

INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE FIRST QUARTER 2009

MAY 2009

Selected financial data

	In PLN '000		In EUR '000***	
	First quarter growing period from 01/01/09 to 31/03/09	First quarter growing period from 01/01/08 to 31/03/08	First quarter growing period from 01/01/09 to 31/03/09	First quarter growing period from 01/01/08 to 31/03/08
Data related to summary consolidated financial statements				
Interest income	550,815	543,463	119,758	152,770
Fee and commission income	149,357	192,920	32,473	54,231
Profit before tax	66,774	227,142	14,518	63,851
Net profit	46,153	180,107	10,035	50,629
Increase of net cash	(1,809,181)	(596,821)	(393,352)	(167,769)
Total assets*	45,273,267	42,550,345	9,629,946	10,198,050
Financial liabilities valued at amortized cost*	31,081,236	29,345,498	6,611,200	7,033,242
Shareholders' equity	5,643,114	5,805,153	1,200,331	1,646,478
Share capital	522,638	522,638	111,169	148,232
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	43.19	44.43	9.19	12.60
Capital adequacy ratio (%)*	11.17	12.07	11.17	12.07
Earnings per ordinary share (PLN / EUR)	0.35	1.38	0.08	0.39
Diluted net profit per ordinary share (PLN / EUR)	0.35	1.38	0.08	0.39
Data related to summary financial statements of the Bank				
Interest income	533,801	527,579	116,059	148,305
Fee and commission income	138,483	175,006	30,109	49,195
Profit before tax	75,065	246,585	16,321	69,316
Net profit	54,651	200,564	11,882	56,379
Increase of net cash	(1,809,217)	(597,053)	(393,359)	(167,834)
Total assets*	43,839,953	41,245,371	9,325,070	9,885,287
Financial liabilities valued at amortized cost*	29,938,971	28,292,118	6,368,232	6,780,778
Shareholders' equity	5,562,034	5,699,843	1,183,084	1,616,610
Share capital	522,638	522,638	111,169	148,232
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	42.57	43.62	9.05	12.37
Capital adequacy ratio (%)*	10.89	11.69	10.89	11.69
Earnings per ordinary share (PLN / EUR)	0.42	1.54	0.09	0.43
Diluted net profit per ordinary share (PLN / EUR)	0.42	1.54	0.09	0.43
Declared or distributed dividends per ordinary share (PLN / EUR)**	-	4.75	-	1.35

* Comparable data according to balance sheet as at 31 December 2008.

** The presented ratios are related to, respectively: paid dividends in 2008 from the appropriation of the 2007 profit. The Management Board of the Bank on the meeting on 19 March 2009, has recommended not to pay off the dividend from 2008 profit.

*** The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 31 March 2009 - PLN 4.7013 (as at 31 December 2008: PLN 4.1724; as at 31 March 2008 - PLN 3.5258); for the income statement - the arithmetic average of month - end NBP exchange rates in first quarter 2009 - PLN 4.5994 (in first quarter 2008: PLN 3.5574).

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Consolidated income statement*In thousands of PLN*

	First quarter period from 01/01/09 to 31/03/09	First quarter growing period from 01/01/08 to 31/03/08
Interest and similar income	550,815	543,463
Interest expense and similar charges	(160,400)	(221,329)
Net interest income	390,415	322,134
Fee and commission income	149,357	192,920
Fee and commission expense	(24,567)	(26,986)
Net fee and commission income	124,790	165,934
Dividend income	12	-
Net income on financial instruments and revaluation	39,608	125,131
Net gain on investment debt securities	19,892	25,963
Net gain on investment (capital) instruments	1,440	(168)
Other operating income	28,926	27,764
Other operating expenses	(12,316)	(10,537)
Net other operating income	16,610	17,227
General administrative expenses	(352,016)	(385,067)
Depreciation expense	(21,726)	(25,540)
Profit / (loss) on sale of tangible fixed assets	1,482	694
Net impairment losses	(152,493)	(20,231)
Operating income	68,014	226,077
Share in profits / (losses) of undertakings accounted for under the equity method	(1,240)	1,065
Profit before tax	66,774	227,142
Income tax expense	(20,621)	(47,035)
Net profit	46,153	180,107
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	0.35	1.38
Diluted net profit per ordinary share (in PLN)	0.35	1.38
Including:		
Net profit due to shareholders of dominant entity	46,153	180,107
Net profit due to minority shareholders	-	-

Consolidated statement of comprehensive income

<i>In thousand of PLN</i>	First quarter growing	First quarter growing
	period from 01/01/09 to 31/03/09	period from 01/01/08 to 31/03/08
Net income	46,153	180,107
Other comprehensive income:		
Valuation of financial assets available for sale	(45,934)	28,642
Valuation of capital rewards program	5,712	-
Difference in exchange rates	3,219	(623)
Tax from other comprehensive income	8,155	(5,442)
Other comprehensive income after tax	(28,848)	22,577
Total income	17,305	202,684
Including:		
Comprehensive income due to shareholders of predominant unit	17,305	202,684
Comprehensive income due to minority shareholders	-	-

Consolidated balance sheet

<i>In thousands of PLN</i>	State as at	31/03/2009	31/12/2008
ASSETS			
Cash and balances with central bank		1,753,127	3,530,977
Financial assets held-for-trading		10,306,049	7,885,488
Debt securities available-for-sale		13,198,061	10,814,828
Equity investments valued at equity method		55,236	56,469
Other equity investments		11,064	11,095
Loans and advances		17,063,008	17,581,499
<i>to financial sector</i>		3,173,543	3,695,522
<i>to non-financial sector</i>		13,889,465	13,885,977
Property and equipment		562,685	571,947
<i>land, buildings and equipment</i>		544,377	553,639
<i>investment property</i>		18,308	18,308
Intangible assets		1,282,058	1,283,326
Deferred income tax assets		459,716	336,290
Other assets		553,977	443,159
Non-current assets held-for-sale		28,286	35,267
Total assets		45,273,267	42,550,345
LIABILITIES			
Financial liabilities held-for-trading		7,565,721	6,806,790
Financial liabilities valued at amortized cost		31,081,236	29,345,498
<i>deposits from</i>		28,958,647	27,857,332
<i>financial sector</i>		9,989,552	7,922,260
<i>non-financial sector</i>		18,969,095	19,935,072
<i>other liabilities</i>		2,122,589	1,488,166
Provisions		15,277	24,578
Income tax liabilities		83,253	77
Other liabilities		884,666	747,593
Total liabilities		39,630,153	36,924,536
EQUITY			
Issued capital		522,638	522,638
Share premium		3,029,703	3,029,703
Revaluation reserve		(180,804)	(144,110)
Other reserves		1,635,538	1,627,692
Retained earnings		636,039	589,886
Total equity		5,643,114	5,625,809
Total liabilities and equity		45,273,267	42,550,345

Consolidated statement of changes in equity

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2008	522,638	3,028,809	(182,450)	1,454,355	779,732	-	5,603,084
Valuation of financial assets available-for-sale	-	-	54,605	-	-	-	54,605
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(25,963)	-	-	-	(25,963)
Deferred income tax on valuation of financial assets available-for-sale	-	-	(5,442)	-	-	-	(5,442)
Foreign exchange gains and losses	-	-	-	(623)	-	-	(623)
Net profit	-	-	-	-	180,107	-	180,107
Dividends paid	-	(615)	-	-	-	-	(615)
State as at 31 March 2008	522,638	3,028,194	(159,250)	1,453,732	959,839	-	5,805,153

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2009	522,638	3,029,703	(144,110)	1,627,692	589,886	-	5,625,809
Valuation of financial assets available-for-sale	-	-	(26,042)	-	-	-	(26,042)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(19,892)	-	-	-	(19,892)
Valuation of capital rewards program	-	-	-	5,712	-	-	5,712
Deferred income tax on valuation of financial assets available-for-sale and capital erwards program	-	-	9,240	(1,085)	-	-	(8,155)
Foreign exchange gains and losses	-	-	-	3,219	-	-	3,219
Net profit	-	-	-	-	46,153	-	46,153
State as at 31 March 2009	522,638	3,029,703	(180,804)	1,635,538	636,039	-	5,643,114

Summary consolidated statement of cash flows

<i>In thousands of PLN</i>	First quarter growing period from 01/01/09 to 31/03/09	First quarter growing period from 01/01/08 to 31/03/08
Cash at the beginning of reporting period	3,607,530	3,746,323
Cash flows from operating activities	(1,770,163)	(573,495)
Cash flows from investing activities	(11,421)	(5,220)
Cash flows from financing activities	(27,597)	(18,106)
Cash at the end of reporting period	1,798,349	3,149,502
Increase / (decrease) in net cash	(1,809,181)	(596,821)

Supplementary notes to the consolidated financial statements

1. General information about the Bank's Capital Group

This interim consolidated report shows the results of operations of the Capital Group of Bank Handlowy w Warszawie S.A. ("the Group"), composed of Bank Handlowy w Warszawie S.A. ("the Bank") as the parent and its subordinated entities.

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

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

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

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

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

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

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2009	31.12.2008
<i>Entities fully consolidated</i>			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy - Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxemburg	100.00	100.00
PPH Spomasz Sp. z o.o. (under liquidation)	Warsaw	100.00	100.00
<i>Entities accounted for under the equity method</i>			
Handlowy Inwestycje Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.A.r.l.	Luxembourg	100.00	100.00
Bank Rozwoju Cukrownictwa S.A.	Poznań	100.00	100.00

In the first quarter of 2009 there were no changes in the holding of shares in subordinates.

2. Basis of preparation of the report

The interim consolidated financial statements of the Group for the first quarter of 2009 have been prepared in accordance with International Accounting Standards 34 "Interim financial reporting", approved by European Union and other obligatory regulations

The interim consolidated financial statements of the Group for the first quarter 2009 have been prepared in accordance with accounting principles adopted and summarized in the interim consolidated financial statements of the Group for the period ending 31 December 2008 and they take into consideration the change, in range of reporting according to operation segments related with IFRS 8 'Operating Segments' which came into effect from 1 January 2009 and replaced IAS 14 'Reporting concerning segment activity'.

Detail information about segments are presented in Note no 6.

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2009 to 31 March 2009. Comparable financial data is presented for the period from 1 January 2008 to 31 March 2008 and for Balance sheet according to state as at 31 December 2008.

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

3. Macroeconomic Trends and Conditions Prevailing in Money, FX and Capital Markets

The economies of the CEE region, including that of Poland, were adversely effected in the first quarter of 2009 by the continuing global financial crisis. Industrial production between January and March of 2009 fell by an average of 10.6% YOY while in the fourth quarter of 2008 it declined by 6.3% YOY. Retail sales in the first quarter of 2009 also decelerated by 0.4% YOY while in the fourth quarter of 2008 these grew by 6.4% YOY.

