



INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE FIRST QUARTER 2007

MAY 2007

Selected financial data

	In PLN '000		In EUR '000***	
	Year to date period from 01/01/07 to 31/03/07	Year to date period from 01/01/06 to 31/03/06	Year to date period from 01/01/07 to 31/03/07	Year to date period from 01/01/06 to 31/03/06
Data related to summary consolidated financial statements				
Interest income	460,824	380,823	117,969	99,028
Fee and commission income	224,991	174,079	57,597	45,267
Profit before tax	249,588	303,271	63,894	78,862
Net profit	197,450	236,001	50,547	61,369
Increase of net cash	(8,606)	1,519,468	(2,224)	386,073
Total assets*	39,905,140	35,990,735	10,312,738	9,394,115
Due to central bank*	-	250,113	-	65,283
Financial liabilities valued at amortized cost	28,385,372	25,991,136	7,335,669	6,784,072
Shareholders' equity	5,631,715	5,450,339	1,455,412	1,384,846
Share capital	522,638	522,638	135,066	132,794
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	43.10	41.71	11.14	10.60
Capital adequacy ratio (%)*	15.10	14.10	15.10	14.10
Capital adequacy ratio based on Tier 1 capital (%)*	15.66	14.79	15.66	14.79
Earnings per ordinary share (PLN / EUR)	1.51	1.81	0.38	0.47
Diluted net profit per ordinary share (PLN / EUR)	1.51	1.81	0.38	0.47

Data related to summary financial statements of the Bank

Interest income	450,495	374,381	115,325	97,353
Fee and commission income	205,978	153,226	52,730	39,844
Profit before tax	235,250	280,596	60,223	72,965
Net profit	186,997	216,935	47,871	56,411
Increase of net cash	7,779	1,519,466	2,010	386,073
Total assets*	39,071,911	35,095,894	10,097,406	9,160,549
Due to central bank*	-	250,113	-	65,283
Financial liabilities valued at amortized cost*	28,199,979	25,529,437	7,287,758	6,663,562
Shareholders' equity	5,477,137	5,354,763	1,415,464	1,360,562
Share capital	522,638	522,638	135,066	132,794
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	41.92	40.98	10.83	10.41
Capital adequacy ratio (%)*	13.72	13.40	13.72	13.40
Capital adequacy ratio based on Tier 1 capital (%)*	15.22	14.92	15.22	14.92
Earnings per ordinary share (PLN / EUR)	1.43	1.66	0.37	0.43
Diluted net profit per ordinary share (PLN / EUR)	1.43	1.66	0.37	0.43
Declared or distributed dividends per ordinary share (PLN / EUR)**	4.10	3.60	1.06	0.91

* The comparable financial data as at 31 December 2006.

** The presented ratios are related to, respectively: dividends declared the appropriation of the 2006 profit as well as dividends distributed in 2006 from the appropriation of the 2005 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 2007 of PLN 3.8695 (as at 31 December 2006: PLN 3.8312); for the income statement - the arithmetic average of month - end NBP exchange rates in first quarter 2007 - PLN 3.9063 (in first quarter 2006: PLN 3.8456).

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Consolidated income statement

<i>In thousands of PLN</i>	First quarter period from 01/01/07 to 31/03/07	First quarter period from 01/01/06 to 31/03/06
Interest and similar income	460,824	380,823
Interest expense and similar charges	(171,209)	(134,896)
Net interest income	289,615	245,927
Fee and commission income	224,991	174,079
Fee and commission expense	(46,550)	(28,659)
Net fee and commission income	178,441	145,420
Dividend income	9	-
Net income on financial instruments and revaluation	105,118	109,997
Net gain on investment (deposit) securities	10,433	32,731
Net gain on investment (capital) instruments	6,665	-
Other operating income	24,893	28,838
Other operating expenses	(10,836)	(12,636)
Net other operating income	14,057	16,202
General administrative expenses	(346,206)	(338,374)
Depreciation expense	(28,357)	(33,344)
Profit / (loss) on sale of tangible fixed assets	(848)	116,345
Net impairment losses	20,182	3,124
Operating income	249,109	298,028
Share in profits / (losses) of undertakings accounted for under the equity method	479	5,243
Profit before tax	249,588	303,271
Income tax expense	(52,138)	(67,270)
Net profit	197,450	236,001
Weighted average number of ordinary shares	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	1.51	1.81
Diluted net profit per ordinary share (in PLN)	1.51	1.81

