



INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
OF THE CAPITAL GROUP OF  
BANK HANDLOWY W WARSZAWIE S.A.  
FOR THE FIRST QUARTER 2011

MAY 2011

| SELECTED FINANCIAL DATA  | PLN '000   |  | EUR '000***  |  |
|--|--|--|--|--|
|  | First quarter growing period from 01.01.11 to 31.03.11 | First quarter growing period from 01.01.10 to 31.03.10 | First quarter growing period from 01.01.11 to 31.03.11 | First quarter growing period from 01.01.10 to 31.03.10 |
| <b>Data related to summary condensed consolidated financial statements</b> |  |  |  |  |
| Interest income  | 458,709  | 496,786  | 115,422  | 125,233  |
| Fee and commission income  | 188,818  | 173,201  | 47,511   | 43,662   |
| Profit before tax  | 222,367  | 196,699  | 55,953   | 49,585   |
| Net profit   | 181,183  | 150,933  | 45,590   | 38,048   |
| Total income   | 157,825  | 280,867  | 39,712   | 70,803   |
| Increase of net cash   | 7,439,608  | (3,327,442)  | 1,871,976  | (838,802)  |
| Total assets*  | 64,957,373   | 37,517,540   | 16,191,175   | 9,473,409  |
| Financial liabilities valued at amortized cost*                            | 38,284,845   | 27,308,344   | 9,542,821  | 6,895,524  |
| Shareholders' equity   | 6,647,618  | 6,481,090  | 1,656,975  | 1,678,082  |
| Share capital  | 522,638  | 522,638  | 130,272  | 135,321  |
| Number of shares (in pcs)  | 130,659,600  | 130,659,600  | 130,659,600  | 130,659,600  |
| Book value per share (PLN / EUR)   | 50.88  | 49.60  | 12.68  | 12.84  |
| Capital adequacy ratio (%)*  | 15.84  | 18.81  | 15.84  | 18.81  |
| Earnings per ordinary share (PLN / EUR)                                    | 1.39   | 1.16   | 0.35   | 0.29   |
| Diluted net profit per ordinary share (PLN / EUR)                          | 1.39   | 1.16   | 0.35   | 0.29   |
| <b>Data related to summary condensed financial statements of the Bank</b>  |  |  |  |  |
| Interest income  | 451,027  | 488,626  | 113,489  | 123,176  |
| Fee and commission income  | 166,987  | 154,185  | 42,018   | 38,868   |
| Profit before tax  | 205,498  | 184,428  | 51,708   | 46,492   |
| Net profit   | 165,135  | 141,312  | 41,552   | 35,623   |
| Total income   | 141,181  | 273,033  | 35,524   | 68,828   |
| Increase of net cash   | 7,447,197  | (3,327,563)  | 1,873,886  | (838,832)  |
| Total assets*  | 47,959,150   | 36,701,673   | 11,954,224   | 9,267,397  |
| Financial liabilities valued at amortized cost*                            | 37,917,960   | 26,943,235   | 9,451,372  | 6,803,332  |
| Shareholders' equity   | 6,560,484  | 6,408,490  | 1,635,256  | 1,659,285  |
| Share capital  | 522,638  | 522,638  | 130,272  | 135,321  |
| Number of shares (in pcs)  | 130,659,600  | 130,659,600  | 130,659,600  | 130,659,600  |
| Book value per share (PLN / EUR)   | 50.21  | 49.05  | 12.52  | 12.70  |
| Capital adequacy ratio (%)*  | 17.48  | 18.72  | 17.48  | 18.72  |
| Earnings per ordinary share (PLN / EUR)                                    | 1.26   | 1.08   | 0.32   | 0.27   |
| Diluted net profit per ordinary share (PLN / EUR)                          | 1.26   | 1.08   | 0.32   | 0.27   |
| Declared or distributed dividends per ordinary share (PLN / EUR)**         | 5.72   | 3.77   | 1.43   | 0.98   |

\* Comparable data according to balance sheet as at 31 December 2010.

\*\* The presented ratios are related to dividend declared from distribution of 2010 profit and dividend paid in 2010 from distribution of 2009 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 2011 - PLN 4.0119 (as at 31 December 2010: PLN 3.9603; as at 31 March 2010 - PLN 3.8622); for the income statement and cash flow - the arithmetic average of NBP end of month exchange rates in first quarter 2011 - PLN 3.9742 (in first quarter 2010: PLN 3.9669).

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## Condensed consolidated income statement

| <i>PLN '000</i>   | First quarter growing<br>period from<br>01.01.11<br>to 31.03.11 | First quarter growing<br>period from<br>01.01.10<br>to 31.03.10 |
|---|---|---|
| Interest and similar income   | 458,709   | 496,786   |
| Interest expense and similar charges  | (111,487)   | (124,155)   |
| <b>Net interest income</b>  | <b>347,222</b>  | <b>372,631</b>  |
| Fee and commission income   | 188,818   | 173,201   |
| Fee and commission expense  | (19,104)  | (22,422)  |
| <b>Net fee and commission income</b>  | <b>169,714</b>  | <b>150,779</b>  |
| Dividend income   | -   | 11  |
| Net income on financial instruments and revaluation                               | 85,009  | 56,879  |
| Net gain on investment debt securities  | 1,244   | 21,960  |
| Net gain on investment (capital) instruments                                      | -   | 2,516   |
| Other operating income  | 14,994  | 18,929  |
| Other operating expenses  | (9,758)   | (23,471)  |
| <b>Net other operating income</b>   | <b>5,236</b>  | <b>(4,542)</b>  |
| General administrative expenses   | (332,102)   | (308,998)   |
| Depreciation expense  | (14,428)  | (16,939)  |
| Profit / (loss) on sale of tangible fixed assets                                  | 2,211   | (122)   |
| Net impairment losses   | (41,947)  | (77,354)  |
| <b>Operating income</b>   | <b>222,159</b>  | <b>196,821</b>  |
| Share in profits / (losses) of undertakings accounted for under the equity method | 208   | (122)   |
| <b>Profit before tax</b>  | <b>222,367</b>  | <b>196,699</b>  |
| Income tax expense  | (41,184)  | (45,766)  |
| <b>Net profit</b>   | <b>181,183</b>  | <b>150,933</b>  |
| Weighted average number of ordinary shares (in pcs)                               | 130,659,600   | 130,659,600   |
| Net profit per ordinary share (in PLN)  | 1.39  | 1.16  |
| Diluted net profit per ordinary share (in PLN)                                    | 1.39  | 1.16  |
| Including:  |   |   |
| Net profit due to shareholders of dominant entity                                 | 181,183   | 150,933   |
| Net profit due to non-controlling shareholders                                    | -   | -   |

## Condensed consolidated statement of comprehensive income

| <i>PLN '000</i>   | First quarter<br>growing<br>period from<br>01.01.11<br>to 31.03.11 | First quarter growing<br>period from<br>01.01.10<br>to 31.03.10 |
|---|--|---|
| Net income  | 181,183  | 150,933   |
| Other comprehensive income:                                 |  |   |
| Valuation of financial assets available for sale (net)      | (23,686)   | 131,721   |
| Difference in exchange rates                                | 328  | (1,787)   |
| Other comprehensive income after tax                        | (23,358)   | 129,934   |
| <b>Total income</b>   | <b>157,825</b>   | <b>280,867</b>  |
| Including:  |  |   |
| Comprehensive income due to shareholders of dominant entity | 157,825  | 280,867   |
| Comprehensive income due to non-controlling shareholders    | -  | -   |

## Condensed consolidated balance sheet

| <i>PLN '000</i>                                | State as at | 31.03.2011        | 31.12.2010        |
|--|-------------|-------------------|-------------------|
| <b>ASSETS</b>                                  |             |                   |                   |
| Cash and balances with Central Bank            |             | 10,607,209        | 3,206,554         |
| Financial assets held-for-trading              |             | 3,708,869         | 3,995,916         |
| Debt securities available-for-sale             |             | 15,466,788        | 13,029,254        |
| Equity investments valued at equity method     |             | 56,541            | 56,332            |
| Other equity investments                       |             | 25,290            | 23,949            |
| Loans and advances                             |             | 16,181,951        | 14,543,248        |
| to financial sector                            |             | 4,070,292         | 2,949,839         |
| to non-financial sector                        |             | 12,111,659        | 11,593,409        |
| Property and equipment                         |             | 471,054           | 475,373           |
| land, buildings and equipment                  |             | 452,746           | 457,065           |
| investment property                            |             | 18,308            | 18,308            |
| Intangible assets                              |             | 1,286,102         | 1,285,757         |
| Deferred income tax assets                     |             | 379,928           | 321,669           |
| current  |             | 140,493           | 75,298            |
| deferred                                       |             | 239,435           | 246,371           |
| Other assets                                   |             | 16,763,740        | 569,587           |
| Non-current assets held-for-sale               |             | 9,901             | 9,901             |
| <b>Total assets</b>                            |             | <b>64,957,373</b> | <b>37,517,540</b> |
| <b>LIABILITIES</b>                             |             |                   |                   |
| Financial liabilities held-for-trading         |             | 2,760,747         | 2,804,437         |
| Financial liabilities valued at amortized cost |             | 38,284,845        | 27,308,344        |
| deposits, from                                 |             | 37,497,354        | 26,430,223        |
| financial sector                               |             | 20,155,824        | 6,007,190         |
| non-financial sector                           |             | 17,341,530        | 20,423,033        |
| liabilities from own issue                     |             | 49,504            | 11,533            |
| other liabilities                              |             | 737,987           | 866,588           |
| Provisions                                     |             | 34,427            | 32,240            |
| Income tax liabilities                         |             | 1,350             | -                 |
| Other liabilities                              |             | 17,228,617        | 879,584           |
| <b>Total liabilities</b>                       |             | <b>58,309,755</b> | <b>31,024,605</b> |
| <b>EQUITY</b>                                  |             |                   |                   |
| Issued capital                                 |             | 522,638           | 522,638           |
| Share premium                                  |             | 3,031,149         | 3,031,149         |
| Revaluation reserve                            |             | (68,534)          | (44,848)          |
| Other reserves                                 |             | 2,245,893         | 2,248,707         |
| Retained earnings                              |             | 916,472           | 735,289           |
| <b>Total equity</b>                            |             | <b>6,647,618</b>  | <b>6,492,935</b>  |
| <b>Total liabilities and equity</b>            |             | <b>64,957,373</b> | <b>37,517,540</b> |

## Condensed consolidated statement of changes in equity

| <i>PLN '000</i>                                  | Share capital | Share premium | Revaluation reserve | Other reserves | Retained earnings | Minority share | Total equity |
|--|---------------|---------------|---------------------|----------------|-------------------|----------------|--------------|
| Balance as at 1 January 2011                     | 522,638       | 3,031,149     | (44,848)            | 2,248,707      | 735,289           | -              | 6,492,935    |
| Total income                                     | -             | -             | (23,686)            | 328            | 181,183           | -              | 157,825      |
| Valuation of capital rewards program, including: | -             | -             | -                   | (3,142)        | -                 | -              | (3,142)      |
| valuation change                                 | -             | -             | -                   | (6,336)        | -                 | -              | (6,336)      |
| income tax respite                               | -             | -             | -                   | 3,194          | -                 | -              | 3,194        |
| State as at 31 March 2011                        | 522,638       | 3,031,149     | (68,534)            | 2,245,893      | 916,472           | -              | 6,647,618    |

| <i>PLN '000</i>                                  | Share capital | Share premium | Revaluation reserve | Other reserves | Retained earnings | Minority share | Total equity |
|--|---------------|---------------|---------------------|----------------|-------------------|----------------|--------------|
| Balance as at 1 January 2010                     | 522,638       | 3,030,546     | (81,026)            | 2,225,712      | 501,519           | -              | 6,199,389    |
| Total income                                     | -             | -             | 131,721             | (1,787)        | 150,933           | -              | 280,867      |
| Valuation of capital rewards program, including: | -             | -             | -                   | 834            | -                 | -              | 834          |
| valuation change                                 | -             | -             | -                   | 1,420          | -                 | -              | 1,420        |
| income tax respite                               | -             | -             | -                   | (586)          | -                 | -              | (586)        |
| State as at 31 March 2010                        | 522,638       | 3,030,546     | 50,695              | 2,224,759      | 652,452           | -              | 6,481,090    |

| <i>PLN '000</i>                                  | Share capital | Share premium | Revaluation reserve | Other reserves | Retained earnings | Minority share | Total equity |
|--|---------------|---------------|---------------------|----------------|-------------------|----------------|--------------|
| Balance as at 1 January 2010                     | 522,638       | 3,030,546     | (81,026)            | 2,225,712      | 501,519           | -              | 6,199,389    |
| Total incomes                                    | -             | -             | 36,178              | (1,061)        | 754,811           | -              | 789,928      |
| Valuation of capital rewards program, including: | -             | -             | -                   | (3,795)        | -                 | -              | (3,795)      |
| valuation change                                 | -             | -             | -                   | (2,581)        | -                 | -              | (2,581)      |
| income tax respite                               | -             | -             | -                   | (1,214)        | -                 | -              | (1,214)      |
| Dividend paid                                    | -             | -             | -                   | -              | (492,587)         | -              | (492,587)    |
| Transfer on capital                              | -             | 603           | -                   | 27,851         | (28,454)          | -              | -            |
| State as at 31 December 2010                     | 522,638       | 3,031,149     | (44,848)            | 2,248,707      | 735,289           | -              | 6,492,935    |

## Condensed consolidated statement of cash flows

| <i>PLN '000</i>                           | First quarter<br>growing<br>period from<br>01.01.11<br>to 31.03.11 | First quarter<br>growing<br>period from<br>01.01.10<br>to 31.03.10 |
|---|--|--|
| Cash at the beginning of reporting period | 3,311,780  | 4,133,391  |
| Cash flows from operating activities      | 7,479,843  | (3,248,649)  |
| Cash flows from investing activities      | (9,415)  | 2,685  |
| Cash flows from financing activities      | (30,820)   | (81,478)   |
| Cash at the end of reporting period       | 10,751,388   | 805,949  |
| Increase / (decrease) in net cash         | 7,439,608  | (3,327,442)  |

## Supplementary notes to the condensed consolidated financial statements

## 1 General information about the Bank and Capital Group of the Bank

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 |            |
|---|-------------------|---|------------|
|   |                   | 31.03.2011  | 31.12.2010 |
| <b>Entities fully consolidated</b>                    |                   |   |            |
| 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.                             | Luxembourg        | 100.00  | 100.00     |
| PPH Spomasz Sp. z o.o. w likwidacji                   | Warsaw            | 100.00  | 100.00     |
| <b>Entities accounted for under the equity method</b> |                   |   |            |
| 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. w likwidacji           | Poznań            | 100.00  | 100.00     |

In the first quarter of 2011 there were no changes in structure of the Group's units.