Supported by realities of the economic downturn, pay pressures eased in the initial months of 2009, with average wage in the enterprise sector rising between January and March by 6.3% YOY, while in the fourth quarter of 2008 it rose by 7.2% YOY. At the same time inflation rate went down in the first quarter of 2009 to 3.2% YOY from 3.7% in the earlier quarter; supporter, among others, by low fuel price inflation.

In response to the Polish economy edging towards slowdown, the Monetary Policy Council proceeded to loosen monetary policy. As a result, in the first quarter of 2009 the reference rate of National Bank of Poland was reduced by total of 125 basis points to 3.75% as at 31 March 2009. At the same time the monetary authorities continued the process of feeding the banking system with zloty and foreign exchange liquidity, through repo and FX swap transactions.

The unabating financial crisis contributed to reduced propensity for risk taking prevailing in the financial markets, which had an adverse effect on exchange rates of CEE currencies, including the zloty. As investors withdrew from emerging market currencies the zloty continued to depreciate. The EUR/PLN exchange rate weakened as at the end of March 2009 to PLN 4.70 compared to PLN 4.17 as at the end of 2008. Polish currency also weakened vis-à-vis the dollar: at the end of the first quarter of 2009 USD/PLN exchange rate climbed to PLN 3.54 compared to PLN 2.96 at the end of December 2008.

The higher risk premium and the weaker zloty had a negative impact on the national debt market; as it contributed to reduced interest of foreign investors in the Polish bond. In spite of the monetary policy loosening pursued by the Polish Monetary Policy Council, yields on bond issues with both short- and long term redemption horizons climbed. As a result, in the first quarter of 2009 yield on a Polish two-year bond rose from 5.33% as at the end of December 2008 to 5.66% whereas yield on a Polish 10-year bond rose from 5.46% to 6.27%. Short term WIBOR interest rates remained clearly above the central bank's reference rate.

Financial markets in the first quarter of 2009 were characterised by severe volatility. Though stock revaluations of earlier months continued to drive the domestic equities market down in the months of January and February, March ushered in marked improvement of the investment climate. As a result, WIG index at the end of the quarter reached 24,036 points, a near 12% decline against the end of 2008 level, while WIG20 fell by 15.5% to 1,512 points. sWIG80 (which covers Small Caps) performed relatively well as it rose by 1.7% QOQ.

One of the factors that contributed to the double-digit decline of WIG20 was the substantial devaluation of Polish bank equities, which represent over 30% of that index. Value of WIG-Banks fell by over 36% since the end of 2008. The same three initial months of the 2009 proved very weak for the media sector companies (18.8% QOQ decline). On the other end of the spectrum, WIG-Developers, which in the previous quarters registered the deepest declines, presently achieved the highest rate of return (gain of 13.6% compared to the end of 2008).

Stock prices of the companies listed on WSE were particularly affected the negative sentiment that prevailed among foreign investors towards the CEE region. The persistently weak macroeconomic data contributed to the substantial weakening of the zloty against the euro and the dollar; which, among others, triggered the problem with FX options. As a consequence, corporate earnings in the fourth quarter of 2008 were significantly below expectation, which fact was duly reflected in share prices. Sentiment on WSE improved in the final month of the first quarter of 2009 on the back of news of improving U.S. economic data, the advanced economies adopting economic stimulus programmes and of the growing awareness in the investor community that Poland is a relatively stable economy.

In the course of the first three months of 2009 three new company stocks were floated on the main floor (one of these, Centrum Klimat, was graduated from the New Connect floor of WSE), but because four equities were at the same time withdrawn from market, total number of companies listed on WSE fell to 373. Total market capitalisation of the WSE traded companies at the end of March 2009 stood at PLN 417.8 billion (of which 57% were domestic companies); representing a 10% fall since the end of the year 2008.

Warsaw Stock Exchange (WSE) Equity Indices, as at 31 March 2009

Index	QOQ		YOY		31.03.2008
	31.03.2009	Percentage Change	31.12.2008	Percentage Change	
WIG	24,036.12	(11.7%)	27,228.64	(49.9%)	48,011.28
WIG-PL	23,817.16	(12.3%)	27,167.25	(49.9%)	47,529.93
WIG20	1,511.85	(15.5%)	1,789.73	(49.3%)	2,981.07
mWIG40	1,381.68	(8.6%)	1,511.27	(58.9%)	3,363.11
sWIG80	6,971.77	1.7%	6,852.79	(50.4%)	14,067.15
Sector specific sub-indices					
WIG-Banks	2,798.54	(36.3%)	4,390.90	(57.8%)	6,630.64
WIG-Construction	4,136.62	(4.5%)	4,329.98	(52.2%)	8,654.27
WIG-Chemicals*	2,201.35	20.7%	1,823.63	-	-
WIG-Developers	1,463.51	13.6%	1,288.65	(62.9%)	3,941.76
WIG-IT	891.30	(5.1%)	938.77	(45.9%)	1,647.06
WIG-Media	2,096.86	(18.8%)	2,580.80	(49.3%)	4,138.07
WIG-Fuel industry	1,799.55	(4.8%)	1,889.46	(37.0%)	2,858.56
WIG-Food industry	1,407.21	3.9%	1,354.52	(51.4%)	2,897.56
WIG-Telecommunications	1,103.16	(0.4%)	1,107.33	(10.7%)	1,234.89

* sub-index registered since 19 September 2008

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

Volumes of trade in shares, bonds and derivative instruments on WSE in the first quarter of 2009

	Q1 2009	QOQ Percentage Change	Q4 2008	YOY Percentage Change	Q1 2008
Shares (PLN m)	64,811	(13.5%)	74,954	(36.0%)	101,192
Bonds (PLN m)	809	(64.5%)	2,276	(9.3%)	892
Futures contracts ('000 units)	2,724	(17.1%)	3,284	(21.8%)	3,483
Options contracts ('000 units)	87.8	6.4%	82.5	0.2%	87.6

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

The first quarter of 2009 brought about a 14% decline in the equity trading volume compared to the fourth quarter of 2008. Total trading volume in the first three months of 2009 exceeded PLN 64.8 billion, or an average of PLN 1.04 billion per trading session; as compared to average daily trades of PLN 1.6 billion in the equivalent period of 2008.

Bond trading volumes in the first quarter of 2009 fell dramatically to PLN 809 million, or by 65% compared to the earlier quarter.

Investor interest in derivative instruments also declined in the first quarter of 2009. From the beginning of the year volume of futures contracts fell by 17% QOQ and by 21.8% YOY.

Options were the sole derivative financial instrument in which heightened investor activity was registered between January and March of 2009. Volume of option contract trades in the period rose by 6.4% compared to the fourth quarter of 2008 reaching 87,800 units.

4. Banking Sector

Following two consecutive quarters of decline, earnings of the Polish banking sector edged up in quarterly terms, however, to a level that was far removed from the record highs of a year ago. Decisive to development of such a state of affairs in the recent past were the dynamic transformations in the economic environment occurring as a consequence of the disturbances in the global financial markets. The deteriorating prospects for further economic growth have stimulated significant increase in banking activity risk and onset of liquidity constraints in the inter-bank market, thus driving capital costs up. In the first quarter of 2009 the banking sector generated net earnings of PLN 2.0 billion, which were 50% lower than those of the first quarter of 2008, yet 57% higher than those of the fourth quarter of 2008; the latter being even more affected by the adverse conditions prevailing in the global markets. Income of the segment grew by 3% YOY, in other words, at the rate of the previous quarter, in spite of reduced interest margin; helped somewhat by a slight increase in net fee and commission income. The cost cutting measures undertaken in the period delivered reduction in bank expenses of 8% QOQ, but failed to stop these expenses from growing at a rate of 13% YOY. Impairments had material adverse effect on net earnings of the sector as they rose by 249% YOY totalling PLN 2.6 billion; impairment value equivalent to that the sector charged in the previous quarter.

Throughout the first quarter of 2009 the banking sector continued to gain dynamically in balance sheet totals: by 27% YOY and by 3% QOQ. These gains, however, need to be perceived in the light of the effect the material weakening of the zloty has had on revaluation of currency positions in the banks' balance sheets. In the same quarter total corporate lending increased by 27% YOY and by 5% QOQ, within which zloty denominated corporate loans grew by 13% YOY and by 1% QOQ. Over the same period total loans to private individuals grew by 49% YOY and by 8% QOQ, with zloty denominated loans to individuals growing by 20% YOY and by 3% QOQ respectively. At the same time corporate deposits grew by 7% YOY yet fell by 4% QOQ while deposits of private individuals grew by 27% YOY and by 9% QOQ respectively. Growth in deposits of private individuals was fuelled, among other things, by redemptions in the investment funds sector and the concomitant growth in disposable incomes (lower tax bills, higher wages) occurring under conditions of recently falling consumption.

5. Financial analysis of the Group's Results

Balance sheet

At the end of the first quarter of 2009 total assets amounted to PLN 45.3 billion as compared with PLN 42.6 billion at the end of 2008 and increased by PLN 2.7 billion (or 6%). The biggest impact had an increase of financial assets held for trading (up by 2.4 billion, or 31%) and debt securities available for sale (up by 2.4 billion, or 22%). Concurrently decrease in the group of assets was recorded in balance in the current account with the National Bank of Poland (down by PLN 1.8 billion, or 50%).

Loans and advances, net

PLN m	31.03.2009	31.12.2008	Change	
			PLN m	%
Loans and advances to non-financial sector				
<i>Corporate customers*</i>	8,444	8,426	18	0%
<i>Individual customers, including:</i>	5,445	5,460	(15)	(0%)
<i>Credit cards</i>	2,184	2,215	(31)	(1%)
<i>Cash loans to customers</i>	3,005	2,984	21	1%
Total	13,889	13,886	3	0%
Loans and advances to financial sector				
<i>Banks and other monetary financial institutions</i>	2,597	3,018	(421)	(14%)
<i>Non-banking financial institutions</i>	577	677	(100)	(15%)
Total	3,174	3,695	(521)	(14%)
Total loans and advances	17,063	17,581	(518)	(3%)

*Corporate customers include enterprises, public and private entities, cooperatives, individual enterprises, non-commercial institutions operating for households

Loans and advances to non-financial sector, gross

PLN m	31.03.2009	31.12.2008	Change	
			mln zł	%
Not at risk of impairment	13,189	13,417	(228)	(2%)
At risk of impairment	2,420	1,894	526	28%
Total	15,609	15,311	298	2%
Impairment	1,720	1,425	295	21%
Loans and advances to non-financial sector, net	13,889	13,886	3	0%
Provision coverage ratio	71%	75%		

On liabilities side, the biggest change (up by PLN 1.7 billion, or 6%) was recorded in liabilities valued at amortized cost primarily in the group of deposits from banking sector as well as in financial liabilities held-for-trading (up by PLN 0.8 billion, or 11%).