Consolidated balance sheet

<i>In thousands of PLN</i>	31/03/2007	31/12/2006
ASSETS		
Cash and balances with central bank	1,110,648	535,623
Financial assets held-for-trading	5,576,284	4,556,471
Debt securities available-for-sale	12,472,159	8,247,313
Equity investments valued at equity method	68,389	67,910
Other equity investments	77,950	54,618
Loans and advances	17,629,223	19,516,218
<i>to financial sector</i>	6,512,689	9,319,272
<i>to non-financial sector</i>	11,116,534	10,196,946
Property and equipment	632,899	638,246
<i>land, buildings and equipment</i>	616,138	628,860
<i>investment property</i>	16,761	9,386
Intangible assets	1,282,452	1,285,753
Deferred income tax assets	269,703	274,124
Other assets	781,254	801,920
Non-current assets held-for-sale	4,179	12,539
Total assets	39,905,140	35,990,735
LIABILITIES		
Due to central bank	-	250,113
Financial liabilities held-for-trading	4,486,262	3,316,847
Financial liabilities valued at amortized cost	28,385,372	25,991,136
<i>deposits from</i>	26,695,219	25,036,782
<i>financial sector</i>	8,181,861	6,156,605
<i>non-financial sector</i>	18,513,358	18,880,177
<i>other liabilities</i>	1,690,153	954,354
Provisions	50,992	44,378
Income tax liabilities	21,755	5,687
Other liabilities	1,329,044	964,771
Total liabilities	34,273,425	30,572,932
EQUITY		
Issued capital	522,638	522,638
Share premium	3,027,470	3,027,470
Revaluation reserve	(64,752)	(81,501)
Other reserves	1,407,857	1,407,081
Retained earnings	738,502	542,115
Total equity	5,631,715	5,417,803
Total liabilities and equity	39,905,140	35,990,735

Consolidated statement of changes in equity

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2006	522,638	3,010,452	(64,554)	1,196,052	584,011	5,248,599
Valuation of financial assets available-for-sale	-	-	(8,833)	-	-	(8,833)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(32,731)	-	-	(32,731)
Deferred income tax on valuation of financial assets available-for-sale	-	-	7,898	-	-	7,898
Foreign exchange gains and losses	-	-	-	933	(1,528)	(595)
Net profit	-	-	-	-	236,001	236,001
Closing balance as at 31 March 2006	522,638	3,010,452	(98,220)	1,196,985	818,484	5,450,339

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2007	522,638	3,027,470	(81,501)	1,407,081	542,115	5,417,803
Valuation of financial assets available-for-sale	-	-	23,798	-	-	23,798
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(10,433)	-	-	(10,433)
Deferred income tax on valuation of financial assets available-for-sale	-	-	3,384	-	-	3,384
Foreign exchange gains and losses	-	-	-	776	(1,063)	(287)
Net profit	-	-	-	-	197,450	197,450
Closing balance as at 31 March 2007	522,638	3,027,470	(64,752)	1,407,857	738,502	5,631,715

Summary consolidated statement of cash flows

<i>In thousands of PLN</i>	Year to date period from 01/01/07 to 31/03/07	Year to date period from 01/01/06 to 31/03/06
Cash at the beginning of reporting period	1,321,162	1,005,340
Cash flows from operating activities	22,534	1,248,864
Cash flows from investing activities	(13,454)	160,252
Cash flows from financing activities	(17,686)	110,352
Cash at the end of reporting period	1,312,556	2,524,808
Increase / (decrease) in net cash	(8,606)	1,519,468