## 2 Conformity statement

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting, as adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2010.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is obliged to publishing the financial results for the 3 months period ended 31 March 2011 which is deemed to be the current interim financial reporting period.

## 3 Principles accepted at composition of report

The condensed interim consolidated financial statements of the Group for the first quarter of 2011 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the period ended 31 December 2010.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2011 to 31 March 2011. Comparable financial data is presented for the period from 1 January 2010 to 31 March 2010 and for Balance sheet as at 31 December 2010.

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

## 4 Macroeconomic trends and conditions prevailing in money, FX and capital markets

The latest economic data suggest that the economic growth in the first quarter of 2011 was above 4%, with consumption growth rate slightly better than expected and a rebound in terms of investments. While the economic growth accelerated, the deficit in the current account increased and totaled around 3.5% of the GDP after February 2011. The dynamics of industrial manufacturing is still high and remains a double-digit figure courtesy of high demand from Germany and the continuing rather weak zloty. In the period of January-February 2011, industrial manufacturing accelerated to 10.5% YOY from 9.8 YOY in the fourth quarter of 2010. At the same time, construction and assembly production saw significant acceleration in the period of January-February 2011 to 17.1% YOY from 12% YOY in the fourth quarter of 2010, which resulted from the low reference basis last year due to adverse weather conditions.

Moreover, the situation on the labor market is visibly better, and the growing demand for work shows that the GDP recovery is of permanent nature. In January and February 2011, employment increased to 4.0% YOY from 2.2% YOY in the fourth quarter of 2010, which was, however, partly caused by the change of the statistical sample by the Central Statistical Office. At the same time, in the beginning of the year there was a seasonal increase of the unemployment rate, which totaled 13.2% as at the end of February 2011, up from 12.3% at the end of December a year earlier. The wage pressure remains moderate, and the growth of wages in the period of January-February 2011 accelerated slightly to 4.5% YOY from 4.3% YOY in the fourth quarter of 2010. The real growth of the wage fund increased in the period of January-February 2011 to 4.8% YOY from 3.6% YOY in the fourth quarter of 2010. The gradual improvement on the job market should support private consumption in the coming periods.

Although the demand pressure is still moderate, in the first quarter of 2011 inflation exceeded the 4 per cent mark, and visibly exceeded the cap level of inflation deviation (2.5% +/-1 percentage point). The growing rate of CPI was largely caused by the growing prices of food, gas, energy, and the increase of the VAT rate. At the same time, the inflationary expectations of households also went up considerably. Although the inflation increase was mainly caused by supply factors, the high level of inflation with the GDP growth rate above the potential economic growth rate led to tightening of the monetary policy. In January 2011, the Monetary Policy Council (MPC) raised interest by 25 basis points. As at the end of the first quarter of 2011, the reference rate was 3.75%.

The beginning of 2011 witnessed gradual depreciation of the zloty against the euro – from around 3.80 to around 4.10 in mid-March. Much of the zloty depreciation against the euro was caused by higher expectations of faster tightening of the monetary policy in the Eurozone and higher risk aversion in view of the developments in the Middle East and Northern Africa. The end of the first quarter of 2011 saw a slight rebound of the zloty against the euro although the appreciation of the domestic currency was decelerated by the fears of considerable upward revision of the current account deficit by the central bank. As at the end of March, the EUR/PLN exchange rate was 4.02 compared with 3.96 as at the end of 2010. The USD/PLN exchange rate went down to 2.82 from 2.96 as at the end of the previous year due to considerable increase of the EUR/USD exchange rate.

In view of the growing inflation rate, high economic growth and the beginning of the tightening cycle in the monetary policy, there was a major increase of the market interest rates in the first quarter of 2011. The FRA rates increased by around 40 to 50 basis points. The increase of the long-term IRS rates was slower, which was partly due to the announced intervention of the Ministry of Finance on the swap market. At the same time, there was a weakening in bonds, which was accompanied not only by higher expectations of the interest rate hikes but also by the investors' fears due to the changes in the pension system planned by the government. The increase in the yields of long-term bonds was decelerated by the reduced supply of bonds by the Ministry of Finance and the announcement that BGK might purchase bonds on the market. As at the end of March 2011, the yield on the 2-year bonds increased to 5.03% from 4.86% as at the end of 2010. The yield on the 10-year bonds increased to 6.28% from 6.08%. 3M WIBOR increased to 4.19% as at the end of March 2011 from 3.95% as at the end of last year.

The first quarter of 2011 saw moderate optimism on the domestic equity market. On the one hand, the galloping prices of commodities brought the stock prices of gas and oil companies, chemical companies and commodities companies to record highs. On the other hand, internal factors, such as doubts concerning changes in the law regulating the activity of Open Pension Funds (OFE), the supply overlap of the equities from the State Treasury or lack of any material inflows to the funds, constrained the scale of increases on the Warsaw Stock Exchange (WSE).

Consequently, all of the main stock indices have recorded minor one-digit increases since the beginning of the current year. sWIG80, which is the index of the low-cap companies, recorded the highest growth rate in the first quarter of 2011 (+4.2%). Meanwhile, WIG20 gained 2.7%. Indices of the commodities-trading companies visibly outperformed the market: WIG-Chemicals gained 29%, whereas WIG-Fuel industry gained 13.9% from the end of 2010. Negative sentiment to construction companies was reflected by the sub-index of that sector, which lost 10% QOQ.

Ten companies have debuted on the stock exchange since the beginning of the year (including 3 companies transferred from the New Connect). The value of the public offerings in that period exceeded PLN 290 million. At the same time, eight companies were delisted. As a result, 402 companies were listed on the WSE at the end of March (including 27 foreign ones).

Total stock exchange capitalization has grown by 6.3% since the beginning of the year, and totaled PLN 847.1 billion as at the end of March 2011. Capitalization of foreign companies represented one third of that figure.

#### Warsaw Stock Exchange equity market, as at 31 March 2011

| Index                              | 31.03.2011 | 31.12.2010 | Change (%)<br>QoQ | 31.03.2010 | Change (%)<br>YoY |
|------------------------------------|------------|------------|-------------------|------------|-------------------|
| WIG                                | 48,729.83  | 47,489.91  | 2.6%              | 42,446.51  | 14.8%             |
| WIG-PL                             | 48,061.66  | 46,737.15  | 2.8%              | 41,636.38  | 15.4%             |
| WIG20                              | 2,816.96   | 2,744.17   | 2.7%              | 2,495.60   | 12.9%             |
| mWIG40                             | 2,912.50   | 2,805.26   | 3.8%              | 2,496.22   | 16.7%             |
| sWIG80                             | 12,727.29  | 12,219.94  | 4.2%              | 12,429.56  | 2.4%              |
| <b>Sector specific sub-indices</b> |            |            |                   |            |                   |
| WIG-Banks                          | 7,091.76   | 6,921.28   | 2.5%              | 6,158.17   | 15.2%             |
| WIG-Construction                   | 4,861.37   | 5,400.33   | (10.0%)           | 5,894.43   | (17.5%)           |
| WIG-Chemicals                      | 6,650.94   | 5,156.38   | 29.0%             | 3,807.77   | 74.7%             |
| WIG-Developers                     | 2,520.11   | 2,709.52   | (7.0%)            | 2,886.17   | (12.7%)           |
| WIG-Energy                         | 4,244.59   | 4,314.39   | (1.6%)            | 3,940.99   | 7.7%              |
| WIG-IT                             | 1,318.44   | 1,221.85   | 7.9%              | 1,248.42   | 5.6%              |
| WIG-Media                          | 3,775.16   | 3,792.19   | (0.4%)            | 3,610.00   | 4.6%              |
| WIG-Fuel industry                  | 3,506.63   | 3,079.41   | 13.9%             | 2,679.39   | 30.9%             |
| WIG-Food industry                  | 4,318.25   | 4,536.52   | (4.8%)            | 3,727.62   | 15.8%             |
| WIG-Telecommunication              | 1,350.99   | 1,271.86   | 6.2%              | 1,161.20   | 16.3%             |

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

#### Volumes of trade in shares, bonds and derivative instruments on WSE in the first quarter of 2011

|                                    | Q1 2011 | Q4 2010 | Change (%)<br>QoQ | Q1 2010 | Change (%)<br>YoY |
|------------------------------------|---------|---------|-------------------|---------|-------------------|
| Shares (PLN million)               | 167,378 | 102,694 | 63.0%             | 104,580 | 60.0%             |
| Bonds (PLN million)                | 432     | 2,442   | (82.3%)           | 556     | (22.4%)           |
| Futures contracts (thousand units) | 7,422   | 4,307   | 72.3%             | 7,767   | (4.4%)            |
| Option contracts (thousand units)  | 545     | 249     | 118.5%            | 353     | 54.2%             |

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

The debut of high-cap companies on WSE in the recent months, as well as a number of share sales transactions by the State Treasury resulted in a growing popularity of the domestic stock market among foreign investors, which was reflected by a marked increase in the value of stock trading. Based on the WSE data, the value of shares and PDAs traded during the first three months of 2011 totaled PLN 167.4 billion (including transactions during the market sessions, package transactions and transactions made as part of the call for shares of BZ WBK), up by 63% and 60% on the quarterly and annual basis, respectively.

The total value of debt securities traded in the first three months of 2011 amounted to PLN 432 million, down by more than 82% from the fourth quarter of 2010. Activity measured by the value of trading in that segment dropped 22.4% from the same period last year.

The first quarter of 2011 saw visible recovery on the futures market. The volume of futures trading increased by more than 72% from the fourth quarter of 2010. Nevertheless, the result is lower by 4.4% YOY.

The first quarter of 2011 also witnessed record activity of investors on the options market. The volume of options trading totaled 545,000 options, up by 118.5% QOQ and 54.2% YOY.

## 5 Banking sector

After 2010, which proved relatively good for the banking sector, further improvement of the banks' results in 2011 is expected. The following factors will have the biggest impact on the increase of profits: gradual improvement of the credit portfolio quality, growing interest rates and the expected growth in lending to corporations, which should start investments projects that have been postponed to date. By contrast, the considered banking tax is one of the main risk elements that may hinder the

improvement of the sector's performance. 2011 will also see further consolidation on the market and material changes in the shareholding structure of certain banks.

The first quarter of 2011 recorded an increase in the value of corporate loans, up by 3% from the first quarter of 2010. The volumes of PLN loans grew at greater pace than FX loans. FX portfolio was exposed to moderate fluctuations in exchange rates. The dollar lost 2% against the zloty, while the euro gained 4%. Despite moderate increases, it is still too early to announce the beginning of the expected recovery in the sector of corporate loans. Household loans went up by 13% throughout the last year due to mortgage loans denominated in the zloty (up by 28% YOY); meanwhile foreign currency mortgage loans increased by 19% YOY (an increase by around 4% if we exclude the effect of FX changes). Consumer loans remained stable (up by 2% YOY) as a result of a more restrictive credit policy on the part of the banks and the implementation of Recommendation T.

In the segment of corporations, the margins on new loans denominated in PLN visibly increased from the low levels recorded in the fourth quarter of 2010. The margins on new consumer loans for households remained stable throughout the last 12 months, whereas the margins on mortgage loans recorded a visible drop.

Corporate deposits gained 7% over the end of March 2010, whereas household deposits totaled over PLN 425 billion, up by 11% YOY. The structure of deposits also changed, and is now dominated by current deposits. The growth in current deposits represented nearly the entire increase in household deposits during the last 12 months. The volume of current deposits is now higher than the volume of term deposits.

The margins on new household term deposits recorded visible improvement in the first quarter of 2011. The margins showed an upward trend for current deposits as well. The improvement was due to the MPC's decision to raise the interest rates. As regards the corporate market, the margins on current and term deposits recorded only minor fluctuations.

## 6 Financial analysis of the Group's Results

### 1. Balance sheet

At the end of the first quarter of 2011 total assets amounted to PLN 65.0 billion, as compared to with PLN 37.5 billion at the end of first quarter of 2010 and increased by PLN 27.4 billion (or 73%). The biggest impact on the assets increase had the following elements:

- Increase of balance for "Cash and Balances with Central Bank" by PLN 7.4 billion and an increase of "Other Assets" by PLN 16.2 billion mainly resulting from the participation of Dom Maklerski Banku Handlowego S.A. ("DMBH"), as an intermediary in the public call for sale of shares of one of the banks present on the Warsaw Stock Exchange (more information on the transaction can be found on page 28 of this report in a section considering business achievements). This transaction was settled on 1 April 2011.
- Increase of AFS debt securities by PLN 2.4 billion (or 18.7%), primarily as an effect of higher balance of cash bonds of the National Bank of Poland.
- Increase of loans, advances and other receivables portfolio by PLN 1.6 billion (or 11.3%), as a result of increase of dues from banks (by PLN 1.1 billion, i.e. 47%), as well as in the area of non financial sector – higher level of corporate loans (by PLN 0.7 billion, i.e. 11.3%).