Deposits

PLN m	31.03.2009	31.12.2008	Change	
			PLN m	%
Nonfinancial sector				
Current accounts, including:	7,675	7,477	198	3%
<i>corporate customers</i>	3,752	3,877	(125)	(3%)
<i>individual customers</i>	3,923	3,600	323	9%

PLN m	31.03.2009	31.12.2008	Change	
			PLN m	%
Deposits, including:	11,272	12,431	(1,159)	(9%)
<i>corporate customers</i>	9,240	10,026	(786)	(8%)
<i>individual customers</i>	2,032	2,405	(373)	(16%)
Accrued interest	22	27	(5)	(18%)
Total	18,969	19,935	(966)	(5%)
Financial sector				
<i>Banks and other monetary financial institutions</i>	5,378	3,342	2,036	61%
<i>Non-banking financial institutions</i>	4,612	4,580	32	1%
Total	9,990	7,922	2,068	26%
Total deposits	28,959	27,857	1,102	4%

■ Income statement

In the first quarter of 2009 the Group reported consolidated net income of PLN 46.2 million, down by PLN 134.0 million (or 74%) compared to the first quarter of 2008. At the same period, Group revenue decreased by PLN 63.5 million (or 10%) to PLN 373.7 million. The major impact on lower revenue in comparison to equivalent period of 2008 had a decrease in treasury income (down by PLN 91.6 million, or 61%).

The main determinants of the Group's operating result for the first quarter of 2009 as compared to the corresponding period of 2008 were:

- The net interest income amounting to PLN 390 million in comparison with PLN 322 million recorded in the first quarter of 2008 (up by PLN 68 million, or 21%), stemming mainly from, higher income from debt securities as well as lower cost of nonfinancial sector deposits;

Interest income

PLN '000	01.01 - 31.03.2009	01.01 - 31.03.2008	Change	
			PLN m	%
<i>Interest and similar income from:</i>				
Central Bank	13,755	11,379	2,376	21%
Placements in banks	31,579	94,149	(62,570)	(67%)
Loans and advances, of which:	346,726	326,649	20,077	6%
<i>Financial sector</i>	5,641	4,240	1,401	33%
<i>Non-financial sector, including:</i>	341,085	322,409	18,676	6%
<i>on credit cards</i>	94,477	79,405	15,072	19%
Debt securities available-for-sale	132,931	88,389	44,542	50%
Debt securities held-for-trading	25,824	22,897	2,927	13%
Total	550,815	543,463	7,352	1%
<i>Interest expense and similar charges on:</i>				
Deposits from banks	(7,632)	(14,894)	7,262	(49%)
Deposits from financial sector (excl. banks)	(25,098)	(33,896)	8,798	(26%)
Deposits from non-financial sector	(120,796)	(165,999)	45,203	(27%)
Loans and advances received	(6,874)	(6,540)	(334)	5%
Total	(160,400)	(221,329)	60,929	(28%)
Net interest income	390,415	322,134	68,281	21%

- The net fee and commission income amounting to PLN 125 million in comparison with PLN 166 million reported in the first quarter of 2008 (down by PLN 41 million, or 25%), caused primarily by a decrease in fee and commission income from investments products in retail banking, as well as from custody services and brokerage operations;

Fee and commission income

PLN '000	01.01 -	01.01 -	Change	
	31.03.2009	31.03.2008	PLN '000	%
Fee and commission income				
Insurance and investment products	36,003	62,359	(26,356)	(42%)
Payment and credit cards	38,114	38,620	(506)	(1%)
Transaction services	29,515	32,441	(2,926)	(9%)
Custody services	14,596	22,672	(8,076)	(36%)
Brokerage operations	10,908	17,940	(7,032)	(39%)
Other	20,221	18,888	1,333	7%
Total	149,357	192,920	(43,563)	(23%)
Fee and commission expense				
Payment and credit cards	(14,756)	(11,768)	(2,988)	25%
Brokerage operations	(5,379)	(9,664)	4,285	(44%)
Other	(4,432)	(5,554)	1,122	(20%)
Total	(24,567)	(26,986)	2,419	(9%)
Net fee and commission income				
Insurance and investment products	36,003	62,359	(26,356)	(42%)
Payment and credit cards	23,358	26,852	(3,494)	(13%)
Transaction services	29,515	32,441	(2,926)	(9%)
Custody services	14,596	22,672	(8,076)	(36%)
Brokerage operations	5,529	8,276	(2,747)	(33%)
Other	15,789	13,334	2,455	18%
Total	124,790	165,934	(41,144)	(25%)

- Net income on financial instruments and revaluation amounting to PLN 39.6 million as compared to PLN 125.1 million in the first quarter of 2008 (down by PLN 85.5 million) Despite of high volatility on financial markets, in the first quarter of 2009 Bank continued active sale of products to customers. However, in the net income on traded financial instruments and revaluation, adjustment of the valuation of counterparty credit risk was included, decreasing this net income by the amount of PLN 104.7 million;
- Net income in the area of investment debt securities amounting to PLN 20 million as compared to PLN 26 million in the first quarter of 2008 as a result of lower level of turnover on AFS portfolio;
- In comparison to the first quarter of 2008, in the first quarter of 2009 the Group reported decrease in general administrative expenses and overheads together with depreciation expenses (down by PLN 37 million, or 9%) due to lower staff expenses and depreciation expenses. Administrative expenses growth was driven mainly by building maintenance and rent, higher advisory services expenses as well as other external services expenses, concurrently decrease in marketing expenses;

General administrative expenses and depreciation expense

PLN '000	01.01 -	01.01 -	Change	
	31.03.2009	31.03.2008	PLN '000	%
Staff expenses	171,118	210,216	(39,098)	(19%)
Remuneration costs	136,363	177,860	(41,497)	(23%)
Perks and rewards	34,755	32,356	2,399	7%
Administrative expenses	180,898	174,851	6,047	3%
Telecommunication fees and hardware purchases	40,365	37,345	3,020	8%
Advisory, audit, consulting and other services	46,020	42,640	3,380	8%
Building maintenance and rent	34,431	26,319	8,112	31%
Marketing	7,839	16,702	(8,863)	(53%)
Transaction costs	14,038	15,720	(1,682)	(11%)
Postal services	9,298	7,392	1,906	26%
Training and education	2,001	2,071	(70)	(3%)
Banking supervision	2,182	1,997	185	9%
Other expanses	24,724	24,665	59	0%
Depreciation/amortization of tangible and intangible assets	21,726	25,540	(3,814)	(15%)
Total	373,742	410,607	(36,865)	(9%)

- Net impairment losses of PLN 152 million (incl. PLN 56.8 million resulting from FX Options) compared to the PLN 20 million in the first quarter of 2008, which within the Corporate Banking Sector, is the effect of deterioration customers' financial situation resulting mainly from problems with settlement of term currency transactions concluded in 2008 and general slowdown in the economy and on exports markets. As a result Bank created provision on receivables resulted from closed and matured currency transactions as well as other loans of the customers. In the Consumer Banking Sector, higher net impairment losses was caused by growth of loan and credits cards portfolio as well as an increase of delinquent receivables share.

- Ratios

In the first quarter of 2009 basic financial ratios present as follows:

Financial ratios	Q1 2009	Q1 2008
ROE *	9.1%	16.7%
ROA	1.1%	2.1%
Cost / Income	63.1%	62.6%
Loans to non-financial sector / Deposits from non-financial sector	73%	62%
Loans to non-financial sector/ Total assets	31%	36%
Net interest income / Revenue	66%	49%
Net fee and commission income / Revenue	21%	25%

*Net profit to average equity (excluding net profit for the current year) calculated on a quarterly basis and additionally in case of Q1 2008 excluding dividend paid or declared.

Group employment

<i>In full time job equivalents (FTJE)</i>	Q1 2009	Q1 2008	Change	
			FTJEs	%
Average employment in the first quarter	5,404	5,840	(436)	(8)
Average employment at the term end	5,401	5,749	(348)	(6)

As at 31 March 2009, capital adequacy ratio of the Group stood at 11.17%, down by 0.9 percentage points compared with the end of 2008, which was caused by the increase in the capital requirement to cover counterparty risk, total market risk as well as the increase in capital requirements to cover excess concentration and large exposures risks, partially compensated by the decrease in the capital requirement to cover credit risk.

Capital adequacy ratio

<i>PLN '000</i>		31.03.2009*	31.12.2008**
I	Own funds for the calculation of capital adequacy ratio, including:	3,598,866	3,675,517
	Less in core and supplementary funds		
	- interests in subordinated financial entities	55,236	56,469
	- intangible assets, including:	1,282,059	1,283,326
	<i>goodwill</i>	1,245,976	1,245,976
II	Risk-weighted assets and off-balance sheet liabilities (bank portfolio)	19,293,713	19,867,900
III	Total capital requirements, of which:	2,576,647	2,435,448
	- credit risk capital requirements (II*8%)	1,543,497	1,589,432
	- counterparty risk capital requirements	337,818	272,222
	- excess concentration and large exposures risks capital requirements	108,919	82,835
	- total market risk capital requirements	181,026	132,313
	- operational risk capital requirements	345,885	347,112
	- other capital requirements	59,502	11,534
Capital adequacy ratio (I/III*12,5)		11.17%	12.07%

* *Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 380/2008 of the Commission for Banking Supervision dated 17 December 2008 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (...) (KNF Official Journal No. 8, item 34).*

***Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 1/2007 of the Commission for Banking Supervision dated 13 March 2007 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (...) (NBP Official Journal No. 2, item)3.*

6. Segmental reporting

Operating segment is a separable component of the Group that engages in business activities from which it earns revenues and incurs expenses (including intragroup transactions between segments), whose operating results are regularly reviewed by the Management Board, as chief operating decision maker of the Group, in order to allocate resources and assess its performance.

The Group is managed in respect of two operating segments – Corporate Bank and Consumer Bank. The valuation of segment assets and liabilities, income and segment results is based on the Group's accounting policies, including intragroup transactions between segments.