Supplementary notes to the consolidated financial statements

1. General information about the Bank's Capital Group

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

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

The 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	
		31.03.2007	31.12.2006
<i>Entities fully consolidated</i>			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100,00	100,00
Handlowy - Leasing Sp. z o.o.	Warsaw	100,00	100,00
Handlowy Investments S.A.	Luxemburg	100,00	100,00
PPH Spomasz Sp. z o.o. (under liquidation)	Warsaw	100,00	100,00
<i>Entities accounted for under the equity method</i>			
Handlowy Inwestycje Sp. Z o.o.	Warsaw	100,00	100,00
Handlowy Investments II S.a.r.l.	Luxembourg	100,00	100,00
Bank Rozwoju Cukrownictwa S.A.	Poznań	100,00	100,00

In the first quarter of 2007 there were no changes in the holding of shares in subordinates.

2. Basis of preparation of the report

The interim consolidated financial statements of the Group for the reporting period ending on 31 March 2007 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

These interim consolidated financial statements comply with IAS 34 on the preparation of interim financial statements.

The interim consolidated financial statements of the Group for the first quarter 2007 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the period from 1 January 2006 to 31 December 2006.

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2007 to 31 March 2007. Comparable financial data is presented for the period from 1 January 2006 to 31 March 2006 and for balance sheet as at 31 December 2006.

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

3. Segmental reporting

The Group's operating activities have been divided into two business segments:

- Citi Markets and Banking

Within the Citi Markets and Banking 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 (currently presented including CitiFinancial 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 valuation of segment assets and liabilities, income and segment results is based on the Group's accounting policies.

The Group conducts its operations solely in the territory of Poland and no significant differences in risk were identified as regards the geographical location of its outlets. Therefore results of the Group have not been presented by geographical area.

Consolidated income statement by business segment for the first quarter of 2007

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Net interest income	129,553	160,062	289,615
Net fee and commission income	76,994	101,447	178,441
Dividend income	-	9	9
Net income on traded financial instruments and revaluation	97,580	7,538	105,118
Net gain on investment (deposit) securities	10,433	-	10,433
Net gain on investment (capital) instruments	6,665	-	6,665
Net other operating income	11,959	2,098	14,057
General administrative expenses	(159,797)	(186,409)	(346,206)
Depreciation expense	(20,131)	(8,226)	(28,357)
Profit/ (loss) on sale of tangible fixed assets	(866)	18	(848)
Net impairment losses	24,597	(4,415)	20,182
Operating income	176,987	72,122	249,109
Share in profits / (losses) of undertakings accounted	479	-	479
Profit before tax	177,466	72,122	249,588
Income tax expense			(52,138)
Net profit			197,450

Assets and liabilities of the Group by business segment as at 31 March 2007

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Assets including:	35,973,433	3,931,707	39,905,140
<i>Non-current assets held-for-sale</i>	4,179	-	4,179
Liabilities	33,493,865	6,411,275	39,905,140

Consolidated income statement by business segment for the first quarter of 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Net interest income	106,693	139,234	245,927
Net fee and commission income	75,651	69,769	145,420
Net income on traded financial instruments and revaluation	100,275	9,722	109,997
Net gain on investment (deposit) securities	32,731	-	32,731
Net other operating income	14,775	1,427	16,202
General administrative expenses	(164,620)	(173,754)	(338,374)

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Depreciation expense	(24,325)	(9,019)	(33,344)
Profit/ (loss) on sale of tangible fixed assets	103,379	12,966	116,345
Net impairment losses	(2,341)	5,465	3,124
Operating income	242,218	55,810	298,028
Share in profits / (losses) of undertakings accounted for under the equity method	5,243	-	5,243
Profit before tax	247,461	55,810	303,271
Income tax expense			(67,270)
Net profit			236,001

Assets and liabilities of the Group by business segment as at 31 December 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Assets including:	32,161,847	3,828,888	35,990,735
<i>Non-current assets held-for-sale</i>	12,539	-	12,539
Liabilities including:	29,824,930	6,165,805	35,990,735

4. The Group's financial highlights of the first quarter of 2007

In the first quarter of 2007, the Group reported net income of PLN 197 million, which was down by PLN 39 million (i.e. 16%) as compared to the corresponding period of the previous year. The consolidated income before tax for the first quarter of 2007 amounted to PLN 250 million and was by PLN 54 million lower (i.e. 18%) compared to the first quarter of the previous year.