#### Loans and advances, net

|   | 31.03.2011        | 31.12.2010        | Change<br>PLN '000 | %           |
|---|-------------------|-------------------|--------------------|-------------|
| <i>PLN '000</i>                                   |                   |                   |                    |             |
| <b>Loans and advances to non-financial sector</b> |                   |                   |                    |             |
| Corporate customers*                              | 6,979,007         | 6,271,803         | 707,204            | 11.3%       |
| Individual customers, including:                  | 5,132,652         | 5,321,606         | (188,954)          | (3.6%)      |
| Credit cards                                      | 2,247,568         | 2,376,105         | (128,537)          | (5.4%)      |
| Cash loans to customers                           | 2,424,847         | 2,540,499         | (115,652)          | (4.6%)      |
| Mortgage loans                                    | 359,974           | 318,766           | 41,208             | 12.9%       |
| <b>Total</b>                                      | <b>12,111,659</b> | <b>11,593,409</b> | <b>518,250</b>     | <b>4.5%</b> |

| PLN '000  | 31.03.2011        | 31.12.2010        | Change           |              |
|---|-------------------|-------------------|------------------|--------------|
|   |                   |                   | PLN '000         | %            |
| <b>Loans and advances to financial sector</b>   |                   |                   |                  |              |
| Banks and other monetary financial institutions | 3,341,710         | 2,273,138         | 1,068,572        | 47.0%        |
| Non-banking financial institutions              | 728,582           | 676,701           | 51,881           | 7.7%         |
| <b>Total</b>                                    | <b>4,070,292</b>  | <b>2,949,839</b>  | <b>1,120,453</b> | <b>38.0%</b> |
| <b>Total loans and advances</b>                 | <b>16,181,951</b> | <b>14,543,248</b> | <b>1,638,703</b> | <b>11.3%</b> |

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

### Loans and advances to non-banking sector, gross (reverse repo transactions included)

| PLN '000   | 31.03.2011        | 31.12.2010        | Change         |             |
|--|-------------------|-------------------|----------------|-------------|
|  |                   |                   | PLN '000       | %           |
| Not at risk of impairment, including:                | 12,261,277        | 11,628,708        | 632,569        | 5.4%        |
| Non-financial sector                                 |                   |                   |                |             |
| corporate customers                                  | 6,494,918         | 5,717,287         | 777,631        | 13.6%       |
| individual customers                                 | 5,040,104         | 5,237,116         | (197,012)      | (3.8%)      |
| At risk of impairment, including                     | 1,844,409         | 1,878,129         | (33,720)       | (1.8%)      |
| Non-financial sector                                 |                   |                   |                |             |
| corporate customers                                  | 904,755           | 971,044           | (66,289)       | (6.8%)      |
| individual customers                                 | 915,804           | 883,164           | 32,640         | 3.7%        |
| Dues related to matured derivative transactions      | 120,039           | 122,191           | (2,152)        | (1.8%)      |
| <b>Total</b>   | <b>14,225,725</b> | <b>13,629,028</b> | <b>596,697</b> | <b>4.4%</b> |
| Impairment, including:                               | 1,385,484         | 1,358,921         | 26,563         | 2.0%        |
| Dues related to matured derivative transactions      | 97,428            | 96,487            | 941            | 1.0%        |
| <b>Loans and advances to non-banking sector, net</b> | <b>12,840,241</b> | <b>12,270,107</b> | <b>570,134</b> | <b>4.6%</b> |
| <b>Provision coverage ratio</b>                      | <b>69.8%</b>      | <b>67.2%</b>      |                |             |
| corporate customers                                  | 49.0%             | 45.5%             |                |             |
| individual customers                                 | 89.9%             | 90.4%             |                |             |

### Loans to non-banking sector gross, in division to performing vs. non-performing (reverse repo transactions included)

| PLN '000  | 31.03.2011        | 31.12.2010        | Change         |             |
|---|-------------------|-------------------|----------------|-------------|
|   |                   |                   | PLN '000       | %           |
| Performing loans, including:                    | 12,529,467        | 11,970,898        | 558,569        | 4.7%        |
| Non-financial sector                            |                   |                   |                |             |
| corporate customers                             | 6,675,536         | 5,963,712         | 711,824        | 11.9%       |
| individual customers                            | 5,127,676         | 5,332,881         | (205,205)      | (3.8%)      |
| Non-performing loans, including:                | 1,576,219         | 1,535,939         | 40,280         | 2.6%        |
| Non-financial sector                            |                   |                   |                |             |
| corporate customers                             | 724,137           | 724,619           | (482)          | (0.1%)      |
| individual customers                            | 828,232           | 787,399           | 40,833         | 5.2%        |
| Dues related to matured derivative transactions | 120,039           | 122,191           | (2,152)        | (1.8%)      |
| <b>Total</b>                                    | <b>14,225,725</b> | <b>13,629,028</b> | <b>596,697</b> | <b>4.4%</b> |
| <b>Non-performing loans ratio (NPL)</b>         | <b>11.2%</b>      | <b>11.4%</b>      |                |             |

On the liabilities side, the biggest change was recorded for "financial sector deposits" and for "other liabilities" (increase of PLN 14.1 billion and PLN 16.3 billion respectively). These positions were influenced by the capital market transaction described above, in which DMBH played as an intermediary. This transaction was completed on 1 April 2011. On the other hand, non financial sector deposits recorded a decline by PLN 3.0 billion, i.e. 15%, which was related to lower level of corporate deposits (total decrease for demand and time deposits amounted to PLN 3.2 billion, i.e. 22%). In the sector of individual clients, the portfolio of demand deposits increased by PLN 0.1 billion, i.e. 3%.

## Deposits

|   | 31.03.2011        | 31.12.2010        | Change             |                |
|---|-------------------|-------------------|--------------------|----------------|
| <i>PLN '000</i>                                 |                   |                   | PLN '000           | %              |
| <b>Non-financial sector</b>                     |                   |                   |                    |                |
| Current accounts, including:                    | 9,884,801         | 11,912,333        | (2,027,532)        | (17.0%)        |
| corporate customers                             | 5,424,831         | 7,591,803         | (2,166,972)        | (28.5%)        |
| individual customers                            | 4,459,970         | 4,320,530         | 139,440            | 3.2%           |
| Deposits, including:                            | 7,440,394         | 8,493,723         | (1,053,329)        | (12.4%)        |
| corporate customers                             | 6,045,659         | 7,096,639         | (1,050,980)        | (14.8%)        |
| individual customers                            | 1,394,735         | 1,397,084         | (2,349)            | (0.2%)         |
| Accrued interest                                | 16,335            | 16,977            | (642)              | (3.8%)         |
| <b>Total</b>                                    | <b>17,341,530</b> | <b>20,423,033</b> | <b>(3,081,503)</b> | <b>(15.1%)</b> |
| <b>Financial sector</b>                         |                   |                   |                    |                |
| Banks and other monetary financial institutions | 17,374,999        | 2,852,645         | 14,522,354         | 509.1%         |
| Non-banking financial institutions              | 2,780,825         | 3,154,545         | (373,720)          | (11.8%)        |
| <b>Total</b>                                    | <b>20,155,824</b> | <b>6,007,190</b>  | <b>14,148,634</b>  | <b>235.5%</b>  |
| <b>Total deposits</b>                           | <b>37,497,354</b> | <b>26,430,223</b> | <b>11,067,131</b>  | <b>41.9%</b>   |

## 2. Income statement

In the first quarter of 2011 the Group reported consolidated net income of PLN 181.2 million, which is an increase of PLN 30.3 million (i.e. 20%) as compared to the first quarter of 2010. In the same period, the Group's revenue increased by PLN 8.2 million (i.e. 1%) and reached the level of PLN 608.4 million.

The main determinants of the Group's operating result in the first quarter of 2011 as compared to the corresponding period of 2010 were:

- Net interest income amounting to PLN 347.2 million as compared to PLN 372.6 million recorded in the first quarter of 2010 (decline by PLN 25.4 million, i.e. 7%), stemming mainly from lower interest income from debt securities held for trade (resulting from a decline in average balance of the portfolio) and non financial sector loans (mainly in retail banking, due to a decline in volumes for cash and credit cards loans);

### Interest income

|  | 01.01 -<br>31.03.2011 | 01.01 -<br>31.03.2010 | Change   |         |
|--|-----------------------|-----------------------|----------|---------|
| <i>PLN '000</i>                          |                       |                       | PLN '000 | %       |
| <b>Interest and similar income from:</b> |                       |                       |          |         |
| Central Bank                             | 7,740                 | 7,263                 | 477      | 6.6%    |
| Placements in banks                      | 10,158                | 6,643                 | 3,515    | 52.9%   |
| Loans and advances, of which:            | 285,344               | 303,478               | (18,134) | (6.0%)  |
| Financial sector                         | 6,288                 | 13,909                | (7,621)  | (54.8%) |
| Non-financial sector, including:         | 279,056               | 289,569               | (10,513) | (3.6%)  |
| on credit cards                          | 90,419                | 94,998                | (4,579)  | (4.8%)  |

| <i>PLN '000</i>                                 | 01.01 -          | 01.01 -          | Change          |                |
|---|------------------|------------------|-----------------|----------------|
|   | 31.03.2011       | 31.03.2010       | PLN '000        | %              |
| Debt securities available-for-sale              | 141,937          | 146,600          | (4,663)         | (3.2%)         |
| Debt securities held-for-trading                | 13,530           | 32,802           | (19,272)        | (58.8%)        |
| <b>Total</b>                                    | <b>458,709</b>   | <b>496,786</b>   | <b>(38,077)</b> | <b>(7.7%)</b>  |
| <b>Interest expense and similar charges on:</b> |                  |                  |                 |                |
| Operations with Central Bank                    | (5,137)          | (9,419)          | 4,282           | (45.5%)        |
| Deposits from banks                             | (8,520)          | (3,779)          | (4,741)         | 125.5%         |
| Deposits from financial sector (excl. banks)    | (15,259)         | (14,856)         | (403)           | 2.7%           |
| Deposits from non-financial sector              | (80,232)         | (93,721)         | 13,489          | (14.4%)        |
| Loans and advances received                     | (2,339)          | (2,380)          | 41              | (1.7%)         |
| <b>Total</b>                                    | <b>(111,487)</b> | <b>(124,155)</b> | <b>12,668</b>   | <b>(10.2%)</b> |
| <b>Net interest income</b>                      | <b>347,222</b>   | <b>372,631</b>   | <b>(25,409)</b> | <b>(6.8%)</b>  |

- net fees and commissions income amounting to PLN 169.7 million in comparison with PLN 150.8 million reported in the first quarter of 2010 (up by PLN 18.9 million, i.e. 13%) primarily due to higher income from sales of insurance and investment products along with an increase of commissions from brokerage (partially due to participation of DMBH in a major transaction on the capital market) and custody operations as well as a fee related to the sizeable consortium loan (Cyfrowy Polsat, more information on that transaction can be found on page 27 of this report);

#### Fee and commission income

| <i>PLN '000</i>                      | 01.01 -         | 01.01 -         | Change        |                |
|--------------------------------------|-----------------|-----------------|---------------|----------------|
|                                      | 31.03.2011      | 31.03.2010      | PLN '000      | %              |
| <b>Fee and commission income</b>     |                 |                 |               |                |
| Insurance and investment products    | 31,962          | 28,214          | 3,748         | 13.3%          |
| Payment and credit cards             | 53,485          | 54,508          | (1,023)       | (1.9%)         |
| Transaction services                 | 28,778          | 30,357          | (1,579)       | (5.2%)         |
| Custody services                     | 20,159          | 16,984          | 3,175         | 18.7%          |
| Cash loans                           | 2,813           | 3,347           | (534)         | (16.0%)        |
| Brokerage operations                 | 21,848          | 19,223          | 2,625         | 13.7%          |
| Other                                | 29,773          | 20,568          | 9,205         | 44.8%          |
| <b>Total</b>                         | <b>188,818</b>  | <b>173,201</b>  | <b>15,617</b> | <b>9.0%</b>    |
| <b>Fee and commission expense</b>    |                 |                 |               |                |
| Payment and credit cards             | (9,757)         | (13,359)        | 3,602         | (27.0%)        |
| Brokerage operations                 | (2,487)         | (4,658)         | 2,171         | (46.6%)        |
| Other                                | (6,860)         | (4,405)         | (2,455)       | 55.7%          |
| <b>Total</b>                         | <b>(19,104)</b> | <b>(22,422)</b> | <b>3,318</b>  | <b>(14.8%)</b> |
| <b>Net fee and commission income</b> |                 |                 |               |                |
| Insurance and investment products    | 31,962          | 28,214          | 3,748         | 13.3%          |
| Payment and credit cards             | 43,728          | 41,149          | 2,579         | 6.3%           |
| Transaction services                 | 28,778          | 30,357          | (1,579)       | (5.2%)         |
| Custody services                     | 20,159          | 16,984          | 3,175         | 18.7%          |
| Cash loans                           | 2,813           | 3,347           | (534)         | (16.0%)        |
| Brokerage operations                 | 19,361          | 14,565          | 4,796         | 32.9%          |
| Other                                | 22,913          | 16,163          | 6,750         | 41.8%          |
| <b>Total</b>                         | <b>169,714</b>  | <b>150,779</b>  | <b>18,935</b> | <b>12.6%</b>   |

- net income on financial instruments and revaluation amounting to PLN 85.0 million as compared to PLN 56.9 million in the first quarter of 2010, i.e. an increase of PLN 28.1 millions stemming mainly from improvement of result on customer activity;
- net gain on investment debt securities amounting to PLN 1.2 million as compared to PLN 22.0 million in the first quarter of 2010 – a decline of PLN 20.7 million resulting mainly from macroeconomic changes (rise of interest rates);
- in comparison to the first quarter of 2010, in the first quarter of 2011, the Group reported increase in general administrative expenses and overheads together with depreciation expenses by PLN 20.6 million, i.e. 6%, due to higher staff expenses, which is a consequence of insourcing of some operational processes as well as increase of marketing and advertising costs in Consumer Segment (e.g. marketing campaign promoting Bank's mortgage products). On the other hand, there was a decrease in expenses related to building maintenance and rent and a decline of IT and telecommunication costs;

#### General administrative expenses and depreciation expense

| PLN '000   | 01.01 -        | 01.01 -        | Change         |                |
|--|----------------|----------------|----------------|----------------|
|  | 31.03.2011     | 31.03.2010     | PLN '000       | %              |
| <b>Staff expenses</b>  | <b>170,780</b> | <b>157,669</b> | <b>13,111</b>  | <b>8.3%</b>    |
| Remuneration costs   | 147,861        | 138,257        | 9,604          | 6.9%           |
| Perks and rewards  | 22,919         | 19,412         | 3,507          | 18.1%          |
| <b>Administrative expenses</b>                                     | <b>161,322</b> | <b>151,329</b> | <b>9,993</b>   | <b>6.6%</b>    |
| Telecommunication fees and hardware purchases                      | 35,894         | 37,263         | (1,369)        | (3.7%)         |
| Advisory, audit, consulting and other services                     | 37,546         | 33,976         | 3,570          | 10.5%          |
| Building maintenance and rent                                      | 25,977         | 28,860         | (2,883)        | (10.0%)        |
| Marketing  | 17,382         | 7,753          | 9,629          | 124.2%         |
| Transaction costs  | 14,432         | 13,301         | 1,131          | 8.5%           |
| Postal services  | 8,018          | 7,972          | 46             | 0.6%           |
| Training and education   | 965            | 1,017          | (52)           | (5.1%)         |
| Banking supervision  | 1,927          | 1,915          | 12             | 0.6%           |
| Other expenses   | 19,181         | 19,272         | (91)           | (0.5%)         |
| <b>Depreciation/amortization of tangible and intangible assets</b> | <b>14,428</b>  | <b>16,939</b>  | <b>(2,511)</b> | <b>(14.8%)</b> |
| <b>Total</b>   | <b>346,530</b> | <b>325,937</b> | <b>20,593</b>  | <b>6.3%</b>    |

- net impairment losses of PLN 41.9 million as compared to the PLN 77.4 million in the first quarter of 2010 (down by PLN 35.4 million, i.e. 46%). The lower net impairment losses concerned Consumer Segment and were caused by the improved quality of consumer loans and credit card loans portfolio, resulting from changes in credit criteria implemented in 2010. On the other hand, in the Corporate Banking Sector, increase of net impairment losses was recorded stemming from lower level of reversals of impairment write-downs in the first quarter of 2011 coupled with implementation of the changes to the IBNR methodology for one of the loan portfolios.