The allocation of assets, liabilities, revenues and expenses to operating segments was performed based on internal information prepared for the purpose of management reporting. Transfer of funds between the Group segments is based on prices derived from market prices. The transfer prices are calculated using the same rules for both segments and any difference result only from maturity and currency structure of assets and liabilities.

- Corporate Bank

Within the Corporate Bank segment the Group offers products and renders services to business entities, self-government units and the public sector. Apart from traditional banking services covering lending and deposit activities, the segment provides services in the areas of cash management, trade financing, leases, brokerage and custody services in respect of securities and offers treasury products on financial and commodity markets. In addition, the segment offers a wide range of investment banking services on the local and international capital markets, including advisory services and obtaining and underwriting financing via public and non-public issue of financial instruments. The activities also comprise proprietary transactions in the capital, debt and derivative instruments market. The products and services are available through distribution channels tailored to client needs, both through the branch network, direct contact with customers and modern and effective remote channels such as telephone and electronic banking.

- Consumer Bank

Within the Consumer Bank segment the Group provides products and financial services to individuals and also to micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from maintaining bank accounts and providing an extensive lending and deposit offer, it also offers cash loans, mortgage loans and credit cards, as well as provides asset management services and acts as agent in the sale of investment and insurance products. Customers of the Consumer Bank have the branch network, ATMs, telephone services, and electronic banking services at their disposal and a network of financial agents offering products of this segment.

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

Consolidated income statement by business segment

For the period	01.01 – 31.03.2009			01.01 – 31.03.2008		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>In thousand of PLN</i>						
Net interest income	181,164	209,251	390,415	139,478	182,656	322,134
<i>Internal interest income, including:</i>						
<i>Internal income</i>	9,064	(9,064)	-	(6,620)	6,620	-
<i>Internal expenses</i>	-	(9,064)	(9,064)	-	6,620	6,620
Net fee and commission income	55,118	69,672	124,790	70,261	95,673	165,934
<i>Internal interest income, including:</i>						
<i>Internal income</i>	1,864	(1,864)	-	741	(741)	-
<i>Internal expenses</i>	-	(1,864)	(1,864)	-	(741)	(741)
Dividend income	12	-	12	-	-	-
Net income on traded financial instruments and revaluation	27,925	11,683	39,608	116,821	8,310	125,131
Net gain on investment (deposit) securities	19,892	-	19,892	25,963	-	25,963
Net gain on investment (capital) instruments	1,440	-	1,440	(168)	-	(168)
Net other operating income	19,430	(2,820)	16,610	17,137	90	17,227

For the period	01.01 – 31.03.2009			01.01 – 31.03.2008		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>In thousand of PLN</i>						
General administrative expenses	(154,822)	(197,194)	(352,016)	(173,397)	(211,670)	(385,067)
Depreciation expense	(13,937)	(7,789)	(21,726)	(17,926)	(7,614)	(25,540)
Profit / (loss) on sale of tangible fixed assets	1,315	167	1,482	623	71	694
Net impairment losses	(114,868)	(37,625)	(152,493)	386	(20,617)	(20,231)
Operating income	22,669	45,345	68,014	179,191	46,886	226,077
Share in profits (losses) of undertakings accounted for under the equity method	(1,240)	-	(1,240)	1,065	-	1,065
Profit before tax	21,937	45,345	66,774	180,256	46,886	227,142
Income tax expense			(20,621)			(47,035)
Net profit			46,153			180,107

State as at:	31.03.2009			31.12.2008		
Assets, including	39,406,517	5,866,750	45,273,267	36,664,647	5,885,698	42,550,345
<i>Assets valued by the equity method</i>	55,236	-	55,236	56,469	-	56,469
<i>Non-current assets held-for-sale</i>	28,286	-	28,286	35,267	-	35,267
Liabilities, including:	37,401,358	7,871,909	45,273,267	34,703,600	7,846,745	42,550,345
<i>Obligations</i>	33,492,181	6,137,972	39,630,153	30,766,848	6,157,688	36,924,536

7. Activities of the Group in the third quarter of 2008

1. Corporate Bank

- *Summary results*

PLN 000'	Q1 2009	Q1 2008	Change	
			PLN 000'	%
Net interest income	181,164	139,478	41,686	30%
Net fee and commission income	55,118	70,274	(15,156)	(22%)
Dividend income	12	-	12	-
Net income on traded financial instruments and revaluation	27,925	116,821	(88,896)	(76%)
Net gain on debt investment securities	19,892	25,963	(6,071)	(23%)
Net gain on equity investment instruments	1,440	(168)	1,608	-
Net other operating income	19,430	17,137	2,293	13%
Total income	304,981	369,505	(64,524)	(17%)
General administrative expenses and depreciation	(168,759)	(191,323)	22,564	(12%)
Profit / (loss) on sale of tangible fixed assets	1,315	623	692	111%
Net impairment losses	(114,868)	386	(115,254)	-
Share in profits / (losses) of undertakings accounted for under the equity method	(1,240)	1,065	(2,305)	(216%)
Profit before tax	21,429	180,256	(158,827)	(88%)
Cost / Income	55%	52%		

The main factors that determined the gross profit of the Corporate Banking for the first quarter of 2009 as compared to the corresponding period of 2008:

- Increase in net interest income resulting mainly from increase of debt securities available for sale portfolio as well as lower cost of non-financial deposits,
- Decrease in net fee and commission income caused by lower income on custody and brokerage services,
- Decrease of net income on traded financial instruments and revaluation, Despite of high volatility on financial markets, in the first quarter of 2009 Bank continued active sale of products to customers. However, in the net income on traded financial instruments and revaluation, adjustment of the valuation of counterparty credit risk was included, decreasing this net income by the amount of PLN 104.7 million,
- Decrease in net income in the area of investment debt securities as a result of lower level of turnover on AFS portfolio,
- Decrease of general administrative expenses, overheads and depreciation expense primarily due to lower staff costs, as well as lower marketing expenses.
- Net impairment losses compared to the net recovery in the first quarter of 2008, which is the effect of the deterioration customers' financial situation resulting mainly from problems with settlement of term currency transactions concluded in 2008 (PLN 56.8 million net impairment losses) and general slowdown in the economy and on exports markets. As a result Bank created provision on receivables resulted from closed and matured currency transactions as well as other loans of the customers.

a) Transaction Services

- *Liquidity and Cash Management Products*

The Bank is a leading provider of corporate liquidity management solutions in the Polish banking market.

In 2008 we added actual cash pooling to our offer; one of the truly novel and most advanced liquidity management solutions tailored for effective management of capital group liquidity. In the first quarter of 2009 we implemented that type of a solution for one of our international clients. The Bank forms part of a select company of banks that can offer solutions of this kind in the Polish market. The benefits accruing for the clients that use cash pooling structures are of particular significance in the context of current conditions prevailing in the financial markets. These benefits include the potential for reduction of bank debt and the enabling of effective utilisation of own cash flows without the risk of liquidity loss.

Considering its over decade long experience in offering cash pooling solutions, the Bank stands as a reliable partner for its clients in the field of effective liquidity management solutions.

- *Electronic Banking*

At the end of the first quarter of 2009 the number of corporate clients operating the CitiDirect internet banking system, which is CitiHandlowy's primary corporate electronic banking system, increased compared to the end of the first quarter of 2008 by 12% and reached nearly 9,700.

In the same period the number of transactions electronically processed by CitiDirect system remained high; exceeding 5.5 million.

The share of electronically delivered bank statements remains high and stands at approximately 86%.

- *Payments and Receivables*

Unikasa

Unikasa is a modern product that facilitates servicing of the Bank clients' receivables and allows payers settlement of their bills for products and services in the most frequently visited locations, such as hyper- and supermarket chains, petrol stations and customer service points.

Foreign Bank Transfers

In the first quarter of 2009 the Bank introduced modifications to the process of booking incoming foreign bank transfers. It implemented a mechanism for automated booking of correctly formatted transfers. Another initiative in the field of foreign bank transfers involves extension of the time by which export payments in US dollars and euro are accepted: from 2:30 p.m. to 4:30 p.m. One important benefit accruing from that initiative is that funds are available on the client's account earlier than ever before. The modifications are expected to further accelerate and facilitate the payment servicing process, and ultimately increase customer satisfaction.

Electronic Postal Cash Transfers

Electronic Postal Cash Transfer is a product addressed to corporate clients who transfer cash funds to individuals.

The Bank registered over 8% raise in the value of executed postal cash transfer transaction and 3% raise in number of transfers in the first quarter of 2009 over equivalent period a year earlier.

Loro Accounts

In the first quarter of 2009 the Bank collaborated with KIR S.A (national clearing house) and a number other banks in implementation of payment processing that does not rely on account numbers in the NRB format; through the ELIXIR clearing system. The implementation initiative has substantially improved effectiveness of inter-bank payments clearing process.

MicroPayments

In the first quarter of 2009 the Bank continued to strengthen its position of leadership in the market segment to which the MicroPayments product is offered. MicroPayments are a product used by institutions and entities which accept financial deposits from payers, which they are subsequently required to return, with due interest. Courts and prosecution administrations are the clients which use that product.

At the end of the first quarter the number active clients using MicroPayments stood at 71, which represents nearly twofold growth compared to equivalent period a year earlier. The Bank has sought to add new user institutions to its MicroPayments clients list.

- *Card Products*

In the first quarter of 2009 the Bank continued to strengthen its position of leadership in the pre-paid payment cards market in Poland. Its market share stands at around 73%. The product is most frequently used under loyalty, promotional and incentive programs as it also serves as an excellent instrument of social benefit distribution. At the end of the first quarter of 2009 the number of actively used pre-paid cards exceeded 350,000; representing over 25% growth compared to the first quarter of 2008.

The Bank has sought to strengthen its position in business cards segment. At the end of the first quarter of 2009 total number of issued business cards exceeded 18,300, which represents nearly 10% growth compared to equivalent period in 2008.

- *Cash Products*

With its extensive experience in servicing cash products, the Bank offers its clients a broad range of solutions and high service provision security. Owing to its strong market position in the field of cash products, the Bank has been a frequently chosen partner of firms and enterprises handling large volumes of cash.

In the first quarter of 2009 the cash products which grew rapidly were the services of exchanging domestic and foreign legal tender with other banks. The Bank entered into new agreements with other banks in the period, which translated into a 130% increase in the handled volumes of cash. In the following months the Bank plans continued dynamic development of the above service and development of collaborative relationships with subsequent institutions.

- *Trade Finance Products*

In the first quarter of 2009 the Bank continued activities aimed at intensifying sales, improvement of efficiency and launch of new technical solutions in trade finance.

