions in the financial sector and public finance.

Due to the pandemic situation, the Polish government decided to introduce further restrictions to limit the spread of the virus. The latest restrictions were introduced on November 4, 2020 and consist in: switching schools to remote learning for all classes, closing shopping malls with the exception of basic stores (pharmacies, grocery stores and drugstores), closing cultural institutions (theaters, cinemas) and hotels, which will remain open only to guests on business trips. The Group is currently estimating the impact of the above restrictions on its operations.

With an unfavorable environment on financial markets, growth in the public debt and borrowing needs could contribute to a significant growth in the debt servicing costs and depreciation of zloty. This would lead to a higher risk of tax raises, which could contribute to pushing the long-term path of economic growth downwards and reducing the competitiveness of Polish enterprises.

Another adverse factor for financial markets could be the risk that the United States can expand its protectionist initiatives and other countries will respond with their own. New barriers to trade could reduce demand also for Polish products and adversely affect growth in Poland. The uncertainty about the future relations between the UK and the European Union poses an additional threat.

If the above risks materialize, we might see more significant decrease of Poland's GDP than expected, higher unemployment rate and more permanent reduction of investment outlays. As a result, the activity would most probably need more time to return to the levels from before the pandemic.

Interim condensed standalone financial statements of the Bank for the third quarter of 2020

Condensed income statement

PLN '000	Note	III quarter period from 01.07.20 to 30.09.20	III quarter accruals period from 01.01.20 to 30.09.20	III quarter period from 01.07.19 to 30.09.19	III quarter accruals period from 01.01.19 to 30.09.19
Interest income		208 781	803 722	331,629	972,304
Similar income		16 267	58 945	29,574	78,211
Interest expense and similar charges		(11 325)	(82 539)	(70,080)	(194,702)
Net interest income		**213,723**	**780,128**	**291,123**	**855,813**
Fee and commission income		144,726	429,295	155,579	470,289
Fee and commission expense		(16,687)	(52,914)	(19,411)	(57,730)
Net fee and commission income		**128,039**	**376,381**	**136,168**	**412,559**
Dividend income		**164**	**12,796**	**-**	**10,779**
Net gain/(loss) on trading financial instruments and revaluation		**82,429**	**173,637**	**98,322**	**283,462**
Net gain/(loss) on debt investment financial assets measured at fair value through other comprehensive income		**1,731**	**175,932**	**19,440**	**73,587**
Net gain/(loss) on equity investments and other measured at fair value through income statement		**8,282**	**12,417**	**3,149**	**16,304**
Net gain/(loss) on hedge accounting		**2,512**	**1,049**	**(310)**	**(1,068)**
Other operating income		4,748	16,528	5,410	17,651
Other operating expenses		**(11,547)**	**(26,646)**	(7,161)	(21,613)
Net other operating income		(6,799)	**(10,118)**	**(1,751)**	**(3,962)**
General administrative expenses		**(239,028)**	**(847,767)**	**(248,674)**	**(856,922)**
Depreciation		**(25,757)**	**(79,432)**	**(21,289)**	**(63,485)**
Profit on sale of other assets		**(34)**	**(428)**	**(265)**	**(296)**
Provisions for expected credit losses on financial assets and provisions for off–balance sheet commitments		**25,226**	**(178,369)**	**(91,206)**	**(226,057)**
Tax on certain financial institutions		**(28,968)**	**(92,570)**	**(25,469)**	**(69,674)**
Profit before tax		**161,520**	**323,656**	**159,238**	**431,040**
Income tax expense		**(50,072)**	**(100,334)**	**(45,922)**	**(126,179)**
Net profit		**111,448**	**223,322**	**113,316**	**304,861**

Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Earnings per share (in PLN)	1.71	2.33
Diluted net earnings per share (in PLN)	1.71	2.33

Condensed statement of comprehensive income

PLN '000	III quarter	III quarter accruals	III quarter	III quarter accruals
	period from 01.07.20 to 30.09.20	period from 01.01.20 to 30.09.20	period from 01.07.19 to 30.09.19	period from 01.01.19 to 30.09.19
Net profit	**111,448**	**223,322**	**113,316**	**304,861**
Other comprehensive income, that might be subsequently reclassified to profit or loss				
Net changes in value of financial assets measured at fair value through other comprehensive income	11,404	276,104	44,579	60,225
Total comprehensive income	**122,852**	**499,426**	**157,895**	**365,086**

Condensed statement of financial position

PLN '000 as at	30.09.2020	31.12.2019
ASSETS		
Cash and balances with the Central Bank	2,201,482	3,736,706
Amounts due from banks	1,592,033	1,165,625
Financial assets held-for-trading	5,489,648	5,406,595
Debt investment financial assets measured at fair value through other comprehensive income	25,724,629	15,484,578
Shares in subsidiaries	105,704	105,895
Equity investments and other measured at fair value through income statement	74,772	62,355
Amounts due from customers	22,503,527	23,608,775
Tangible fixed assets	479,696	498,799
Intangible assets	1,458,417	1,441,953
Current income tax receivables	28,458	-
Deferred tax asset	192,302	237,338
Other assets	156,489	149,093
Non-current assets held-for-sale	6,163	-
Total assets	**60,013,320**	**51,897,712**
LIABILITIES		
Amounts due to banks	2,320,548	2,125,383
Financial liabilities held-for-trading	3,468,129	1,867,900
Hedging derivatives	69,961	19,226
Amounts due to customers	45,654,430	39,849,772
Provisions	60,021	65,199
Current income tax liabilities	-	41,725
Other liabilities	917,102	904,804
Total liabilities	**52,490,191**	**44,874,009**
EQUITY		
Ordinary shares	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	390,997	114,893
Other reserves	2,799,505	2,874,289
Retained earnings	865,404	567,298
Total equity	**7,523,129**	**7,023,703**
Total liabilities and equity	**60,013,320**	**51,897,712**