#### Net impairment losses

| PLN '000   | 01.01 -          | 01.01 -          |
|--|------------------|------------------|
|  | 31.03.2011       | 31.03.2010       |
| <b>Net impairment write-downs of financial assets</b>          |                  |                  |
| Impairment write-downs   |                  |                  |
| Loans and receivables valued at amortized cost                 | (110,688)        | (165,006)        |
| Amounts due from mature transactions on derivative instruments | (2,699)          | (279)            |
| Other  | (5,327)          | (6,897)          |
|  | <b>(118,714)</b> | <b>(172,182)</b> |
| Reversals of impairment write-downs                            |                  |                  |
| Loans and receivables valued at amortized cost                 | 76,764           | 84,049           |



| <i>PLN '000</i>  | 01.01 –<br>31.03.2011 | 01.01 –<br>31.03.2010 |
|--|-----------------------|-----------------------|
| Amounts due from mature transactions on derivative instruments             | 2,191                 | 3,078                 |
|  | 78,955                | 87,127                |
|  | (39,759)              | (85 055)              |
| <b>Net (charges to)/releases of provisions for off-balance liabilities</b> |                       |                       |
| Charges to provisions for off-balance sheet commitments                    | (11,146)              | (9,223)               |
| Releases of provisions for off-balance sheet commitments                   | 8,958                 | 16,924                |
|  | (2,188)               | 7,701                 |
| <b>Net impairment losses</b>   | <b>(41,947)</b>       | <b>(77,354)</b>       |

### 3. Ratios

In the first quarter of 2011 basic financial ratios present as follows:

| Financial ratios   | Q1 2011 | Q1 2010 |
|--|---------|---------|
| ROE *  | 13.6%   | 10.6%   |
| ROA**  | 1.7%    | 1.6%    |
| Cost/Income  | 57%     | 54%     |
| Loans to non-financial sector/Deposits from non-financial sector | 70%     | 63%     |
| Loans to non-financial sector/Total assets                       | 19%     | 31%     |
| Net interest income/Revenue                                      | 57%     | 62%     |
| Net fee and commission income/Revenue                            | 28%     | 25%     |

\* Sum of net profit for last four quarters to the average equity for the last four quarters (excluding net profit for the current year and the net profit for 2010 upon the recommendation of the Bank's Management Board and the opinion of the Bank's Supervisory Board regarding the distribution of the 2010 profit).

\*\* Sum of net profit for last four quarters to the average assets for the last four quarters.

### Group employment

| In full time job equivalents (FTE) | Q1 2011 | Q1 2010 | Change<br>FTEs | %    |
|------------------------------------|---------|---------|----------------|------|
| Average employment in the period   | 5,938   | 5,234   | 704            | 13.4 |
| Employment at the quarter-end      | 5,968   | 5,214   | 754            | 14.5 |

In the first quarter of 2011 group employment rose compared to equivalent period a year earlier, which resulted from expanding Bank's operational activities, previously performed by outsourcing companies cooperating with the Bank in order to further optimize activities and improve customer satisfaction.

As of March 31, 2011, capital adequacy ratio of the Group amounted to 15.84% and was 2.97 percentage points lower compared to the end of 2010, which was mainly caused by the increase of total capital requirement (primarily due to higher credit risk capital requirement by 26% caused by an increased portfolio of risk weighted assets and off-balance sheet liabilities). Own funds remained almost unchanged.

## Capital adequacy ratio\*

| PLN '000  | 31.03.2011        | 31.12.2010        |
|---|-------------------|-------------------|
| <b>I Own funds for the calculation of capital adequacy ratio. including:</b>      | <b>4,376,469</b>  | <b>4,384,927</b>  |
| Less in core and supplementary funds  |                   |                   |
| interests in subordinated financial entities                                      | 56,941            | 56,332            |
| intangible assets, including:   | 1,286,102         | 1,285,757         |
| goodwill  | 1,245,976         | 1,245,976         |
| <b>II Risk-weighted assets and off-balance sheet liabilities (bank portfolio)</b> | <b>19,796,125</b> | <b>15,766,225</b> |
| <b>III Total capital requirements, of which:</b>                                  | <b>2,210,067</b>  | <b>1,865,353</b>  |
| credit risk capital requirements (II*8%)  | 1,583,690         | 1,261,298         |
| counterparty risk capital requirements  | 103,931           | 98,223            |
| excess concentration and large exposures risks capital requirements               | 55,477            | 44,066            |
| total market risk capital requirements  | 80,127            | 72,382            |
| operational risk capital requirements   | 360,531           | 361,165           |
| other capital requirements  | 26,311            | 28,219            |
| <b>Capital adequacy ratio (I/III*12.5)</b>  | <b>15.84%</b>     | <b>18.81%</b>     |

\*Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 76/2010 of the Commission for Banking Supervision dated 10 March 2010 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (KNF Official Journal No. 2. item 11).

## 7 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), operating results of which 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, as well as establishing 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 of the Group by business segment

| For the period  | 01.01. – 31.03.2011 |               |                | 01.01. – 31.03.2010 |               |                |
|---|---------------------|---------------|----------------|---------------------|---------------|----------------|
|   | Corporate Bank      | Consumer Bank | Total          | Corporate Bank      | Consumer Bank | Total          |
| <i>PLN '000</i>   |                     |               |                |                     |               |                |
| Net interest income   | 160 252             | 186 970       | 347,222        | 178,960             | 193,671       | 372,631        |
| Internal interest income, including:                              | 3,580               | (3,580)       | -              | 4,391               | (4,391)       | -              |
| Internal income   | 3,580               | -             | 3,580          | 4,391               | -             | 4,391          |
| Internal expenses   | -                   | (3,580)       | (3,580)        | -                   | (4,391)       | (4,391)        |
| Net commission income   | 87,086              | 82,628        | 169,714        | 72,652              | 78,127        | 150,779        |
| Dividend income   | -                   | -             | -              | 11                  | -             | 11             |
| Net income on traded financial instruments and revaluation        | 78,482              | 6,527         | 85,009         | 51,214              | 5,665         | 56,879         |
| Net gain on investment (deposit) securities                       | 1,244               | -             | 1,244          | 21,960              | -             | 21,960         |
| Net gain on investment (capital) instruments                      | -                   | -             | -              | 277                 | 2,239         | 2,516          |
| Net other operating income  | 11,601              | (6,365)       | 5,236          | 10,837              | (15,379)      | (4,542)        |
| General administrative expenses                                   | (146,285)           | (185,817)     | (332,102)      | (142,384)           | (166,614)     | (308,998)      |
| Depreciation expense  | (6,298)             | (8,130)       | (14,428)       | (7,775)             | (9,164)       | (16,939)       |
| Profit / (loss) on sale of tangible fixed assets                  | 84                  | 2,127         | 2,211          | (43)                | (79)          | (122)          |
| Net impairment losses   | (12,334)            | (29,613)      | (41,947)       | 4,198               | (81,552)      | (77,354)       |
| <b>Operating income</b>   | <b>173 832</b>      | <b>48 327</b> | <b>222,159</b> | <b>189,907</b>      | <b>6,914</b>  | <b>196,821</b> |
| Share in net profits (losses) of entities valued at equity method | 208                 | -             | 208            | (122)               | -             | (122)          |
| <b>Profit before tax</b>  | <b>174 040</b>      | <b>48 327</b> | <b>222,367</b> | <b>189,785</b>      | <b>6,914</b>  | <b>196,699</b> |
| Income tax expense  |                     |               | (41,184)       |                     |               | (45,766)       |
| <b>Net profit</b>   |                     |               | <b>181,183</b> |                     |               | <b>150,933</b> |

| State as at                        | 31.03.2011        |                  |                   | 31.12.2010        |                  |                   |
|------------------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                                    | Corporate Bank    | Consumer Bank    | Total             | Corporate Bank    | Consumer Bank    | Total             |
| <i>PLN '000</i>                    |                   |                  |                   |                   |                  |                   |
| <b>Assets, including:</b>          | <b>59,389,424</b> | <b>5,567,949</b> | <b>64,957,373</b> | <b>31,735,154</b> | <b>5,782,386</b> | <b>37,517,540</b> |
| Assets valued by the equity method | 56,541            | -                | 56,541            | 56,332            | -                | 56,332            |
| Non-current assets held-for-sale   | -                 | 9,901            | 9,901             | -                 | 9,901            | 9,901             |
| <b>Liabilities, including:</b>     | <b>56 419 912</b> | <b>8 537 461</b> | <b>64,957,373</b> | <b>28,916,979</b> | <b>8,600,561</b> | <b>37,517,540</b> |
| Obligations                        | 51,767,147        | 6,542,608        | 58,309,755        | 24,594,934        | 6,429,671        | 31,024,605        |

## 8 Activities of the Group

### 1. Corporate Bank

#### 1.1. Summary of segment results

| PLN '000  | Q1 2011        | Q1 2010        | Change          |               |
|---|----------------|----------------|-----------------|---------------|
|   |                |                | PLN '000        | %             |
| Net interest income   | 160,252        | 178,960        | (18,708)        | (10.5%)       |
| Net fee and commission income   | 87,086         | 72,652         | 14,434          | 19.9%         |
| Dividend income   | -              | 11             | (11)            | (100.0%)      |
| Net income on traded financial instruments and revaluation                        | 78,482         | 51,214         | 27,268          | 53.2%         |
| Net gain on debt investment securities  | 1,244          | 21,960         | (20,716)        | (94.3%)       |
| Net gain on investment (capital) instruments                                      | -              | 277            | (277)           | (100.0%)      |
| Net other operating income  | 11,601         | 10,837         | 764             | 7.0%          |
| <b>Total income</b>   | <b>338,665</b> | <b>335,911</b> | <b>2,754</b>    | <b>0.8%</b>   |
| General administrative expenses and depreciation                                  | (152,583)      | (150,159)      | (2,424)         | 1.6%          |
| Profit/(loss) on sales of tangible fixed assets                                   | 84             | (43)           | 127             | (295.3%)      |
| Net impairment losses   | (12,334)       | 4,198          | (16,532)        | (393.8%)      |
| Share in profits / (losses) of undertakings accounted for under the equity method | 208            | (122)          | 330             | (270.5%)      |
| <b>Profit before tax</b>  | <b>174,040</b> | <b>189,785</b> | <b>(15,745)</b> | <b>(8.3%)</b> |
| <b>Cost / Income</b>  | <b>45%</b>     | <b>45%</b>     |                 |               |

The main factors that determined the gross profit of Corporate Banking for the first quarter of 2011 as compared to the corresponding period of 2010 were:

- decline in net interest income as a result of lower income from debt securities and, to a smaller extent, a decline of income from financial sector loans. The impact of the above factors was partially compensated by the increase of income from non financial sector loans (effect of growing volumes);
- increase in net fee and commission income driven by higher income on brokerage (partially due to participation of DMBH in a major transaction on the capital market) and custody services, as well as a fee related to the sizeable consortium financing transaction (Cyfrowy Polsat, more information on the transaction can be found on page 27 of this report in a section considering business achievements);
- increase of income on traded financial instruments and revaluation mainly thanks to better result on customer activity;
- decline of net gain on debt investment securities resulting mainly from macroeconomic changes (rise of interest rates);
- minor increase of general administrative expenses stemming mainly from higher staff expenses and an increase of marketing expenses. At the same time depreciation, as well as building maintenance and rent-related expenses recorded a decrease;
- increase of net impairment losses – as a result of lower level of reversals of impairment write-downs in the first quarter of 2011 coupled with implementation of the changes to the IBNR methodology for one of the loan portfolios.

## 1.2. Transaction Services

The Bank has a long tradition of providing financial and transactional service to corporate entities. In parallel with traditional banking services, it delivers modern liquidity management solutions as well as mass payments and receivables management products.

The Bank has the leading position in many areas of transactional banking – the number of direct debit transactions processed by the Bank is the highest in Poland; the Bank is the leader on the pre-paid cards market in Poland; MicroPayments (a product dedicated to the service of mass deposits) is a leading solution on the market, and the liquidity management products offered by the Bank are the most advanced on the market. The custodian services offered by the Bank are the most frequently chosen services by the international and domestic financial institutions. The Bank continues to expand the trade finance offer. Throughout the year (from the first quarter of 2010 until the first quarter of 2011) the value of the Bank's assets employed in the service of those products increased four times.

The Bank continues efforts to add innovative services to its transactional banking offer. Alone in the first quarter of 2011, two new functionalities were added to the pre-paid cards offer: partial authorization and presentation of the card balance after each transaction. Those are pioneer solutions in that segment of services on a global scale.

The concept of pre-paid cards has been used to service clients who have previously relied on cash. Using the mechanism of the pre-paid card and the Internet banking, the Bank was one of the first institutions in the world to develop the Cash2Mobile service, which significantly reduces the inconveniences related to the use of cash while ensuring that the transaction is settled immediately.

The liquidity management offer, which is the leading offer on the market, was expanded with the net balance service, which facilitates the service of payments in cash pooling structures. The mass transfer, which was recently implemented, is the ideal solution for clients who want to effect large volume of payments related to employee salaries quickly while ensuring high level of information security.

The transactional banking services offered by the Bank are well recognized by the market. It is worth noting that the Bank received 8 Europroduct distinctions in the first quarter of 2011. The products awarded during the 16th edition of the Europroduct Competition included: reverse factoring, net balance, integrated service of accounts receivables, pre-paid cards, guaranteed cards with direct debit, and cash service. Two services, CitiDirect and the Customer Service Department for Corporate Customers, were awarded as well. The competition is organized under the auspices of: the Ministry of the Economy, the Polish Agency for Enterprise Development, and the Chancellery of the Prime Minister, among others.

### Deposits and current accounts

The current account gives clients access to the full offer of the Bank's products. One of the key elements of pursuing the Bank's strategy is to focus on acquiring and servicing operating accounts – i.e. bank accounts hosting the crucial part of operational cash flow of their holders. Within the strategy, the Bank implemented a number of improvements for the clients that reduce the formalities related to the account opening process to the minimum. There is a dedicated unit that supports clients in the preparation of the full documentation of account opening; the employees help the clients to prepare documentation so that they may switch over from other institutions. The new service translates into better quality of services and higher customer satisfaction.

The customer's funds in the current account that are not used for the funding of day-to-day business may be deposited in term deposits. The Bank offers its clients the ability to negotiate individual interest rates. Apart from term deposits, the Bank's offer includes the following products:

- Escrow deposits – they are used to secure funds for the beneficiary, which improves the commercial and financial credibility of the customer. The product is used for securing less complicated transactions. The escrow account is used for more sophisticated transactions;
- Overnight deposits are deposits with very short investment term – usually 24 hours with the possibility of extension for subsequent days;
- Automated overnight deposits – overnight deposits are made automatically from the funds in the current account so that the client does not have to contact the bank every day;

- tom/next, spot/next deposits – a special type of short-term deposits, which open, respectively, on the first/second business day following the deposit opening date.

### Liquidity management products

Liquidity management structures are advanced instruments that optimize flow of cash within one capital group. As part of its liquidity management offer, the Bank gives its clients the ability to manage cash surpluses in over-liquid companies and companies that have more demand for that capital. The Bank offers the following solutions in the area of liquidity management:

- Zero-balancing cash pooling,
- Notional cash pooling,
- Net balance,
- Zero-balancing cash pooling without back transfers.

Liquidity management structures are used to reduce the debt and lower the costs of debt service without the risk of losing financial liquidity.