In this quarter we conducted a marketing campaign promoting factoring services. Its promotional message was “Surf and Do Not Lose Liquidity”. The campaign emphasised the benefits of factoring as a liquidity management tool, which are of particular significance in the face of credit market restrictions. The high cost of credit and its limited accessibility are the factors that enhance attractiveness of factoring as an alternative source of funding. The campaign also aimed to bring out the Bank’s competitive advantage in the field of factoring:

- Debt financing of up to 100%;
- Simple handling procedures;
- Electronic data transmission;
- No requirement for turnover declaration.

The Bank endeavours to ensure continued improvement in customer satisfaction ensuing from quality of the rendered services. Actions aimed at upgrading the technical solutions used in communication between the client and the Bank have been an important aspect of this. The eTrade platform is such a tool, which enables the Bank’s clients to exchange documents relating to trade finance products. In the first quarter of 2009 the Bank introduced modifications in that application, which permit faster and more effective transfer of such documents. Clients can now combine and send entire document packages. The process of implementation of a new eTrade platform user was also substantially shortened.

The Bank continues actions aimed at growing the trade finance product volumes, which rely on relations with other banks in the Citigroup network. In the first quarter of 2009 these actions sought to increase the number of transactions initiated by Polish companies, in which overseas counterparties are the beneficiaries.

The most noteworthy trade finance achievements of the first quarter of 2009 included:

- Intensified implementation of Supplier Financing Programs resulting in execution of 20 actual factoring agreements; and
- Implementation of the first supplier within the Supplier Financing Program; for a global construction services sector leader.

- *EU Office*

The EU Office prepared the Bank’s operational strategy in the field of EU advisory based on expected financial flows provided for within the 2007-2013 programming period. The operational plan provides for activation of the Bank’s existing and acquisition of new clients.

As new EU programmes for economic agents are launched, the Bank continues with the information and

advisory campaign addressed to its clients. This approach has resulted in growing interest of its clients in utilisation of EU funds in their activities, which translates into newly signed EU advisory agreements.

b) Capital Markets and the Corporate and Investment Bank

• Treasury

In the first quarter of 2009 the Bank achieved robust results in its FX transactions with corporate clients. The trading volume in this product increased by approximately 20% compared to equivalent quarter of 2008. This increase in the scale of operations with nonbanking clients was possible because of high service quality.

The CitiTreasury Interactive (CTI) internet platform enabling execution of FX transactions on line has enjoyed unwavering popularity among our clients. The volume of transactions closed via the platform rose by nearly 60% compared to the first quarter of 2008 while the number of active CTI users has gone up by approximately 35%.

As concerns execution of treasury bond transactions with institutional counterparties, the trading volume in the first quarter of 2009 increased by nearly 20% compared to the first quarter of 2008.

Worth noting that in the first quarter of 2009 the Bank registered significant increase in corporate paper trading. The volume of transactions executed within that segment increased by approximately 65% compared to equivalent quarter of 2008.

Above description of Treasury's Division refers to operational activity, does not include impact of fx options transactions adjustment.

• Corporate and Investment Bank

The Bank maintains the strategy of sustainable asset growth, which relies on optimised effectiveness of funds employed, with particular attention to retention of liquidity. Its actions are aimed at maximising the corporate service platform effectiveness and the operational efficiency.

Assets

PLN m	31.03. 2009	31.03. 2008*	Change	
			Amount	%
Total Commercial Bank	9,720	9,615	105	1%
Including:				
SMEs	915	911	4	0%
MMEs	1,479	1,456	23	2%
Public Sector	90	89	1	1%
Global Clients	3,454	3,779	(325)	(9%)
Corporate Clients	2,510	2,149	362	17%

* The comparative data in respect of Q1 2008 presented here differ from the data presented in the Report in respect of Q1 2008 due to a change in methodology of presentation. The Q1 results here include all the SME clients now served by the common integrated SME platform.

Liabilities

PLN m	31.03. 2009	31.03. 2008	Change	
			Amount	%
Total Commercial Bank	16,229	17,457	(1,228)	(7%)
Including:				
SMEs	1,916	2,201	(285)	(13%)
MMEs	1,211	1,626	(416)	(26%)
Public Sector	1,896	2,299	(403)	(18%)
Global Clients	7,637	8,497	(860)	(10%)
Corporate Clients	3,531	2,758	774	28%

Key initiatives in the Small and Medium Enterprises Segment (SMEs)

In the SME sector area the Bank paid much attention to development of business relations with new clients in the first quarter of 2009. Total of 1,520 new firms of that market segment were acquired: 181 through bank advisers and 1,339 through the branch network.

In response to the needs of clients, in March 2009 the Bank modified its offer to SMEs. It was one of the first in the market to introduce in both of its SME service packages – the Accessible White and the Dynamic Red – the possibility of making a specified number of free-of-charge cash payments to a corporate account maintained with any of the Bank's branches. Additionally the account maintenance fee in respect of the Dynamic Red package was reduced, thus making it uniform with the fee incorporated into the Accessible White package offer. The packages tailored for SME clients are currently offered consistently through all of the Bank's distribution channels: through the bank SME advisers, the outlets, the call centre and the Internet.

In the first quarter of 2009 the Bank also came out with a Citibank Online platform based facility for recharging pre-paid mobile service handsets. The solution provides enterprises with an effective tool for management of their employee telephone service expenses.

Key initiatives in the Middle Market Enterprises Segment (MMEs)

In the context of the new MME package offer, the Bank executed agreements with a WSE listed company for a non-public bond issuance programme and a PLN 100 million medium term financing.

We also held workshops for public sector clients on the use of EU funds.

Key initiatives in the Global Clients Segment

From the perspective of the Bank's Global Clients the first quarter of 2009 was a period of continued good business. We entered into new collaborative relationships with over ten new entities, with the expectation of their fruitful development in the coming years. We won a number of significant tenders for comprehensive provision of banking services to major international corporations, which has certainly reinforced the Bank's strong position of a strategic partner of multinational corporations co-operating with Citi's global network. Aiming to meet the expectations of multinationals, the Bank launched a number of new cash management solutions closely responsive to the liquidity requirements of its Global Clients.

The first quarter of 2009 was also a period in which our clients took very active interest in factoring and leasing services, which provide large multinationals with systemic support for their suppliers and buyers, primarily representatives of the SME sector. Such solutions have operated successfully in companies representing the FMCG sector and the chemical sector.

- *Dom Maklerski Banku Handlowego S.A. (DMBH), a subsidiary*

The number of investment accounts DMBH operated for its clients as at the end of the first quarter of 2009 reached 9,800, which represented a 3.4% decline over the number at the end of the first quarter of a year earlier.

The fall in the number of investment accounts occurred in the month of January only; primarily as a result of closing down of non-active accounts. In the following two months of the quarter the number of these accounts rose with the launch of the internet distribution channel.

One of the key determinants of the level of income generated in the first quarter of 2009 was the decline in the WSE market trading; as resulting from the continuing unfavourable climate in the equities market. DMBH upheld its position in the forefront of investment firms operating in the home market, with the second largest share in the WSE market trading in the first three months of 2009.

DMBH is presently the market maker for 42 equities and remains in the lead of the select few broker-dealers providing that function on WSE.

Summary Income Statement and Balance Sheet*

Company name	Headquartered	Participation interest of the Bank in equity	Balance sheet total as at 31.03.2009	Equity as at 31.03.2009	Net financial result 01.01-31.03.2009
		%	PLN 000'	PLN 000'	PLN 000'
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	510,220	93,343	1,369

* data not audited

- *Handlowy-Leasing Sp. z o.o. (Handlowy-Leasing), a subsidiary*

Value of leases contracted in the first quarter of 2009 stood at PLN 76.4 million, compared to PLN 226.2 million of new contracts executed in the first quarter of 2008, representing a decline of 66.2%.

Distribution of the assets leased in the first quarter of 2009 between respective sector categories was as follows:

- Machinery and equipment dominated representing 60.6% of total financed assets;
- Heavy transport vehicles constituted 39.4% of total financed assets.

Net asset value of leases

PLN m	Q1 2009	Q1 2008*	Change	
			PLN m	%
Value of leases contracted in the period	76.40	226.2	(149.8)	(66.2%)
- for vehicles	30.1	150.0	(119.9)	(79.9%)
- for machinery and equipment	46.3	76.2	(29.9)	(39.2%)

* The comparative data in respect of Q1 2008 presented here differ from the data presented in the Report in respect of Q1 2008 due to a change in methodology of presentation. The adjustment is made in compliance with guidelines of the Polish Leasing Association.

The key factors impacting the decline in leased asset value which occurred in the first quarter of 2009 included the persistently weak demand prevailing on the heavy transport vehicles market combined with the general slump in the economy.

Investment processes and thus fixed asset procurement continued to contract. The trend translated directly into reduced propensity of enterprises to undertake further financial obligations. The looming economic slowdown compelled clients to postpone their procurement decisions or to abandon their earlier investment plans altogether.

Sales were also affected by implementation of more conservative rules of transaction approval; informed by the general deterioration of financial standing of enterprises as well as by the changes occurring in the market segments of the vehicles and machinery subject to lease.

In the first quarter of 2009 the Company launched its car fleet financing and management offer prepared jointly with an external supplier of fleet management services.

The Company seeks to protect its core business segments in terms of market share and concentrates on improving recognition of the Handlowy-Leasing brand within its selected market segments and sectors.

Summary Income Statement and Balance Sheet*

Company name	Headquartered	Participation interest of the Bank in equity	Balance sheet total as at 31.03.2009	Equity as at 31.03.2009	Net financial result 01.01-31.03.2009
		%	PLN 000'	PLN 000'	PLN 000'
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	1,683,642	175,804	(1,225)

*Data not audited

2. Consumer Bank• *Summary segmental results*

PLN 000'	Q1 2009	Q1 2008	Change	
			PLN 000'	%
Net interest income	209,251	182,656	26,595	15%
Net fee and commission income	69,672	95,660	(25,988)	(27%)
Dividend income	-	-	-	-
Net income on traded financial instruments and revaluation	11,683	8,310	3,373	41%
Net other operating income	(2,820)	90	(2,910)	-
Total income	287,786	286,716	1,070	0%
General administrative expenses and depreciation	(204,983)	(219,284)	14,301	(7%)
Profit / (loss) on sale of tangible fixed assets	167	71	96	135%
Net impairment losses	(37,625)	(20,617)	(17,008)	82%
Profit before tax	45,345	46,886	(1,541)	(3%)
Cost / Income	71%	76%		

The main factors that determined the gross profit of Consumer Bank in the first quarter of 2009 as compared to the corresponding period of 2008:

- Interest income growth as compared to the corresponding period of the previous year, which is a result of growth of Credit Cards and Cash Loan portfolios and decrease in the loans interest rates;
- Significant decrease of fee income related to investment products, caused by very unstable situation on financial markets;
- Decrease of expenses as a result of optimisation process in the scope of employment and lower marketing expenses. It was partially compensated by higher technological expenses and one-offs in branch network optimisation;
- Increase of net impairment losses was caused by growth of cash loans and credit cards portfolio and increase of delinquent receivables share.

a) Credit Cards

In the first quarter of 2009 the Bank sold nearly 70,000 cards, with total number of cards at the end of March reaching 1,049,000.