Condensed statement of changes in equity

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2020	**522,638**	**2,944,585**	**114,893**	**2,874,289**	**567,298**	**7,023,703**
Total comprehensive income, including:	-	-	276,104	-	223,322	499,426
Net profit	-	-	-	-	223,322	223,322
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	276,104	-	-	276,104
Transfer to capital	-	-	-	(74,784)	74,784	-
Balance as at 30 September 2020	**522,638**	**2,944,585**	**390,997**	**2,799,505**	**865,404**	**7,523,129**

PLN '000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019	**522,638**	**2,944,585**	**84,372**	**2,877,122**	**578,335**	**7,007,052**
Total comprehensive income, including:	-	-	60,225	-	304,861	365,086
Net profit	-	-	-	-	304,861	304,861
Net changes in value of financial assets measured at fair value through other comprehensive income	-	-	60,225	-	-	60,225
Dividends to be paid	-	-	-	-	(488,667)	(488,667)
Transfer to capital	-	-	-	1,172	(1,172)	-
Balance as at 30 September 2019	**522,638**	**2,944,585**	**144,597**	**2,878,294**	**393,357**	**6,883,471**

PLN'000	Ordinary shares	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019	**522,638**	**2,944,585**	**84,372**	**2,877,122**	**578,335**	**7,007,052**
Total comprehensive income, including:	-	-	30,521	(4,005)	478,802	505,318
Net profit	-	-	-	-	478,802	478,802
Net valuation of financial assets measured at fair value through other comprehensive income	-	-	30,521	-	-	30,521
Net actuarial profits/(losses) on specific services program valuation	-	-	-	(4,005)	-	(4,005)
Dividends	-	-	-	-	(488,667)	(488,667)
Transfer to capital	-	-	-	1,172	(1,172)	-
As at 31 December 2019	**522,638**	**2,944,585**	**114,893**	**2,874,289**	**567,298**	**7,023,703**

Condensed summary statement of cash flows

PLN '000	Third quarter accruals period from 01.01.20 to 30.09.20	Third quarter accruals period from 01.01.19 to 30.09.19
Cash at the beginning of the reporting period	**3,796,804**	**7,474,817**
Cash flows from operating activities	(1,127,530)	(3,242,522)
Cash flows from investing activities	(73,514)	(6,829)
Cash flows from financing activities	(11,024)	(501,694)
Cash at the end of the reporting period	**2,584,736**	**3,723,772**
Increase/(decrease) in net cash	**(1,212,068)**	**(3,751,045)**

Condensed additional information

1. Declaration of conformity

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

These interim condensed standalone financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the standalone financial statements of the Bank for the financial year ended 31 December 2019 and interim condensed consolidated financial statement of the Group for the third quarter of 2020.

In accordance with Decree of the Ministry of Finance dated 29 March 2018 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2018, item 757, as amended) the Bank is obliged to publish its financial results for the 9 month period ended 30 September 2020 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Interim condensed standalone financial statements of the Bank for the third quarter of 2020 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide interim separate financial statements, on condition that it includes in the interim consolidated financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the interim condensed financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements including changes described in condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie SA for the third quarter of 2020.

Principles adopted in the preparation process of these interim condensed standalone financial statement are consistent with the principles, described in the annual standalone financial statements of the Bank for the financial year ended 31 December 2019 taking into account the changes described in the interim condensed consolidated financial statement of the Group for the third quarter of 2020.

Other information and explanations presented in interim condensed consolidated financial statements for the third quarter of 2020 contain also all information and explanatory data essential for these interim condensed standalone financial statements.

The summary of Bank's financial results for the third quarter of 2020 is presented below.

Bank's financial results

In the third quarter of 2020, the Bank generated a profit before tax of PLN 161.6 million, compared to PLN 159.2 million in the corresponding period of 2019 (i.e. a slight increase by 2% YoY).

Net profit earned in the period from July to September 2020 amounted to PLN 111.5 million compared to PLN 113.3 million of net profit in the corresponding period of 2019.

The net profit of the Bank in the third quarter of 2020 was affected mainly by a decrease in the provisions for expected credit losses by PLN 116.3 million, with lower revenues of the Bank, which was mainly influenced by the lower net interest income (a decrease by PLN 76.8 million YoY) due to the reduction of the base rate by 140 basis points in March, April and May 2020.

The interim condensed consolidated financial statements for the third quarter of 2020 will be available on the website of Bank Handlowy w Warszawie SA. **www.citihandlowy.pl.**

Urszula Lewińska Director of Financial Reporting, Control and Tax Department	Natalia Bożek Vice-President of Management Board
06.11.2020	06.11.2020
(signed in Polish version)	(signed in Polish version)