A new product called “Net Balance” was added to the Bank’s offer, which makes it possible to effect a large number of outgoing transfers without the need to make manual cash supplies as part of the structure.

### MicroPayments

In the first quarter of 2011, the value of balances in the MicroPayments increased by more than 20% from the end of 2010. This increase helped cement the Bank’s position as the leader in that market segment. MicroPayments are used by institutions and entities that accept cash deposits from various payers and are obliged to return those deposits together with accrued interest. MicroPayments also have a functionality that helps calculate the value of archive interest, i.e. add interest to a deposit opened by the payer in the past.

The Bank continues efforts to deliver new solutions and functionalities. The Bank also keeps modifying the banking services offered as part of the MicroPayments offer to reinforce its position in the customer segment currently serviced and reach new customer groups as well. Currently the product is mainly used by courts and prosecution administration. MicroPayments are also offered to clients outside the public sector – the solution offered by the Bank is ideal for servicing tenders.

### Electronic Banking

CitiDirect is the primary e-banking system offered by the Bank to its corporate clients. At the end of the first quarter of 2011, the number of corporate clients activated in the CitiDirect e-banking system grew by 6.5% and exceeded 11,000. The number of transactions processed electronically by the CitiDirect e-banking system in the first quarter of 2011 exceeded 6 million, which is comparable with the volumes recorded in the first quarter of 2010. The share of bank statements delivered to customers through electronic means only stayed at a high and stable level and, similarly to the first quarter of 2010, totaled 90%.

High quality of services and customer satisfaction are the priority for the Bank. In the area of electronic banking, the Bank continues works to improve the CitiDirect platform and increase customer satisfaction with the system. In the first quarter of 2011, the Bank started the mass transfer service, which is dedicated to payroll service. The solution helps improve the level of information protection while increasing the convenience and the speed of effecting a high number of payroll transfers. Along with the implementation of new functionalities, the Bank continues co-operation with the clients to make the use of electronic banking more effective. The Bank has a program of cyclical trainings and face-to-face individual meetings with the users of the CitiDirect platform.

## Card Products

The Bank is the absolute leader on the pre-paid cards market in Poland. The Bank's share in that market is 44%. The Bank's pre-paid charge cards are most frequently used under loyalty, promotional and incentive programs. They are also an excellent instrument of social benefit distribution.

The expertise and experience of the Bank in the pre-paid cards segment are recognized internationally. In the first quarter of 2011, there was an international conference in Budapest, Hungary with the representatives of the Central and Eastern European countries. During that conference, the Bank's representatives presented models of using the pre-paid cards in loyalty programs.

The Bank continues efforts to enhance the pre-paid cards. In the first quarter of 2011, the Bank implemented two innovative functionalities – partial authorization and presentation of the card balance after each transaction. The Bank is the first bank in Europe that added those functionalities to its offer.

The Bank keeps working to strengthen its position in the business cards segment by continuous expansion of its offer. In the first quarter of 2011, the turnovers on the business cards increased by 4% from the same period last year.

The Bank actively employs new solutions to increase the satisfaction of existing clients and win new ones. In the first quarter of 2011, the Bank issued the first Visa Business charge cards with customized graphic design. Such functionality was added to the Bank's offer towards the end of last year. The service is addressed to companies that are interested in issuing Visa Business charge cards, Visa Business guaranteed cards or Visa Business debit cards with customized imprint. Customers who are interested in such a solution receive additional materials, which help them prepare a complete design of the card and production files.

## Unikasa

Unikasa is a well-recognized brand on the mass payments market. It is a modern product that facilitates the service of accounts receivable of the Bank's clients and helps payers pay for products and services in the most frequently visited places, such as supermarkets all over the country. The business partners of the Bank may establish their own franchise under their own brand using the infrastructure of the Unikasa network. Unikasa is now present in 427 locations in 253 towns and cities across the country. Unikasa clients can also pay their bills in more than 1,000 customer service points of the Unikasa partner network.

In the first quarter of 2011, the number of transactions increased by more than 25% from the last quarter of 2010.

## Direct Debit

The Bank provides its clients with comprehensive service of receivables. The direct debit market is one of the segments of that type, in which the Bank has a dominant position. Apart from the traditional solution, the Bank offers the Comfort Direct Debit, which is a unique solution on the Polish market. As part of that service, debtors are alerted of the upcoming payment date by a text message.

In the first quarter of 2011, the Bank retained its leader position by settling the highest number of transactions as the creditor's bank.

## SpeedCollect

SpeedCollect is a service that allows for automated booking of receivables. It is an excellent solution for companies that have a large base of off-takers who make frequent payments, and for companies that want to manage their settlements with their counterparties effectively. Being the first institution on the Polish market that added such a product to its offer, the Bank has nearly fifteen years of experience in the SpeedCollect service.

In the first quarter of 2011, the volumes of the SpeedCollect transactions remained at the level recorded in the previous quarter, which gives the Bank a position in the lead on the Polish market.

## Domestic Transfers

Improving the customer satisfaction with its services is the strategic objective of the Bank. Higher satisfaction of the clients results from rendering top quality services. Thanks to the changes that were implemented recently (including new cut-off times), the conditions of servicing transactions became even more attractive. The Bank keeps recording an increase in the number of domestic transfers. In the first quarter of 2011, the number of payments serviced by the Bank was by 5% higher than in the same period in 2010.

## Electronic Post Office Money Transfers

Electronic Post Office Money Transfer is a product aimed at corporate clients who transfer cash to private individuals. Compared with the first quarter of 2010, in the first quarter of 2011, the Bank recorded an increase in the number of transactions by more than 40%.

## Cash Products

The Bank provides its clients with comprehensive cash service offer. Despite the growing popularity of the electronic clearing channels, a considerable share of transactions is still made in cash. In terms of volume, cash deposits made by the clients are the largest stream of cash transactions serviced by the Bank. Cash deposits are offered by the Bank in various options matching the expectations of the clients. Other solutions may be added to the cash deposit service, such as: armed transport of cash, purchase of safe envelopes for making deposits, electronic workflow, SpeedCash (SpeedCollect for cash deposits), vault service and others.

The Bank continues efforts to optimize the cash service process and increase the effectiveness of own resources while improving customer satisfaction with the services. In the first quarter of 2011, the Bank completed the procedure for selecting the suppliers of the cash counting service (as part of cash processing). As a result of the tender, the product offer has been unified for services provided by the individual suppliers. The tender also resulted in the addition of new solutions to the offer such as the organized mixed deposit (in bills and coins).

As part of the cash service, the Bank provides services addressed to other banks. One of those services is providing, or the purchase/sale of domestic and foreign currencies for/to other domestic banks or branches of credit institutions and foreign banks. The service is available all over the country. The client does not need to hold an account at the Bank. The service is growing in popularity. In the first quarter of 2011, the value of cash serviced as part of that product increased by 10% from the same period last year.

## EU-related offer

In the first quarter of 2011, the EU Office pursued its strategy in the area of EU advising by focusing its activities mainly on communicating its offer to new clients and further activation of the existing ones. The informational campaign evoked interest of many clients, which resulted in subsequent agreements on EU advising.

Promotion of the technological loan was an important element of the EU Office work in the first quarter of 2011. As a result of those activities, many clients became acquainted with the mechanisms of that instrument in view of the latest changes due to the amendments to the Supporting Innovativeness Act.

## Trade Finance Products

Trade finance products have an important position in the Bank's offer of transaction banking products. Financing commercial debt claims with full or partial or no take-over of debtor's default risk, including factoring, play a key role in that group of products. In recent months, that area has seen very dynamic development, and consequently the Bank gradually increases its market share in terms of trade finance products.

In the first quarter of 2011, the Bank's turnovers in that area exceeded PLN 1 billion, up by more than 90% from the first quarter of 2010. At the same time, the Bank's assets in the area of trade finance products were 10% higher in comparison with the fourth quarter of 2010 and 312% higher in comparison with the first quarter of 2010.



High popularity with the reverse factoring service is also worth noting; it was added to the Bank's offer in 2010.

The Bank can boast extensive experience and high quality of services in the area of structured trade finance. Major highlights in that area in the first quarter of 2011 included:

- release of the structure funding of receivables for the syndicate constructing a motorway at the order of the General Directorate for National Roads and Motorways;
- continuation of structured factoring transaction for one of the largest fuel manufacturers in Poland.

### Custody Services

The Bank has a leading position on the market of banks-custodians in Poland. It offers custody services to both foreign institutional investors and domestic financial entities, including in particular pension funds, investment funds and unit-linked insurance funds.

The Bank maintains securities accounts, settles transactions related to securities trading, provides service related to the dividend payout and interest payments, provides valuation of assets portfolio, prepares individual reports, and arranges customer representation during general meetings of public companies. Furthermore, the Bank keeps records of foreign securities – as part of those services, the Bank intermediates in the settlement of transactions made by domestic clients on foreign markets.

During the reporting period, the Bank kept the leading position on the market of settling transactions in securities made for remote members of the WSE and BondSpot S.A. Furthermore, the Bank participated in the settlement of transactions concluded by institutional clients on the electronic bond trading platform called "Treasury BondSpot Poland", which was organized by BondSpot S.A.

As at 31 March 2011, the Bank maintained 13,955 securities accounts.

At the same time, the Bank was the custodian bank for six Open Pension Funds (OFE):

- AMPLICO OFE,
- AVIVA OFE AVIVA BZ WBK,
- Generali OFE,
- ING OFE,
- Pekao OFE,
- Nordea OFE

and two employee pension funds:

- PZU "Słoneczna Jesień" Employee Pension Fund, and
- Telekomunikacja Polska S.A. Employee Pension Fund.

The Bank was the custodian bank for mutual funds and sub-funds managed by the following Investment Fund Corporations (TFI):

- BZ WBK TFI S.A.,
- PKO TFI S.A.,
- PIONEER PEKAO TFI S.A.,
- LEGG MASON TFI S.A.,
- AVIVA INVESTORS POLAND TFI S.A.

## 1.3. Capital Markets and the Corporate and Investment Bank

### Treasury

In the first quarter of 2011, the Bank performed very well in the area of foreign exchange with corporate clients. The value of turnover increased by 14% compared to the same quarter a year earlier. The increase was possible thanks to high-quality service and an extensive product offer. The

solutions offered by the Bank, which give clients the ability to invest their funds and manage their currency position, meet the customer expectations in that respect.

CitiFX Pulse, an electronic FX platform, is as popular as ever. The tool gives clients the ability to make FX transactions by themselves at attractive prices; it enables effective management of FX positions while giving access to economic analyses or current news from Poland and abroad. In the first quarter of 2011, half of the clients who made FX transactions took advantage of the possibility of making transactions on their own by means of the CitiFX Pulse platform.

During the period analyzed, the Bank also recorded good results on the market of complex derivatives. The product offer, which allows clients to hedge against the market interest rate change risk, met the requirements of the clients. The number of IRS transactions concluded by the clients during that period was several times higher than in the same quarter last year. The Bank also performed well in transactions hedging the clients against unfavorable movement of commodity prices.

The Bank has extensive experience in terms of arranging bond issue, as well as broad knowledge of the local investors who are interested in transactions of that type. In early 2011, the Bank as the Sole Arranger set up the bond issue program up to PLN 5 billion for Bank Gospodarstwa Krajowego S.A. ("BGK"). In February 2011, the Bank distributed bonds to the amount of PLN 2 billion as part of the issue program. It was the largest issue of bonds other than Treasury bonds addressed to market investors and effected on the Polish market.

According to the Rating&Market report of the FitchRatings Agency, as at the end of March 2011, the Bank had the leading position as the arranger of bond issue and deposit certificates for banks, which translated into a 40% share on that market.

## Commercial Bank

Through its commercial banking franchise the Bank channels comprehensive financial services to the largest Polish companies, strategic companies with strong growth fundamentals as well as the largest financial institutions and public sector companies.

One common characteristic of the commercial banking clients is their need for advanced financial products and financial services advisory. In that area, the Bank provides coordination of investment banking, treasury and cash management products and prepares loan offers involving diverse forms of financing. The innovativeness and competitiveness of the novel financing structures on offer come from a combination of local expertise and experience of the Bank and its cooperation within the global Citigroup structure.

The table below presents balances of assets and liabilities in the particular segments in the management view.

### Assets

|                                   | 31.03.2011 | 31.12.2010 | Change |      |
|-----------------------------------|------------|------------|--------|------|
| <i>PLN million</i>                |            |            | Amount | %    |
| Total Commercial Bank, including: | 7,570      | 7,029      | 540    | 8%   |
| MMEs and SMEs                     | 1,173      | 1,007      | 167    | 17%  |
| Large enterprises                 | 1,016      | 950        | 66     | 7%   |
| Public sector                     | 133        | 112        | 21     | 18%  |
| Global Clients                    | 3,218      | 2,818      | 400    | 14%  |
| Corporate Clients                 | 1,286      | 1,297      | (10)   | (1%) |

### Liabilities

|                                   | 31.03.2011 | 31.12.2010 | Change  |       |
|-----------------------------------|------------|------------|---------|-------|
| <i>PLN million</i>                |            |            | Amount  | %     |
| Total Commercial Bank, including: | 12,272     | 16,947     | (4,675) | (28%) |
| MMEs and SMEs                     | 1,964      | 2,175      | (211)   | (10%) |
| Large enterprises                 | 600        | 935        | (335)   | (36%) |
| Public sector                     | 1,765      | 2,958      | (1,194) | (40%) |
| Global Clients                    | 6,070      | 7,866      | (1,796) | (23%) |
| Corporate Clients                 | 1,798      | 2,940      | (1,142) | (39%) |

Key initiatives in the Global Clients Segment

As regards the Global Clients Segment, the Bank recorded a 30 per cent increase in assets compared with the first quarter of 2010, including a more than 100 per cent increase in the assets due to factoring transactions thanks to concluding several significant transactions of that type.

The following transactions were completed in the Global Clients Segment in the first quarter of 2011:

- mid-term funding for one of the largest discount networks in the country to the amount of PLN 250 million,
- signing an agreement on current needs funding from group liquidity in the form of inter-company bonds with a significant client from the FMCG sector to the amount of PLN 500 million,
- disbursing the first tranche for funding secured by SACE Export Credit Agency policy for a significant client from the motor industry as part of an investment project in Dąbrowa Górnicza.

As at the end of the first quarter of 2011, the Global Clients Segment had 619 customer relationships.

Key initiatives in the Corporate Clients Segment

In the first quarter of 2011, the Bank signed a number of significant funding agreements, including but not limited to the following:

- Cyfrowy Polsat S.A. – Bank Handlowy w Warszawie S.A. and Citibank N.A., London Branch, Crédit Agricole CIB, The Royal Bank of Scotland plc as the leading banks together with a syndicate of banks signed a loan agreement with Cyfrowy Polsat S.A., whereby the company will receive a term loan up to PLN 1.4 million and a revolving loan up to PLN 200 million;
- Polkomtel S.A. – the Bank acting as one of the lead banks signed an agreement on revolving loan to the total amount of PLN 1.2 billion. The Bank is also the Credit Agent and the Credit Documentation Agent.