The first quarter of 2009 one again reaffirmed the dominant position of CitiHandlowy in issuance of co-branded credit cards. The portfolio of issued the *Motokarta Kredytowa Citibank-BP* cards exceeded 270,000, with sales in the first quarter reaching 24,000 cards.

The Bank also had record sales of Citibank-Plus Credit Card, which it has offered in collaboration with Polkomtel S.A. Since the card was launched in mid-2007, its portfolio exceeded, at the end of the first quarter of 2009, 150,000 whereas sales in that final quarter exceeded 30,000 cards. In March the Bank pilot tested marketing of the Citibank-Plus card by the staff of the Plus GSM network showrooms, which represents an innovation in credit card sales.

Total share of co-branded cards in the Bank's credit cards portfolio has increased at the end of the first quarter of 2009 to 56%.

In March 2009 the Bank began issuing credit cards with an embedded microprocessor to its individual customers. The identification photograph, a 72-hour protection in the case of card loss and one of

the technically most advanced microprocessor are the features that make Citibank Credit Card one of the safest products of its kind in the market.

The Citibank Silver Credit Card was singled out by the Federation of Consumers through comparative tests of financial products. As a partner of the European *Finformation Project* (Financial Information), the Federation of Consumers invited 35 Polish banks to participate in the study. The Federation of Consumers singled out this credit card for its high level of security and the free-of-charge card blockading and immediate replacement facility.

The first quarter of 2009 was a period of continued robust development of the Citibank Credit Cards Discount Program, the largest of the kind in Poland offering card holders various vendor discounts of up to 50%. At present the discount program includes over 3,400 retail trade and service outlets throughout Poland.

In January 2009 the Bank held its sweepstake lottery for holders of Citibank Credit Cards, with promotional message of Check Your Numerological Fit – Win Cooper MINI. The lottery held the interest of the public throughout the three-month run-up period while its lucky winners received three iconic Cooper MINIs (the grand prizes) and over 3,600 cash prizes.

b) Other Consumer Bank Products

- *Bank Accounts*

In the first quarter of 2009 the Bank continued with promotions aimed at growing its deposit base. The customers could take advantage of a package deal offer combining the Plus Investment Program with a deposit bearing interest of up to 15% per year. All of the Bank's sales channels carried the short term offer of a two-month zloty deposit at a competitive interest of 6.2% per year, whereas at the beginning of February the Bank offered a three-week internet deposit in zlotys, also with interest of 6.2% per year.

In February the Bank was granted the prestigious Mobile Internet Magazine Award for its Pay By Mobile solution. Officially launched in December 2008, the service allows settlement – direct from a mobile handset – of municipal transport fares and parking tolls in Warsaw and since March 2009 in Łódź. The award was granted within the Best Innovation of the Year 2008 category.

Personal accounts offered by the Bank were singled out by the Federation of Consumers through comparative tests of financial products. According to the Federation of Consumers, what sets the Bank's account offer from the competition is its low operating cost.

In March 2009 the Bank launched the innovative *TurboProcent* deposit. The customer can make a one-month deposit of an amount between PLN 500 and PLN 10,000 at a base interest of 4% per year. Moreover, all non-cash card payments the customer makes from their account with the Bank increase interest on that deposit: each PLN 500 the customer spends that way increases the deposit interest by one percentage point. The maximum interest achievable that way is equivalent to fourfold the rate of the Lombard loan issued by the National Bank of Poland, though it is capped at 18% per year.

The Bank has systematically proceeded with its strategy of acquiring active customers. To that end in January it addressed a new offer of the Citigold account to high earners. In exchange for transfers of monthly pay of minimum PLN 15,000 customers of this segment can use the Citigold account with a waived account handling fee. In March the Bank launched a special personal accounts offer addressed to holders of Citibank credit cards. This group of customers received personalised mailings with pictures of branch managers inviting them to the Bank outlets. Provided their monthly pay transfers are arranged with the Bank (minimum PLN 1,500), the customers who take advantage of that offer will be entitled to free-of-charge use of a *CitiKonto* type account, and their cash dispensing charges in all of the ATMs in Poland will be waived for a period of 6 months.

- *Credit Products*

Cash Loan

In the first quarter of 2009 the Bank made its Cash Loan offer for individuals available to users of other banking products with access to the Citibank Online electronic transaction system. The facility was also promoted among customers via alternative communication channels through short text messages sent via mobile telephony networks.

The Bank prepared special offers and marketing materials addressed to a number of key market segments, such as that of persons with income derived from contract employment, of persons representing selected professional groups and of persons receiving old-age and disability pension benefits.

Credit Line

The Bank continued to market its Citibank Credit Line in pursuance of the new lending policy rules (implemented as of June 2008) and with employment of ECUS, the new sales process support software tool. We introduced measures aimed at improving the credit application acceptance rate, which led to an increase in sales of Credit Lines by the end of the first quarter of 2009.

Mortgage Products

In the area of mortgage products the Bank continued to market mortgage loans and consumer loans secured on real property assets within its Open Architecture strategy framework. These included proprietary mortgage products and those of Dombank and Lukas Bank, its external partners. This approach is aimed at meeting the needs of its customers to the greatest extent possible.

In early February 2009 the Bank withdrew from its offer all loans indexed to Swiss frank (CHF) and presently offers products in domestic currency (PLN) only.

- *Investment Products*

In the first quarter of 2009 the Bank organised 13 structured bond subscriptions (seven of them denominated in PLN) of differing investment horizons. A four-year WIG-20 linked bond proved to be highly sought after. In February we came out with a four-year fully guaranteed-capital structured bond linked to the CITI COMET index; the latter based on four highly liquid key commodity market segments of agriculture, energy, industrial metals and precious metals. The investment strategy pursued here is that of monthly adjustments to the index constituent weightings (based on the Multi-layered Events Tracking technology), which account for very short-, short- and medium term changes for the purpose of tracking the developments in the commodities market.

As of February 2009 the Consumer Bank once again incorporated the Investment Deposit in its offer. The product ten combines security of the deposit instrument with opportunity for investment. On the deposit maturity date the customers receives the guaranteed interest and (if applicable) premium interest, which depends on development of specific market indicators (in the FX, commodities or securities market or in interest rates).

In the first quarter of 2009 the Bank introduced the possibility of placing orders for BlackRock foreign funds via CitiPhone, a 24x7 customer service centre. Previously the customer service centre had been available for placement of orders for domestic funds only. Implementation of the service for handling foreign fund orders by phone increases accessibility of investments with global outreach as it expands the target group of this product; to include the most professionally active customers, who have no time for visits in outlets.

The Bank collaborated with representatives of Investment Fund Companies and foreign investment firms in organisation of multiple mini-seminars it held for its customers in Poland's major cities. These were devoted to investments, market situation and systematic investing.

In its marketing activity the Bank focused on promotion of the Systematic Investment Plans, products involving regular investing in investment funds.

- *Insurance Products*

The Bank actively promoted its funded life insurance product, with the Investment Program Plus capital fund and a time-deposit component.

Customers closing Investment Program Plus agreements had the choice of opening term-deposits bearing preferential rates of interest:

- 15% in the case of 3-month deposits;
- 12% in the case of 6-month deposits; and
- 9% or 11% in the case of 12-month deposits.

In the first quarter of 2009 average monthly sales of the funded product exceeded 120 insurance agreements.

In the first quarter of 2009 the Bank registered record sales of the Insurance Policy for Good Life Savings Program – Life and Retirement Insurance, which represents an attractive and beneficial combination of insurance coverage and a safe regular long term savings plan.

In the respective months of the first quarter the number executed insurance agreements systematically grew at an average rate of 30%.

In March the Bank launched a modified version of its Guaranteed Payout Plan – Life and Retirement Insurance. The legal form of the agreement changed from group to individual policy. The Guaranteed Policy is offered in conjunction with a one-off contribution deposit of a one-, three- or a five-year tenor, with yields competitively exceeding those of bank deposits. The insurance product delivers a guaranteed rate of return and a tax benefit; as the benefits paid at completion of the insurance period are not taxable.

- *Electronic Banking and Other Remote Service Channels*

The Citibank Online electronic transaction platform underwent a series of transformations in the first quarter of 2009. The log-in screen was redesigned (clearer layout and more intuitive location of ‘help’ links). The freshly introduced solutions included, among others, broader use of disposable activation codes (such codes are required in e.g. change of an ATM card PIN number or establishment of a standing payment order). Other new customer conveniences included simplified new payment order placement procedures, which no longer call for prior listing of new beneficiaries. Also all transactions with future execution date on all accounts of a customer are now being brought together; for the customer’s convenience. Another novel solution provides Citibank Online users with a facility for recharging their pre-paid mobile service handsets: the new Mobile Recharge service.

The first quarter of 2009 brought about 19% raise in the number of registered users of Citibank Online internet banking service compared to the end of 2008: total of above 411,000 users.

In the first quarter of 2009 the Bank also continued promoting the Online Account Statements service (statements in the electronic form). At the end of the first quarter of 2009 the number of registered users of this service exceeded 360,000, a 14% growth compared to the 2008 year-end.

- *Indirect and Direct Customer Acquisition*

In mid-March 2009 the Bank began marketing Citibank-Plus credit cards through 17 Plus GSM mobile network showrooms. Thereby the Bank became the first bank in Poland to offer credit cards through mobile operator outlets. The collaboration is underpinned by outsourcing and franchise contracts with distributors of Polkomtel S.A. The sales process was undertaken on pilot basis – if the collaboration proves positive for the partners, it will be expanded to include subsequent operator showrooms. At present the Plus GSM mobile network in Poland numbers approximately 1,000 sales outlets. In the following quarter the partners plan to

increase the number of showrooms participating in the pilot project.

As in the previous quarters, the Bank relied in the first quarter of 2009 on direct sales agencies. Sale of cards was combined with marketing of insurance products.