Furthermore, BGK elected the Bank to be the sole arranger and dealer as part of the bond issue program. More details on that transaction are provided on page 26 of the report.

Together with Citigroup, the Bank concluded a number of structured derivative transactions on the commodities market (oil and gas) and on the FX-market with the largest Polish companies.

As at the end of the first quarter of 2011, the Corporate Client Segment serviced 53 customer relationships.

Key initiatives in the Middle Market Enterprises, Small and Medium Enterprises and Public Sector Segments

In the first quarter of 2011, the Bank continued its campaign to acquire new clients, which helped it win 157 new clients. Furthermore, the Bank took efforts to make the current customer base active and thus increase the number of operating accounts.

In March 2011, the Bank launched a new competitive credit offer. As part of the offer, the Bank extended the tenor of investment loans to 10 years, increased limits on working capital loans and improved credit processes.

As at the end of the first quarter of 2011, the Middle Market Enterprises, Small and Medium Enterprises and Public Sector Segments serviced 5,112 customer relationships.

Key initiatives in the Direct Banking

In the first quarter of 2011, the Direct Banking Office performed tasks in line with the accepted strategy, by making active those accounts that maintain limited cooperation with the Bank. Remote cooperation methods and standard product offer are also good alternatives for clients with limited banking service needs.

As at the end of the first quarter of 2011, the Direct Banking Segment had 2,177 customer relationships.

### Key initiatives in the Investment Banking Segment

In the first quarter of 2011, the Bank's Investment Banking Segment, which was launched in 2010, retained its strong position in terms of advising on key transactions on capital market. Together with Dom Maklerski Banku Handlowego S.A. (DMBH), it worked for the State Treasury during: the Initial Public Offering of Jastrzębska Spółka Węglowa S.A. and the Initial Public Offering of Bank Gospodarki Żywnościowej S.A. Furthermore, together with DMBH the Investment Banking Team works on the Initial Public Offering of a private Polish company from the SME sector.

As regards the M&A area, the Investment Banking Team is present as a buy-side advisory for clients who are interested in the purchase of companies during the largest sales processes that are currently performed in Poland.

### **Dom Maklerski Banku Handlowego S.A. („DMBH”) – a subsidiary**

The Group offers brokerage services in the capital market through Dom Maklerski Banku Handlowego S.A. (DMBH), a wholly-owned subsidiary of the Bank.

In the first quarter of 2011, DMBH acted as an intermediary in 20.2% of secondary equities trading, thus retaining its first position on the market. Over the period the value of equity trades executed via DMBH on WSE reached PLN 33.8 billion (up by 109.5% from the same period a year earlier). The value of trading on WSE went up by 60.0 % from the same period in 2010.

In the first quarter of 2011, DMBH completed a transaction on the capital market as the intermediary during the public call for sales of shares of Bank Zachodni BZ WBK S.A. (“BZ WBK”) announced by Banco Santander S.A. on 7 February 2011, to be completed on 1 April 2011, and the realized value of PLN 15.9 billion. Upon excluding the impact of that transaction, DMBH was still number one on the market in terms of stock trading and its share at the end of the first quarter of 2011 totaled 10.9%.

The number of brokerage accounts with the DMBH at the end of the first quarter of 2011 amounted to 8,795, up by 0.8% from the end of the fourth quarter of 2010. Compared with the first quarter of 2010, the number of accounts went up by 21.4%.

The performance of DMBH is largely dependent on the activity of institutional investors. The growing competition in that segment and the pressure on lowering the commission may have an adverse impact on the results of DMBH. Other risks include the possibility of long-term deterioration on the stock market, which may lead to lower activity of the investors. As per the estimates of DMBH, the decrease of contributions to the Open Pension Funds and the increase of limits on investments into shares should not translate into a marked decrease of demand for shares among those institutions. On the other hand, the public offerings and transactions planned by the State Treasury may have positive impact on the operations of DMBH as they may attract investors both from the retail and institutional segments. One should not exclude an increase in the activity of the domestic equity funds, which may experience inflow of new funds due to the recovery on the market (e.g. due to the transfer of some assets from the bond funds).

As at the end of the first quarter of 2011, DMBH served as a Market Maker for 34 companies, which is nearly 9% of all stocks listed on the WSE. With the number of companies for which DMBH serves as the market maker, the brokerage house continues to be in the lead among the brokerage houses that perform that function on the WSE. The activity of the market maker in the first quarter of 2011 remained on a high level as well. Invariably, DMBH has been on the top among the brokerage houses that provide that service.

Additionally, the Proprietary Investments Unit performs the Market Maker function for WIG20 index futures and Mw20 index units.

## Summary Income Statement and Balance Sheet\*

| Company Name                        | Headquartered | Participation interest of the Bank in equity % | Balance sheet as at 31.03.2011<br>PLN '000 | Equity as at 31.03.2011<br>PLN '000 | Net financial result for 01.01-31.03.2011<br>PLN '000 |
|-------------------------------------|---------------|--|--|-------------------------------------|---|
| Dom Maklerski Banku Handlowego S.A. | Warszawa      | 100.00   | 32,965,025                                 | 115,694                             | 9,875   |

\*Unaudited data

## Handlowy-Leasing Sp. z o.o. („Handlowy-Leasing”, „HL”) – a subsidiary

The Group offers leasing services through Handlowy Leasing Sp. z o.o., a wholly-owned subsidiary of the Bank.

The value of new leases contracted in the first quarter of 2011 stood at PLN 73.0 million, compared to PLN 22.9 million worth of contracts executed in the quarter of 2010, representing an increase of 218%.

The value of leased assets in the first quarter of 2011 totaled PLN 65.9 million. The structure of assets was as follows:

- the share of transport vehicles stood at 63% of the total financed chattels,
- the share of machinery and equipment stood at 37% of the total financed fixed assets.

## Net asset value of leases

| PLN million                               | Q1 2011 | Q1 2010 | Change<br>PLN million | %    |
|---|---------|---------|-----------------------|------|
| Value of leases contracted in the period: | 65.9    | 21.2    | 44.7                  | 211% |
| for vehicles                              | 41.5    | 11.6    | 29.9                  | 259% |
| for machinery and equipment               | 24.5    | 9.6     | 14.8                  | 154% |

The company pursued its strategy, whose main assumption is selling leasing to the clients of the Bank and strengthening the Handlowy-Leasing brand recognition among those clients.

In the first quarter of 2011, actions were taken to expand the HL product offer to new customer groups. The Company implemented leasing for the Public Sector units, including: government administration units, local government units and their subsidiaries. The proposal was also addressed to entities that are not the clients of the Bank.

As regards the operating effectiveness of HL, the Company implemented the “Automated Interface” Project, which enables import of data generated from the Company’s operating system to the client’s system.

A priority task of the Company in the first quarter of 2011 was taking actions related to the signing of compromise agreements related to reclaiming VAT due to insurance re-invoices, and the assumed sales targets.

## Summary Income Statement and Balance Sheet\*

| Company Name                | Headquartered | Participation interest of the Bank in equity % | Balance sheet as at 31.03.2011<br>PLN '000 | Equity as at 31.03.2011<br>PLN '000 | Net financial result for 01.01-31.03.2011<br>PLN '000 |
|-----------------------------|---------------|--|--|-------------------------------------|---|
| Handlowy-Leasing Sp. z o.o. | Warszawa      | 100.00   | 865,768                                    | 154,682                             | 4,318   |

\*Unaudited data

## 2. Consumer Bank

### 2.1. Summary segmental results

| <i>PLN '000</i>  | Q1 2011        | Q1 2010        | Change        |               |
|--|----------------|----------------|---------------|---------------|
|  |                |                | PLN '000      | %             |
| Net interest income  | 186,970        | 193,671        | (6,701)       | (3.5%)        |
| Net fee and commission income                              | 82,628         | 78,127         | 4,501         | 5.8%          |
| Net income on traded financial instruments and revaluation | 6,527          | 5,665          | 862           | 15.2%         |
| Net gain on investment (capital) instruments               | -              | 2,239          | (2,239)       | (100.0%)      |
| Net other operating income                                 | (6,365)        | (15,379)       | 9,014         | (58.6%)       |
| <b>Total income</b>  | <b>269,760</b> | <b>264,323</b> | <b>5,437</b>  | <b>2.1%</b>   |
| General administrative expenses and depreciation           | (193,947)      | (175,778)      | (18,169)      | 10.3%         |
| Profit/(loss) on sale of tangible fixed assets             | 2,127          | (79)           | 2,206         | (2792.4%)     |
| Net impairment losses                                      | (29,613)       | (81,552)       | 51,939        | (63.7%)       |
| <b>Profit before tax</b>                                   | <b>48,327</b>  | <b>6,914</b>   | <b>41,413</b> | <b>599.0%</b> |
| <b>Cost/Income</b>   | <b>72%</b>     | <b>67%</b>     |               |               |

The main factors that determined the gross profit of Consumer Bank in the first quarter of 2011 as compared to the corresponding period of 2010 were:

- decline in net interest income through a lower exposure in cash loans and credit card loans for particular business segments following Bank's strategy. Decline was partially compensated by lower interest costs, which was an effect of adjusted offer on time deposits and savings accounts, as well as consistent focus on operating accounts;
- increase in fee and commissions income resulting from higher sales of investment products (mainly structured products), as well as change of sales structure in favour of on higher risk products (growth of volumes of equity and balanced funds, with simultaneous decrease of money market and bond funds). Moreover, credit card segment recorded a decline in acquisition expenses;
- increase of expenses resulting from both higher marketing efforts (promoting products such as mortgage, cash loan and new multi-partnership credit card), and greater spending on direct sales channels;
- significant decline of net impairment losses, caused by improving quality of credit card and cash loan portfolios, partially due to effect of earlier changes in credit criteria.

### 2.2. Credit Cards

The total portfolio of credit cards as at the end of the first quarter of 2011 amounted to 884,000, down by 12% from the first quarter of 2010. The change from the first quarter of 2010 is caused by the continued activities to improve the credit portfolio quality, which were implemented by the Bank in view of the financial crisis and the impact of Recommendation T implemented by the Polish Financial Supervision Authority in 2010. Despite the lower number of credit cards in the Bank's portfolio, the focus on increasing the clients' activity resulted in a higher value of non-cash transactions, up by 15% per card. According to the data available as at the end of the fourth quarter of 2010, the Bank's share on the credit cards market was 23.2% in terms of transaction value. In terms of loans on credit cards, as at the end of March 2011, the Bank's share amounted to 16.5%.

In the first quarter of 2011, the Bank added the Citibank MasterCard World Credit Card, another innovative product apart from the ZTM City Credit Card. It is the first multi-partner card in the Bank's portfolio. The card offers its users benefits that are characteristic to discount cards and loyalty programs. The card is offered in collaboration with seven Partners – the most frequently selected brands by the Bank's target group.

Alone in the first months of sales, Citibank MasterCard World Credit Card made up for 60% of the new credit card acquisition. The card is available in all standard distribution channels, with special involvement of the Bank's stands located in the shopping centers. In the first quarter of 2011, 38% of those cards were issued through that channel.

In order to promote the discount program for the holders of Citibank credit cards, the Bank prepared the competition under the theme "Shop Smartly". The competition is presented on the new website called: rabatowcy.pl, which promotes the idea of smart shopping. The discount program for the Citibank credit cards covered more than 4,700 merchants all over the country and was the largest program of that type in Poland.

In order to increase the number of payments made by means of the Citibank credit cards, the Bank conducted a number of promotions and competitions where clients could win tickets to the movies (Multikino) for any movie of their choice, vacation from the ClubMed Travel Agency, tickets to concerts and other gifts and financial awards.

### 2.3. Consumer Bank

The number of all individual clients as at the end of the first quarter of 2011 totaled more than 994,000 compared with 1,070,000 in the same period a year earlier.

#### Bank accounts

As at the end of the first quarter of 2011, the number of current accounts held by individual clients exceeded 605,000, including nearly 428,000 accounts denominated in the zloty and 177,000 accounts denominated in foreign currencies. The total balance in current accounts was PLN 1.9 billion. Consequently, there was a significant growth over the same period last year as the total balance of current accounts as at the end of the first quarter of 2010 amounted to PLN 1.6 billion, and their number was 537,000 (including 370,000 accounts in PLN, and 167,000 in foreign currencies). The growth in the current account balance is linked to the consistent policy of the Bank in terms of customer activation and the offer, which is focused on the benefits due to regular cash inflows to the account.

The number of savings accounts in the first quarter of 2011 totaled more than 214,000. The total balance of funds in the savings accounts was PLN 2.5 billion (for savings accounts) compared with 197,000 savings accounts with the total balance of PLN 2.8 billion in the same period of 2010.

In the first quarter of 2011, the Bank continued its initiatives directed at increasing the acquisition of active customers holding personal accounts, and it introduced numerous solutions influencing the quality of service and cost reduction.

Between 10 January 2011 and 31 March 2011, the Bank offered its new and existing clients an attractive 3-month deposit in PLN with the interest rate of 4% per annum. The promotional interest rate was offered on new funds deposited by the clients. At the same time, the Bank promoted long-term deposit products, and added new 24-month deposits in PLN to its offer, among other things. In March 2011, the Bank lowered the interest rates on deposit products offered in foreign currencies (CHF, USD and EUR). Those changes helped increase the income efficiency from savings accounts and deposits.

#### Credit Products

##### Cash loan

In the first quarter of 2011, the Bank focused on increasing lending among the new clients from the Blue and Gold segments. Starting mid-February, the clients were able to take advantage of an extremely attractive price promotion where the cash loan was offered at the interest rate of 9.99% regardless of the amount and tenor.

The offer received strong marketing support in the form of a nationwide campaign, which relied on outdoor advertising carriers of various formats. Compared with January 2011, from the mid-February until the end of March the Bank recorded an increase of 45% in the product sales to new clients.

##### Mortgage Products

In keeping with its mortgage strategy, the Bank focuses on the main three areas: the product offer, product promotion and sales of mortgage products.

The promotional activities undertaken in the first quarter of 2011 were primarily aimed at reinforcing the image and build higher awareness of the Bank's mortgage product on the market.

Continuing marketing activities, which were started a year earlier, in March 2011 the Bank launched a TV campaign with Michael Moritz, a journalist of Radio PIN. The campaign, which focuses on the main advantages of the offer, was supported by extensive actions both on the Internet (the largest portals and thematic websites) and in the press. It was accompanied by the Internet game "Move In and Win" where Internet users played the role of interior designers. In only a dozen of days from the launch, the service [www.zamieszkajiwygraj.pl](http://www.zamieszkajiwygraj.pl) attracted nearly 20,000 users. Along with the TV campaign, the Bank launched a promotional offer of the mortgage loan. Withdrawing from the commission for the loan and the change of margin were the essential elements of the offer. Those actions helped improve significantly the attractiveness of the product in comparison with the competition, which was evident when looking at the shopping comparison engines for mortgage loans, such as: [comperia.pl](http://comperia.pl) or [totalmoney.pl](http://totalmoney.pl).