In the first quarter of 2009 the Citibank at Work Office, which acquires customers among employees of the Commercial Bank's clients, initiated a new formula of meetings with customers. This involves a combination sales presentation and a seminar on household budget management, safe saving and on the use of credit products. That meeting form was very well received by the customers, as testified by high propensity of the seminar participants for taking advantage of the Bank's retail products.

3. Branch network

At the end of the first quarter of 2009 the Bank's branch network comprised 243 outlets, those operating under the Citi Handlowy and the CitiFinancial brands.

In the first quarter of 2009 the Bank continued to proceed with the branch network merger and consolidation project. It also commenced a project aimed at expanding the functionalities of the CitiFinancial branded outlets involving systematic development of banking services in selected branches, which had previously focused exclusively on servicing loan products. Ultimately the range of the services provided by such outlets will be made identical with that of the multifunctional outlets.

The Bank also seeks to increase effectiveness of its operations through continued search for new technological solutions. It has proceeded with successive replacement of the originally installed automatic teller machines with ATMs that include the direct deposit function, which enable booking of cash deposits in real time whilst providing immediate accessibility of the paid-in funds. The Bank has also began replacing teller cash deposit machines installed in the type S outlets (marketing only cash loans) into solutions enabling expansion of the currency basket on offer and substantially reducing operational risk.

The branch network optimisation and outlet functionality expansion project included such activities as:

- Merger of outlets (former a Commercial Bank and a CitiFinancial branch) in Rzeszów at 3 Cieplickiego street, with relocation of the new consolidated branch to 23 Rejtana street;
- Functional expansion of a type S outlet in Gdynia at 21 Władysława IV street, with the outlet adopting the complete functionality range of a multifunctional outlet;
- Functional expansion of a type S outlet in Gdańsk at 35 Słowackiego street, with the outlet adopting the complete functionality range of a multifunctional outlet;
- Relocation of a type L outlet in Opole at 3, 1-go Maja street to a new address at 7/9 Koraszewskiego street;
- Closedown of an outlet in Gdynia at 7, 10-go Lutego street, for reasons beyond the Bank's control;
- Consolidation of a type S outlet in Kielce at 12 Rynek street with an existing outlet located in Kielce at 58 Sienkiewicza street;
- Opening of additional agency outlets (partner network outlets operating under the CitiFinancial logo) in: Kołobrzeg at 7 D/13 Zapleczna street; Malbork at 27 Konopnickiej street; Radomsko at 34 Reymonta street; Krotoszyn at 22 Zdunowska street, Turek at 1 Gorzelniana street; and Nowa Sól at 2a Wyzwolenia square.

Number of branches as at period end*

	Q1 2009
The number of outlets:	243
Consumer Bank	88
- type L	49
- type M	70
- type S	92
- type T	32
Other sales / customer service outlets:	
Mini-branches (within "Citibank at work")	6
BP petrol station sales points	182
Number of own ATMs	166
- including those with deposit function	155

*As a result of change in the structure of branch network no possibility of such presentation for comparative period.

8. Seasonality or cyclical nature of business activity

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

9. Issue, buyout and repayment of debt and equity securities

No debt or equity securities were issued, bought out or repaid in the first quarter of 2009.

10. Paid or declared dividends

The Management Board of Bank Handlowy w Warszawie S.A. announces that at the meeting held on 19 March 2009 the Supervisory Board of the Bank, as part of its supervision of the Bank's compliance with the rules of prudent and stable management in the Bank, particularly in respect of capitalization and financial plans of the Bank, recommended that the Bank should pay no dividend for the year 2008.

11. Changes in the Group's structure

One Group's own property was sold in first quarter 2009, among assets, as at 31 December 2008, enclosed in tangible assets held for sale. At 31 March 2009, mentioned assets of the Group include five Bank's own properties and are presented in Balance sheet as "Financial assets and liabilities held for trading".

On January 12, 2009 it sold to Fairfax Financial Holdings Limited with its seat in Ontario, Canada, all of its 17,500,000 Series A and B registered shares of the company operating under the brand name of Polskie Towarzystwo Reasekuracji S.A. with its seat in Warsaw ("PTR S.A."), constituting about 16.64% of the share capital of PTR S.A. and entitling to the same number of votes at the General Meeting of Shareholders of PTR S.A. The sale of shares was made as a result of the Bank's response on November 28, 2008 to the public tender offer to acquire all of the outstanding shares of PTR S.A. made on September 8, 2008 by Fairfax Financial Holdings Limited and in connection with the fulfillment of all legal conditions specified in the Tender Offer. The total price at which the Bank sold 17,500,000 PTR S.A. shares is PLN 28,000,000.

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

As at 31 March 2009 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

13. Movements in off-balance sheet commitments

As at 31 March 2009 in relation to the end of 2008 there weren't significant changes in range of received and granted conditional obligation.

The changes in off-balance sheet commitments comparing to the end of 2008, have concerned mainly liabilities related to realization of buying/selling operations, what means decrease of futures transactions amount – concerning transactions FRA and IRS.

The off-balance sheet commitments are as follows:

<i>In thousand of PLN</i>	31/03/2009	31/12/2008
Contingent liabilities		
Granted liabilities		
a) financial	11,051,435	11,167,239
<i>Import letters of credit issued</i>	166,812	188,228
<i>Lines of credit granted</i>	10,865,123	10,949,511
<i>Forward placement</i>	5,000	-
<i>Subscription of securities granted to other issuers</i>	14,500	29,500
b) guarantees	2,272,471	2,359,209
<i>Guarantees granted</i>	2,261,454	2,349,068
<i>Export letters of credit confirmed</i>	11,017	10,141
	13,323,906	13,526,448
Liabilities received		
a) financial	5,000	26,000
<i>Deposits granted</i>	5,000	26,000
b) guarantees	2,192,140	2,394,584
<i>Guarantees received</i>	2,192,140	2,394,584
	2,197,140	2,420,584
Current off-balance sheet transactions*	4,734,507	1,723,887
Forward off-balance sheet transactions**	266,618,287	304,130,335
	286,873,840	321,801,254

*Foreign exchange and securities trading, transactions with current value date

** Derivatives: FX, interest rate transactions and options

14. Achievement of 2009 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2009.

15. Information about shareholders

In period from last quarter statement commitment, the structure of considerable parcel of shares has changed because of crossing the 5% of Bank Handlowy w Warszawie S.A. shares level by Pioneer Pekao Investment Management S.A. according to notification placed on 20 February 2009.

As at the submission date of this consolidated quarterly report, The shareholders of the Bank, directly or indirectly through subsidiaries, a minimum of 5% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. as at 31 March 2009 were the following entities:

1) **Citibank Overseas Investment Corporation (COIC)**, a subsidiary of Citibank N.A., with 97,994,700 shares held, i.e. 75% of the authorized share capital of the Bank and 97,994,700 votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A., i.e. 75% of the votes.

2) **Pioneer Pekao Investment Management S.A. ("PPIM")**

In first quarter 2009, the total shareholding of PPIM clients has reach the level of 5.01% of the total number of votes at the General Meeting of the Bank, in respect of financial instruments included in the client's portfolios managed by PPIM, who performs on behalf of its clients portfolio management services of a broker financial instruments.

Moreover the engagement of the following entities:

- Pionier Akcji Polskich Fundusz Inwestycyjny Otwarty,
- Pionier Aktywnej Alokacji Fundusz Inwestycyjny Otwarty,
- Pionier Małych i Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty,
- Pionier Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty,
- Pionier Stabilnego Wzrostu Fundusz Inwestycyjny Otwarty,
- Pionier Zrównoważony Fundusz Inwestycyjny Otwarty,
- Specjalistyczny Fundusz Inwestycyjny Otwarty Telekomunikacji Polskiej

has reached level of 5.002% of cumulative number of votes on the Bank's General Meeting in range of financial instruments included in those entities' portfolios, managing by PPIM, supplying service of managing broker financial instruments portfolio on demand.

Portfolios of above mentioned entities present sub-group of all PPIM clients' portfolios

16. Ownership of issuer's shares by managing and supervising officers

As at the submission date of this consolidated quarterly report, to the best knowledge of the Bank, Mr Andrzej Olechowski, a Vice-chairman of the Supervisory Board, held 1,200 shares of the Bank. Other managing persons did not declare ownership of the Bank's shares.

The number of the Bank's shares held by managing and supervising persons has not changed since the previous consolidated quarterly report.

The managing and supervising officers haven't declared any options for Bank's shares.

17. Information on pending proceedings

In the first quarter of 2009 there were no proceedings regarding debts of the Bank or a subsidiary of the Bank pending before court, public administration authority or an arbitration authority, the value of which would equal at least 10% of the Bank's equity.

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Bank's equity and equaled PLN 996 million.

The amount of debts of the Bank and subsidiaries results mainly from voluntary arrangement proceedings and bankruptcy proceedings in which the Bank or its subsidiaries participate as creditors and court proceedings with the participation of the Bank concerning enforcement of clause of feasibility to Bank

executive title. It should be emphasized that the court proceedings, especially bankruptcy and voluntary arrangement proceedings, are long-lasting and protracted. Due to the lengthiness of proceedings, only a few voluntary arrangement and bankruptcy proceedings result in a final and legally valid court decision within a period shorter than two years (and a majority of them last for a period of four and more years). The report includes some proceedings that started several years ago.

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

At the same time, as a rule, as a result of closed bankruptcy proceedings and proceedings for granting the court enforcement clause to bank collection title, at least a part of debts due is recovered, which provides a basis for reversing previous impairment losses in part or in whole. The situation is the same in the case of finalized voluntary arrangement proceedings, when after reducing debt; the debtor repays non-reduced part of his debts.

The most significant legal actions that are pending in relation to receivables are as follows:

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	158,534	8 August 1996 – declaration of bankruptcy.	Case pending. The Bank submitted the receivable to obtain repayment from the bankrupt's assets for arrangement on 14 October 1996. The Bank realized all the collateral. The Bank will probably not receive its receivables. The official receiver expected to complete the bankruptcy proceeding by the end of 2006. The Bank still expects to receive a resolution on completion of the bankruptcy proceeding. The processing is still pending.
Creditor: Bank Handlowy w Warszawie S.A.	44,732	On 22 June 2001, the court declared the debtor bankrupt.	The Bank submitted its receivables to the proceedings. Case pending.

In the first quarter 2009, there were no proceedings regarding liabilities of the Bank or a subsidiary of the Bank, the value of which would equal at least 10% of the Bank's equity, pending before court, public administration authority or an arbitration authority.

In the first quarter 2009 the total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities hasn't exceeded 10% of the Bank's equity capital

The target reserves were established in case of legal action concerning risk of Group's commitment appropriations outflow.