The Real Estate Fairs was another opportunity to reinforce marketing actions. In the first quarter of 2011, the Bank was present with its mortgage offer during 7 real estate fairs in the largest cities of Poland.

In March 2011, the Bank implemented changes to the credit policy with respect to the CitiGold client segment. In response to the needs of the market and the clients, the maximum age of the borrowers for loan repayment purposes was extended to 75 years. In order to optimize the credit process, the Bank also implemented changes to credit documentation.

As at the end of the first quarter of 2011, the total balance of the mortgage portfolio amounted to PLN 362.4 million.

### Investment and Insurance Products

In the first quarter of 2011, the Bank recorded an increase in terms of the total value of assets under management in investment-linked products (including deposit certificates, dual currency investments, and unit-linked deposits) as well as insurance products bought by clients through the Bank. As at the end of the first quarter of 2011, their value was 8.3% higher from the value as at the end of the same period in 2010.

The highest increase in terms of value was recorded in mutual funds. The value of assets under management totaled PLN 2,177 million as at the end of the first quarter of 2011 compared with PLN 1,697 million as at the end of the same period a year earlier, up by 28.3%. As a result of changes to the offer implemented in December 2010, in the first quarter of 2011 the mutual funds offer included the funds of three new mutual funds corporations and one foreign investment firm.

As part of its strategy to develop product offer, in February 2011 the Bank expanded its structured products offer by adding new structured bonds with full or conditional capital protection, including the so called auto-call bonds and bonds that pay out periodic profits (the so called coupon) during its term.

## 2.4. Development of distribution channels

### Mobile Banking

In the first quarter of 2011, the Bank expanded its existing mobile banking offer by introducing the mobile banking application for telephones with the Android and iOS (iPhone) operating systems for all its retail clients. Together with the mobile banking application service, the Bank launched a break-through solution on the market, which enables fast transfer over the phone. The B2T service B2T (Bump to transfer), which employs the technology developed by Bump Technologies, enables money transfers between Citi Handlowy clients by simply "bumping" their phones together.

The Citi Mobile application also has all functions, which had been previously only available in the browser version of the Citi Mobile system, and allows the clients to check their account balance and the history of their personal account, savings account, deposit or credit cards. Clients can also make pre-defined internal transfers and domestic transfers, pay the debt on their credit cards or top up their pre-paid mobile, among other things. All the client needs to do to log into Citi Mobile is give their user name and password for the Citibank Online Internet banking system.



As at the end of the first quarter of 2011, more than 35,000 clients used the Citi Mobile system (the browser version and the application version), including nearly 10,000 clients who logged to Citi Mobile for the first in the first quarter of 2011. The Citi Mobile application was down-loaded more than 7,000 times during that period.

The Bank intends to develop mobile banking by making Citi Mobile system accessible via other operating systems, and by offering new services that take advantage of the opportunities offered by mobile phones.

### Internet Banking

In the first quarter of 2011, the Bank consistently developed the electronic banking system, thus continuing its policy of adjusting the Internet platform to the needs of its clients. The Bank expanded the "I Pay with City Handlowy" functionality by adding DotPay S.A. as a new vendor. The new functionality enables the Bank's clients to top up the Warsaw City Travelcard directly on the website of the Public Transport Authority of Warsaw ("ZTM").

In addition, the Bank implemented a number of improvements in response to client expectations to increase their satisfaction with the use of electronic banking solutions. All the activities related to the development of the Internet banking offer helped the Bank increase the number of clients registered as users of the Internet banking service by 5%, and at the end of the first quarter their number was 694,000.

In the first quarter of 2011, the Bank also developed various forms of electronic communication. Following global trends in marketing, the Bank was actively promoting the Discount Program in community media. The launch of the community vortal at Rabatowcy.pl and a website at Facebook brought more than 10,000 fans in the first month of operations. In addition, the activities taken on Facebook to promote the Citi Mobile system helped build a community of more than 4,500 people.

### Indirect and Direct Customer Acquisition

In the first quarter of 2011, the Bank added a new product called the Citibank MasterCard World Credit Card to the direct sales channel. The card was offered in 17 sales stands in the shopping centers in the largest cities of Poland: Warsaw, Łódź, Kraków, Katowice, Wrocław, Gdańsk, Poznań, Bydgoszcz and Bielsko-Biała. In order to ensure additional sales support, some of the sales stands from smaller airports were relocated to shopping centers. In the coming months, the Bank intends to increase the number of sales points offering the Citibank MasterCard World Credit Card by 50%.

In mid-March 2011, the Bank added the Citigold Personal Account to its product offer available at the Warsaw airport. At the same time, the direct sales agencies continued to sell other types of credit cards and personal accounts, including the offer of the Citibank City Payment Card.

### Citibank at Work

The Citibank at Work is responsible for the acquisition and sales service of the Bank's corporate clients in their place of work, offering convenience, time saving and special conditions of the Bank's products and services.

In the first quarter of 2011, the CitiBank at Work acquired nearly 5,200 new clients and more than 3,500 operating accounts, up by, respectively, 219% and 379% from the same period in 2010.

In the first quarter of 2011, the Office continued the Financial Seminars to make clients familiar with the banking market and the products of the Bank. As part of the project, the Office organized 177 presentations for more than 1,800 potential clients (up by, respectively, 90% and 81% from the first quarter of 2010).

### 3. Selected Business Data

|  | 1Q 2011 | 4Q 2010   | 1Q 2010   | Change<br>1Q11/ 4Q10 | Change<br>1Q11/ 1Q10 |
|--|---------|-----------|-----------|----------------------|----------------------|
| Number of individual customers   | 994,654 | 1,004,982 | 1,070,150 | (75,496)             | (10,328)             |
| Number of current accounts   | 605,226 | 581,393   | 537,459   | 67,767               | 23,833               |
| Number of saving accounts  | 214,172 | 208,929   | 196,930   | 17,242               | 5,243                |
| Number of operating accounts   | 139,381 | 129,016   | 111,593   | 27,788               | 10,365               |
| Number of newly acquired operating accounts during the reported period | 29,347  | 28,752    | 20,659    | 8,688                | 595                  |
| Number of credit cards, including:                                     | 883,985 | 904,023   | 1,004,771 | (120,786)            | (20,038)             |
| co-branded cards   | 485,370 | 513,025   | 573,132   | (87,762)             | (27,655)             |
| Number of debit cards, including:                                      | 457,940 | 456,363   | 422,209   | 35,731               | 1,577                |
| PayPass cards  | 234,982 | 175,536   | 10,687    | 224,295              | 59,446               |

### 4. Branch Network

As at the end of the first quarter of 2011, the branch network of the Bank comprised 153 outlets and included the L type outlets (formerly the Commercial Bank, the CitiGold Wealth Management outlets and the Investment Centre), the M type outlets (former multifunctional outlets) and the S type outlets (former CitiFinancial branches).

The following actions were taken in the first quarter of 2011 as part of efforts to optimize the branch network:

- In view of circumstances that made it impossible to prolong the rental agreement, the Bank closed the M-type branch in Warsaw at ul. Garibaldię 4 – clients serviced by that branch would be served by other branches in Warsaw. At the same time, the Bank is negotiating the rental of a new location in Warsaw in which the branch will continue its operations;
- The Bank continued activities to replace the existing ATMs with the deposit function with the machines that have a new functionality and enable the booking of deposits both in the account and credit card in real time – funds deposited by the clients are immediately available in the account or credit card. As at the end of the first quarter of 2011, 87 branches of the Bank had machines with that functionality. In addition, new ATMs also have a functionality that enables blind and visually impaired persons to use them – 109 ATMs have already been adapted to the needs of those customers. By the end of the first half of 2011, all ATMs with the deposit function in the Bank's network will have the function of real-time deposit booking and the function enabling the service of the blind or visually impaired clients.

#### The number of branches

|   | 1Q 2011 | 4Q 2010 | 1Q 2010 | Change 1Q11/<br>4Q10 | Change 1Q11/<br>1Q10 |
|---|---------|---------|---------|----------------------|----------------------|
| Number of outlets:                        | 153     | 154     | 164     | (1)                  | (11)                 |
| L type                                    | 43      | 43      | 45      | -                    | (2)                  |
| M type                                    | 89      | 90      | 90      | (1)                  | (1)                  |
| S type                                    | 21      | 21      | 29      | -                    | (8)                  |
| Other sales / customer service outlets:   |         |         |         |                      |                      |
| Polkomtel sales points                    | 156     | 154     | 156     | 2                    | -                    |
| Plus outlets                              | 15      | 15      | 16      | -                    | (1)                  |
| Airports                                  | 1       | 5       | 3       | (4)                  | (2)                  |
| BP petrol stations                        | 16      | 23      | 42      | (7)                  | (26)                 |
| Shopping centres                          | 17      | 18      | 4       | (1)                  | 13                   |
| ZTM points                                | 16      | 24      | -       | (8)                  | 16                   |
| Number of own ATMs                        | 137     | 149     | 154     | (12)                 | (17)                 |
| Euronet ATMs with logo of "Citi Handlowy" | 905     | 909     | -       | (4)                  | 905                  |

## 9 Seasonality or cyclical nature of business activity

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

## 10 Issue, buyout and repayment of debt and equity securities

On 31 March 2011, within the Debt Security of the Bank Issue Program, Bank effected the issue of certificate of deposit ("BPW") in the amount of PLN 49,504 thous.

*PLN '000*

| Type of debt security issued | Nominal value | Issuance date | Maturity date |
|------------------------------|---------------|---------------|---------------|
| Certificate of deposit       | 673           | 02.07.2010    | 06.01.2012    |
| Certificate of deposit       | 6,512         | 26.10.2010    | 28.04.2011    |
| Certificate of deposit       | 4,344         | 30.11.2010    | 30.05.2011    |
| Certificate of deposit       | 24,134        | 31.01.2011    | 01.08.2011    |
| Certificate of deposit       | 13,821        | 28.02.2011    | 31.08.2011    |
|                              | <b>49,484</b> |               |               |

Provided that BPW are held until maturity, at redemption the issuer is obliged to pay the principal, guaranteed interest and premium interest.

## 11 Paid or declared dividends

### Declared dividends

At the meeting on 15 March 2011, Supervisory Board of the Bank Handlowy w Warszawie S.A. considered and approved the proposal of the Management of the Bank concerning to profit for 2010 distribution, including the proposal of destination to pay out PLN 747,372,912.00 as a dividend. Above mentioned proposal determined the payout for single share at PLN 5.72.

Simultaneously, the Supervisory Board examined and approved the proposal of the Management Board on the date the dividend on 16 June 2011 and the date of pay out on 29 July 2011.

This proposal will be submitted to the General Meeting for approval.

## 12 Changes in the Group's structure

In the first quarter of 2011 the structure of the Group has not changed as a result of merger, acquisitions or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

## 13 Major events after the balance sheet date not included in the financial statements

As at 31 March 2011 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.

## 14 Movements in off-balance sheet commitments

The detailed specification of off-balance sheet liabilities as at 31 March 2011 and changes in comparison to the end of 2010 are as follows:

|                                 | State as at |            | Change    |        |
|---------------------------------|-------------|------------|-----------|--------|
|                                 | 31.03.2011  | 31.12.2010 | PLN '000  | %      |
| <i>PLN '000</i>                 |             |            |           |        |
| Contingent liabilities          |             |            |           |        |
| Granted liabilities             |             |            |           |        |
| financial                       | 10,688,962  | 10,839,248 | (150,286) | (1.4)  |
| Import letters of credit issued | 123,842     | 145,665    | (21,823)  | (15.0) |

| PLN '000  | State as at        |                    | Change            |              |
|---|--------------------|--------------------|-------------------|--------------|
|   | 31.03.2011         | 31.12.2010         | PLN '000          | %            |
| Lines of credit granted                             | 10,024,539         | 10,333,933         | (309,394)         | (3.0)        |
| Deposits to withdraw                                | 45,431             | -                  | 45,431            | -            |
| Subscription of securities granted to other issuers | 495,150            | 359,650            | 135,500           | 37.7         |
| guarantees  | 1,897,235          | 1,787,149          | 110,086           | 6.2          |
| Guarantees granted                                  | 1,882,752          | 1,771,282          | 111,470           | 6.3          |
| Export letters of credit confirmed                  | 4,903              | 1,647              | 3,256             | 197.7        |
| Other   | 9,580              | 14,220             | (4,640)           | (32.6)       |
|   | <b>12,586,197</b>  | <b>12,626,397</b>  | <b>(40,200)</b>   | <b>(0.3)</b> |
| <b>Liabilities received</b>                         |                    |                    |                   |              |
| financial (deposits to receive)                     | 9,290              | 318,701            | (309,411)         | (97.1)       |
| guarantees (guarantees received)                    | 2,857,567          | 2,769,825          | 87,742            | 3.2          |
|   | <b>2,866,857</b>   | <b>3,088,526</b>   | <b>(221,669)</b>  | <b>(7.2)</b> |
| Current off-balance sheet transactions*             | 3,068,917          | 1,604,829          | 1,464,088         | 91.2         |
| Forward off-balance sheet transactions**            | 287,796,060        | 209,802,627        | 77,993,433        | 37.2         |
|   | <b>306,318,031</b> | <b>227,122,379</b> | <b>79,195,652</b> | <b>34.9</b>  |

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

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

## 15 Achievement of 2011 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2011.

## 16 Information about shareholders

As at the day of transfer of the Interim Statement for the first quarter 2011 the list of shareholders who held at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

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

In the period between publishing Interim consolidated financial statement for the third quarter of 2010 and Annual consolidated Statement for 2010 and publishing this statement for the first quarter of 2011 the structure of major shareholdings has not undergone any changes.

## 17 Ownership of issuer's shares by managing and supervising officers

According to the best knowledge of the Bank – predominating unit, the number of the Bank's shares held by managing and supervising persons, has been presented below:

| Name and surname   | Function                           | Number of shares on day of transfer of current Interim Financial Statement for the first quarter 2011 | Number of shares on day of transfer of the Annual Consolidated Financial Statement for 2010 | Number of shares on day of transfer of the previous Interim Financial Statement for the third quarter 2010 |
|--------------------|------------------------------------|---|---|--|
| Iwona Dudzińska    | Member of the Managing Board       | 600   | 600   | 600  |
| Andrzej Olechowski | Vice-chairman of Supervisory Board | 1,200   | 1,200   | 1,200  |
| <b>Razem</b>       |                                    | <b>1,800</b>  | <b>1,800</b>  | <b>1,800</b>   |

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

## 18 Information on pending proceedings

In the first quarter of 2011 there was no single proceeding regarding debts and liabilities of the Bank or debts and liabilities of any bank controlled company 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 its controlled companies regarding debts exceeded 10% of the Bank's equity and equaled PLN 615 million.

In the first quarter of 2011, the total amount of debts of the Bank and its controlled companies has decreased due to the reduction of court proceedings in the Bank's requests for a declaration of bank enforcement title and court proceedings against the debtors of the Bank. Moreover, big amount of carrying on voluntary arrangement proceedings, bankruptcy proceedings and bankruptcy proceedings with option of voluntary agreement or liquidation, in which the Bank or its subsidiaries participate as creditors and court proceedings with the participation of the Bank as a plaintiff and cases concerning enforcement of clause of feasibility to Bank executive title is still kept. It should be emphasized that the court proceedings, especially bankruptcy and voluntary arrangement proceedings, are long-lasting and protracted.

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

As a result of closed proceedings, at least a part of debts due is recovered, which provides a basis for reversing previous impairment losses in part or in whole.

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

| Parties to Proceedings                      | Litigation Value (PLN '000) | Proceedings Commencement Date   | Description of Case  |
|---|-----------------------------|---|--|
| Creditor:<br>Bank Handlowy w Warszawie S.A. | 74,024                      | In April 2009 the Court declared the bankruptcy with the option of liquidation of the Bank's client.  | In January 2010 the Bank submitted its receivables from loan agreements to the proceedings. Case pending.                      |
| Creditor:<br>Bank Handlowy w Warszawie S.A. | 65,431                      | On 30 June 2009, the Court declared the debtor's secondary bankruptcy, including the liquidation of the debtor's property and appointed a syndic. | The Court called the creditors to submit their receivables. The Bank's receivables concern forward transactions. Case pending. |

In the first quarter 2011 the total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities has not 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.

## 19 Information about significant transactions with related entities which were deal on other than market terms

In the first quarter of 2011, the Bank and its subsidiaries enter into transactions with related entities. All transactions with related entities were deal on market terms.

## 20 Information about guarantee agreements

At the end of the first quarter of 2011, 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.

## 21 Other important information

### Personal changes in the Bank

On 28 February 2011 Mr Michał Mrozek ceased to function as Vice-President of the Management Board of the Bank, according to received job offer from Citibank Headquarters in New York.

On 15 March 2011 Mr Misbah Ur-Rahman-Shah was appointed to position of Vice-President of the Management Board of the Bank.

On 14 April 2011 Mr Sanjeeb Chaudhuri resigned from position of Member of the Supervisory Board of the Bank.

## 22 Description of factors and events that might affect the Group's future financial performance

Despite the growing recovery in the global economy, there is still uncertainty regarding public finances, especially in certain developed economies. Exacerbation of the debt crisis in the Eurozone may lead to higher premium for risk, and lead to a drop of prices of the Polish assets.

The begin of the interest rate hikes, if any, and the continuing monetary tightening in the Eurozone may lead to an outflow of foreign capital from the region to the developed economies, which in turn might lead to higher costs of funding for the Polish companies on the financial markets.

Growing fiscal deficit would require tightening the fiscal policy. Lowering the fiscal deficit by cutting expenses and raising taxes will hinder the economic growth rate in 2011 and 2012.

Global shock on the oil and food markets gives rise to the risk of further inflation growth in the country. Dynamic price increase may lead to a decrease in the real income of households and reduce consumption.

The above factors may have an impact on the Group's performance in the coming periods.

## Summary interim financial statements of the Bank for first quarter 2011

## Condensed income statement of the Bank

| <i>PLN '000</i>                                     | First quarter growing<br>Period from<br>01.01.11<br>to 31.03.11 | First quarter growing<br>Period from<br>01.01.10<br>to 31.03.10 |
|---|---|---|
| Interest and similar income                         | 451,027   | 488,626   |
| Interest expense and similar charges                | (111,712)   | (123,851)   |
| <b>Net interest income</b>                          | <b>339,315</b>  | <b>364,775</b>  |
| Fee and commission income                           | 166,987   | 154,185   |
| Fee and commission expense                          | (16,617)  | (17,957)  |
| <b>Net fee and commission income</b>                | <b>150,370</b>  | <b>136,228</b>  |
| Dividend income                                     | -   | 11  |
| Net income on financial instruments and revaluation | 88,015  | 53,374  |
| Net gain on investment (deposit) securities         | 1,244   | 21,960  |
| Net gain on investment (capital) instruments        | -   | 2,516   |
| Other operating income                              | 11,104  | 19,283  |
| Other operating expenses                            | (9,605)   | (23,428)  |
| <b>Net other operating income</b>                   | <b>1,499</b>  | <b>(4,145)</b>  |
| General administrative expenses                     | (322,410)   | (299,505)   |
| Depreciation expense                                | (12,850)  | (15,810)  |
| Profit/(loss) on sale of tangible fixed assets      | 2,211   | (122)   |
| Net impairment losses                               | (41,896)  | (74,854)  |
| <b>Profit before tax</b>                            | <b>205,498</b>  | <b>184,428</b>  |
| Income tax expense                                  | (40,363)  | (43,116)  |
| <b>Net profit</b>                                   | <b>165,135</b>  | <b>141,312</b>  |
| Weighted average number of ordinary shares (in pcs) | 130,659,600   | 130,659,600   |
| Net profit per ordinary share (in PLN)              | 1.26  | 1.08  |
| Diluted net profit per ordinary share (in PLN)      | 1.26  | 1.08  |

## Condensed statement of comprehensive income

| <i>PLN '000</i>  | First quarter growing<br>Period from<br>01.01.11<br>to 31.03.11 | First quarter growing<br>Period from<br>01.01.10<br>to 31.03.10 |
|--|---|---|
| <b>Net income</b>                                      | <b>165,135</b>  | <b>141,312</b>  |
| <b>Other comprehensive income:</b>                     |   |   |
| Valuation of financial assets available for sale (net) | (23,954)  | 131,721   |
| <b>Total income</b>                                    | <b>141,181</b>  | <b>273,033</b>  |

## Condensed balance sheet of the Bank

|  | State as at | 31.03.2011        | 31.12.2010        |
|--|-------------|-------------------|-------------------|
| <i>PLN '000</i>                                |             |                   |                   |
| <b>ASSETS</b>                                  |             |                   |                   |
| Cash and balances with Central Bank            |             | 10,607,209        | 3,206,554         |
| Financial assets held for trading              |             | 3,701,037         | 3,995,217         |
| Debt securities available-for-sale             |             | 15,466,788        | 13,029,254        |
| Equity investments                             |             | 305,316           | 303,165           |
| Loans and advances                             |             | 15,585,567        | 13,938,510        |
| to financial sector                            |             | 4,245,812         | 3,164,818         |
| to non-financial sector                        |             | 11,339,755        | 10,773,692        |
| Property and equipment                         |             | 426,858           | 431,366           |
| land, buildings and equipment                  |             | 408,550           | 413,058           |
| investment property                            |             | 18,308            | 18,308            |
| Intangible assets                              |             | 1,283,717         | 1,283,134         |
| Income tax assets                              |             | 361,225           | 305,253           |
| current  |             | 134,681           | 67,171            |
| deferred                                       |             | 226,544           | 238,082           |
| Other assets                                   |             | 211,532           | 199,319           |
| Non-current assets held-for-sale               |             | 9,901             | 9,901             |
| <b>Total assets</b>                            |             | <b>47,959,150</b> | <b>36,701,673</b> |
| <b>LIABILITIES</b>                             |             |                   |                   |
| Financial liabilities held for trading         |             | 2,761,647         | 2,804,437         |
| Financial liabilities valued at amortized cost |             | 37,917,960        | 26,943,235        |
| deposits from                                  |             | 37,592,258        | 26,544,190        |
| financial sector                               |             | 20,659,164        | 6,138,803         |
| non-financial sector                           |             | 16,933,094        | 20,405,387        |
| liabilities from own issue                     |             | 49,504            | 11,533            |
| other liabilities                              |             | 276,198           | 387,512           |
| Provisions                                     |             | 34,416            | 32,227            |
| Other liabilities                              |             | 684,643           | 499,682           |
| <b>Total liabilities</b>                       |             | <b>41,398,666</b> | <b>30,279,581</b> |
| <b>EQUITY</b>                                  |             |                   |                   |
| Issued capital                                 |             | 522,638           | 522,638           |
| Share premium                                  |             | 2,944,585         | 2,944,585         |
| Revaluation reserve                            |             | (68,802)          | (44,848)          |
| Other reserves                                 |             | 2,248,902         | 2,251,691         |
| Retained earnings                              |             | 913,161           | 748,026           |
| <b>Total equity</b>                            |             | <b>6,560,484</b>  | <b>6,422,092</b>  |
| <b>Total liabilities and equity</b>            |             | <b>47,959,150</b> | <b>36,701,673</b> |



## Condensed statement of changes in equity of the Bank

| <i>PLN '000</i>                                  | Share capital  | Share premium    | Revaluation reserve | Other reserves   | Retained earnings | Total Equity     |
|--|----------------|------------------|---------------------|------------------|-------------------|------------------|
| Balance as at 1 January 2011                     | 522,638        | 2,944,585        | (44,848)            | 2,251,691        | 748,026           | 6,422,092        |
| Total income                                     | -              | -                | (23,954)            | -                | 165,135           | 141,181          |
| Valuation of capital rewards program, including: | -              | -                | -                   | (2,789)          | -                 | (2,789)          |
| valuation change                                 | -              | -                | -                   | (5,900)          | -                 | (5,900)          |
| income tax respite                               | -              | -                | -                   | 3,111            | -                 | 3,111            |
| <b>Balance as at 31 March 2011</b>               | <b>522,638</b> | <b>2,944,585</b> | <b>(68,802)</b>     | <b>2,248,902</b> | <b>913,161</b>    | <b>6,560,484</b> |

| <i>PLN '000</i>                                  | Share capital  | Share premium    | Revaluation reserve | Other reserves   | Retained earnings | Total Equity     |
|--|----------------|------------------|---------------------|------------------|-------------------|------------------|
| Balance as at 1 January 2010                     | 522,638        | 2,944,585        | (81,026)            | 2,223,274        | 525,152           | 6,134,623        |
| Total income                                     | -              | -                | 131,721             | -                | 141,312           | 273,033          |
| Valuation of capital rewards program, including: | -              | -                | -                   | 834              | -                 | 834              |
| valuation change                                 | -              | -                | -                   | 1,420            | -                 | 1,420            |
| income tax respite                               | -              | -                | -                   | (586)            | -                 | (586)            |
| <b>Balance as at 31 March 2010</b>               | <b>522,638</b> | <b>2,944,585</b> | <b>50,695</b>       | <b>2,224,108</b> | <b>666,464</b>    | <b>6,408,490</b> |

| <i>PLN '000</i>                                  | Share capital  | Share premium    | Revaluation reserve | Other reserves   | Retained earnings | Total Equity     |
|--|----------------|------------------|---------------------|------------------|-------------------|------------------|
| Balance as at 1 January 2010                     | 522,638        | 2,944,585        | (81,026)            | 2,223,274        | 525,152           | 6,134,623        |
| Total income                                     | -              | -                | 36,178              | -                | 748,026           | 784,204          |
| Valuation of capital rewards program, including: | -              | -                | -                   | (4,148)          | -                 | (4,148)          |
| valuation change                                 | -              | -                | -                   | (3,017)          | -                 | (3,017)          |
| income tax respite                               | -              | -                | -                   | (1,131)          | -                 | (1,131)          |
| Dividends paid                                   | -              | -                | -                   | -                | (492,587)         | (492,587)        |
| Transfer on capital                              | -              | -                | -                   | 32,565           | (32,565)          | -                |
| <b>Balance as at 31 December 2010</b>            | <b>522,638</b> | <b>2,944,585</b> | <b>(44,848)</b>     | <b>2,251,691</b> | <b>748,026</b>    | <b>6,422,092</b> |

## Condensed summary statement of cash flows of the Bank

| <i>PLN '000</i>                            | First quarter growing<br>Period from<br>01.01.11<br>to 31.03.11 | First quarter growing<br>Period from<br>01.01.10<br>to 31.03.10 |
|--|---|---|
| Cash at the beginning of reporting period  | 3,301,549   | 4,133,389   |
| Cash flows from operating activities       | 7,466,135   | (3,308,073)   |
| Cash flows from investing activities       | (7,885)   | 3,605   |
| Cash flows from financing activities       | (11,053)  | (23,095)  |
| <b>Cash at the end of reporting period</b> | <b>10,748,746</b>   | <b>805,826</b>  |
| <b>Increase / Decrease in net cash</b>     | <b>7,447,197</b>  | <b>(3,327,563)</b>  |

## Condensed additional information

### 1. Conformity statement

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting, as adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2010.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is obliged to publishing the financial results for the nine months period ended 31 March 2011 which is deemed to be the current interim financial reporting period.

### 2. Significant accounting policies

Condensed interim unconsolidated financial statements of the Bank for the first quarter of 2011 have been prepared in accordance with the Decree by virtue of which the issuer, which is also a parent entity, is not obliged to provide the interim financial statements, on condition that it includes the condensed interim financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and abbreviated supplementary notes, comprising of information and data significant for the assessment of the financial position of the issuer and its profit or loss, with the interim consolidated financial statements. In addition, it's required to prepare the abbreviated interim financial statements in accordance with accounting principles adopted in the process of preparation of the annual financial statements.

Principles adopted in the process of preparation of these condensed interim consolidated financial statements for the first quarter of 2011 are consistent with the principles, described in the annual unconsolidated financial statements of the Bank as at 31 December 2010.

Other information and explanations to these condensed interim consolidated financial statements for the first quarter of 2011 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 2011 is presented below.

#### The Banks financial results

The profit before tax in first quarter of 2011 amounted to PLN 205 million which is a rise by PLN 21 million (i.e. 11.4%) in comparison to relative period last year while net profit for the first quarter of 2011 amounted to PLN 165 million which is a rise by PLN 24 million (i.e. 16.9%) in comparison first quarter of 2010.

Factors that influenced net profit of the Bank in the first quarter of 2011 were mainly: net write-downs for impairment of financial assets lower by PLN 33 million (i.e. 44.0%), growth of profit on financial instruments (trade financial instruments and revaluation, debt securities and investment capital instruments) by total amount of PLN 11 million (i.e. 14.7%), increase in other net operating income and expences and income from the disposal of fixed assets by total amount of PLN 8 million, increase of costs of operating, general administrative expenses and depreciation by total amount of PLN 20 million (i.e. 6.3%), decrease in interest and commission result by PLN 11 million (i.e. 2.3%),.

The consolidated quarterly report for the first quarter of 2011 will be made available on the website of Bank Handlowy w Warszawie S.A. at [www.citihandlowy.pl](http://www.citihandlowy.pl)

Signature of the Vice Director of  
Financial Reporting and Control Department

Signature of the Vice President of  
Management Board

Date and signature

Date and signature

06.05.2011  
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