18. Information about significant transactions with related entities which were deal on other than market terms

In the first quarter of 2009, the Bank and its subsidiaries enter into transactions with related entities. All transactions with related entities were deal on market terms.

19. Information about guarantee agreements

At the end of the first quarter of 2009, the total value of sureties and guarantees extended by the Bank or its

subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's consolidated shareholders' equity.

20. Other important information

In first quarter of 2009 there have place the following changes in Bank's ratings quoted by Rating Agency Moody's Investors Service Ltd 'Moody's':

- On January 20, 2009 Moody's Investors Service Ltd changed the Bank's rating outlook from stable, placing the Bank's long-term local and foreign currency deposit ratings as well as the Bank's financial strength rating (BFSR) under review for possible downgrade. The Bank's short-term and long-term deposit ratings and financial strength rating remain unchanged (A2/P-1/C-). The aforementioned change follows Moody's rating decision for Citigroup Inc. and Citibank N.A. on January 16, 2009.
- - On 3 March 2009 the Moody's rating agency downgraded local and foreign currency deposit ratings of the Bank to A3 from A2 on rating under review for possible downgrade. The short-term deposit ratings were downgraded to P-2 from P-1. Bank Financial Strength Rating (BFSR) of C- was not affected and remains on review for possible downgrade. The change described here was a consequence of the rating decisions adopted in respect of Citigroup Inc. and Citibank N.A. on 27 February 2009.

On 17 April 2009, Management Board of Bank Handlowy w Warszawie SA ("Bank") received from Pioneer Pekao Investment Management S.A. ("PPIM") information that at the date of 08 April 2009, the total shareholding of PPIM clients has decreased to the level of 4.55% of the total number of votes at the General Meeting of the Bank, in respect of financial instruments included in the client's portfolios managed by PPIM, who performs on behalf of its clients portfolio management services of a broker financial instruments. The information was sent by the Pioneer Pekao Investment Management SA as required by the Art. 87 paragraph 1 point 3 b) and Art. 87 paragraph 1 point 2 letter a). of the Act from 29 July 2005 concerning public offering and conditions of introducing financial instruments into organized trading system and about public companies.

Obtained information has presented that the engagement of the following entities, as at April, 08, 2009:

- Pionier Akcji Polskich Fundusz Inwestycyjny Otwarty,
- Pionier Aktywnej Alokacji Fundusz Inwestycyjny Otwarty,
- Pionier Małych i Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty,
- Pionier Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty,
- Pionier Stabilnego Wzrostu Fundusz Inwestycyjny Otwarty,
- Pionier Zrównoważony Fundusz Inwestycyjny Otwarty,
- Specjalistyczny Fundusz Inwestycyjny Otwarty Telekomunikacji Polskiej

has decreased to the level of 4.53% of cumulative number of votes on the Bank's General Meeting in range of financial instruments included in those entities' portfolios, managing by PPIM, supplying service of managing broker financial instruments portfolio on demand.

Portfolios of above mentioned entities present sub-group of all PPIM clients' portfolios

21. Description of Factors and Events that Might Affect the Group's Future Financial Performance

The rapidly deteriorating economic condition of almost all the West European countries can further contribute to steep declines in Polish exports and to reduction of propensity of Polish companies to undertake new investment projects. Because of that, we cannot exclude the possibility of the country's GDP growth slackening to an extent greater than previously expected, with consequent deterioration of Polish corporate earnings. The concomitant climb in joblessness rate and reduction in pay raise rate will most likely reduce ability of individual customers to service their financial obligations.

Should aversion to risk in the financial markets continue to increase, it will feed heightened volatility of złoty exchange rate, particularly if budget deficit and the budget's borrowing needs increase. Under a negative scenario, the possible weakening of the złoty can lead to deterioration of financial standing of the households repaying currency denominated loans. Availability of a flexible credit line of the International Monetary Fund to the Polish government can be a factor stabilising the financial markets.

All of the above factors may affect the Group's financial performance in the subsequent periods.

Summary interim financial statements of the Bank – parent company**Income statement of the Bank – parent company**

<i>In thousands of PLN</i>	First quarter growing	First quarter growing
	period from 01/01/09 to 31/03/09	period from 01/01/08 to 31/03/08
Interest and similar income	533,801	527,579
Interest expense and similar charges	(157,058)	(215,789)
Net interest income	376,743	311,790
Fee and commission income	138,483	175,006
Fee and commission expense	(19,203)	(17,345)
Net fee and commission income	119,280	157,661
Dividend income	10	23,664
Net income on financial instruments and revaluation	50,139	123,907
Net gain on investment (deposit) securities	19,892	25,963
Net gain on investment (capital) instruments	1,440	-
Other operating income	28,360	26,794
Other operating expenses	(10,966)	(9,892)
Net other operating income	17,394	16,902
General administrative expenses	(341,267)	(372,282)
Depreciation expense	(21,017)	(25,146)
Profit / (loss) on sale of tangible fixed assets	1,492	671
Net impairment losses	(149,041)	(16,545)
Profit before tax	75,065	246,585
Income tax expense	(20,414)	(46,021)
Net profit	54,651	200,564
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	0.42	1.54
Diluted net profit per ordinary share (in PLN)	0.42	1.54

Statement of comprehensive income

In thousand of PLN

	First quarter growing period from 01/01/09 to 31/03/09	First quarter growing period from 01/01/08 to 31/03/08
Net income	54,651	200,564
Other comprehensive income:		
Valuation of financial assets available for sale	(45,934)	28,643
Valuation of capital rewards program	5,712	-
Tax from other comprehensive income	8,155	(5,442)
Other comprehensive income after tax	(32,067)	23,201
Total income	22,584	223,765

Balance sheet of the Bank – parent company*In thousands of PLN*

	31/03/2009	31/12/2008
ASSETS		
Cash and balances with central bank	1,753,127	3,530,977
Financial assets held for trading	10,302,829	7,884,536
Debt securities available-for-sale	13,198,061	10,814,828
Equity investments	291,570	291,385
Loans and advances	15,769,992	16,322,214
<i>to financial sector</i>	3,306,818	3,836,034
<i>to non-financial sector</i>	12,463,174	12,486,180
Property and equipment	531,273	540,200
<i>land, buildings and equipment</i>	512,965	521,892
<i>investment property</i>	18,308	18,308
Intangible assets	1,278,250	1,279,547
Income tax assets	446,268	325,563
Other assets	240,297	220,854
Non-current assets held-for-sale	28,286	35,267
Total assets	43,839,953	41,245,371
LIABILITIES		
Financial liabilities held for trading	7,693,575	6,888,344
Financial liabilities valued at amortized cost	29,938,971	28,292,118
<i>deposits from</i>	29,048,835	27,904,792
<i>financial sector</i>	10,101,800	7,994,592
<i>non-financial sector</i>	18,947,035	19,910,200
<i>other liabilities</i>	890,136	387,326
Provisions	15,106	24,552
Income tax liabilities	83,131	-
Other liabilities	547,136	500,907
Total liabilities	38,277,919	35,705,921
EQUITY		
Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(180,804)	(144,110)
Other reserves	1,575,300	1,570,673
Retained earnings	700,315	645,664
Total equity	5,562,034	5,539,450
Total liabilities and equity	43,839,953	41,245,371

Statement of changes in equity of the Bank – parent company

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2008	522,638	2,944,585	(182,451)	1,382,238	809,068	5,476,078
Valuation of financial assets available-for-sale	-	-	54,606	-	-	54,606
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(25,963)	-	-	(25,963)
Deferred income tax on valuation of financial assets available-for-sale	-	-	(5,442)	-	-	(5,442)
Net profit	-	-	-	-	200,564	200,564
Balance as at 31 March 2008	522,638	2,944,585	(159,250)	1,382,238	1,009,632	5,699,843
	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2009	522,638	2,944,585	(144,110)	1,570,673	645,664	5,539,450
Valuation of financial assets available-for-sale	-	-	(26,042)	-	-	(26,042)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(19,892)	-	-	(19,892)
Valuation of capital rewards program	-	-	-	5,712	-	5,712
Deferred income tax on valuation of financial assets available-for-sale and capital rewards program	-	-	9,240	(1,085)	-	8,155
Net profit	-	-	-	-	54,651	54,651
Balance as at 31 March 2009	522,638	2,944,585	(180,804)	1,575,300	700,315	5,562,034

Summary statement of cash flows of the Bank – parent company

<i>In thousands of PLN</i>	First quarter growing Period from 01/01/09 to 31/03/09	First quarter growing Period from 01/01/08 to 31/03/08
Cash at the beginning of reporting period	3,607,476	3,741,447
Cash flows from operating activities	(1,770,623)	(598,080)
Cash flows from investing activities	(10,997)	18,518
Cash flows from financing activities	(27,597)	(17,491)
Cash at the end of reporting period	1,798,259	3,144,394
Increase / Decrease in net cash	(1,809,217)	(597,053)

Notes to the Interim Abbreviated Financial Statements of Bank Handlowy w Warszawie S.A. (“the Bank”) for the first quarter of 2009

The abbreviated interim financial statements of the Bank for the first quarter of 2009 have been prepared in accordance with accounting principles adopted and summarized in the consolidated interim financial statement of the Bank for the reporting period ending on 31 December 2008.

The notes to these interim consolidated financial statements for the first quarter of 2009 contain all material information and explanatory data also relevant to the Bank’s abbreviated interim financial statements. A summary of the Bank’s financial results for the first quarter of 2009 is presented below.

The Bank’s financial results

For year first quarter of 2009 Bank has generated profit before tax of PLN 75 million, that means PLN 172 million decrease (i.e. 69.6%) relatively to the same period of previous year. In the same period Bank has generated consolidated net income of PLN 55 million, that means PLN 146 million decrease (i.e. 72.7%) relatively to analogous period of previous year.

The impact on net profit in first quarter of 2009 had: increase of result on interest and commissions by PLN 27 million (i.e. 5.7%), decrease of income from dividends by PLN 24 million, decrease of result on financial instruments (traded financial instruments, revaluation and investment debt securities) jointly by PLN 78 million (i.e. 52.3%), decrease of bank’s activity and general administrative expenses and depreciation jointly by PLN 35 million (i.e. 8.8%) and increase of net writes off by PLN 132 million.

The consolidated quarterly report for the first quarter of 2009 will be made available on the website of Bank Handlowy w Warszawie S.A. at www.citihandlowy.pl

Signature of the Financial Reporting and Control
Department
Vice Director

Signature of the Vice President of
Management Board

Date and signature
05.05.2009

Date and signature
05.05.2009