Financial results of the first quarter of 2006 included PLN 114 million profit on sale of shares of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego w Warszawie S.A. and Handlowy Zarządzanie Aktywami S.A. (asset management companies), equities of the associated undertaking Handlowy Heller S.A. and the organized part of the Bank's enterprise including the business in settlements of card transactions within the Consumer Bank.

Provided above stated transactions are excluded the growth of Group's income before tax in the first quarter of 2007 compared to the first quarter of 2006 is PLN 60 million (i.e. 32%), whereas the Group's net income grew by PLN 50 million (i.e. 34%).

Main factors that determined the growth of the Group's operating result for the first quarter of 2007 compared to the corresponding period of 2006 are:

- The net interest and commission income amounting to PLN 468 million in comparison with PLN 391 million noted in the corresponding period of 2006, which was mostly an effect of the increase of PLN 44 million (i.e. 18%) in the net interest income, resulting mainly from the growth in gains from assets available for sale due to the significant increase in the portfolio of these securities, and the rise in interest income from corporate clients, as well as an increase of fee and commission income by PLN 33 million (i.e. 23%) resulting primarily from fees and commissions on investment and insurance products brought by the Consumer Bank.
- Net gain on financial instruments held for trading and revaluation combined with the result on

investment debt securities and investment equity instruments amounting to PLN 122 million compared to PLN 143 million of the first quarter of 2006 remains to be high and stable and is accompanied by good performance on customers portfolio.

- An increase in general administrative expenses, overheads and the depreciation expense of PLN 3 million (i.e. 1%), primarily due to higher headcount and intensification of marketing activities, both connected to the further development of Consumer Bank, with the concurrent decrease in general administrative expenses in Citi Markets and Banking.
- An improvement of the result from net impairment losses by PLN 17 million, mainly an effect of repayment of corporate loans.

5. Activities of the Group in the first quarter of 2007

1. Citi Markets and Banking

- *Summary of Results*

In the first quarter of 2007, the Citi Markets and Banking (CMB) segment reported PLN 177 million of profit before tax, which was by PLN 70 million less than in the first quarter of 2006. However, the result of the first quarter of 2006 included PLN 102 million of gain on sale of shares of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. and Handlowy Zarządanie Aktywami S.A. (asset management companies), as well as shares in the associated undertaking Handlowy Heller S.A.

Provided those transactions are excluded the growth of income before tax in the first quarter of 2007 compared to the first quarter of 2006 is PLN 32 million (i.e. 22%).

The net interest income brought by the Segment in the first quarter of 2007 reached PLN 130 million, i.e. 21% growth compared to the first quarter of 2006, not only as an effect of an increase in income from securities available for sale due to a material growth in the portfolio of these instruments, but also as a result of growth in income from loans.

Net fee and commission income received by CMB amounted to PLN 77 million which, as compared to the first quarter of 2006, rose by 2%. It is primarily an effect of higher commission income within the corporate finance and the increase in profit from cash products' sales, which offset lower gains on brokerage activity.

In the first quarter of 2007, as compared to the first quarter of 2006, the Segment reported a stable result from treasury activity, which is attributed to the proactive sales of products to the clients and effective management of the own portfolio. In particular, gains on instruments held for trading and revaluation in the first quarter of 2007 amounted to PLN 98 million, compared to PLN 100 million earned in the first quarter of 2006, whereas the result on debt investment securities amounted to PLN 10 million in the first quarter of 2007 and PLN 33 million in the corresponding period of 2006, as the market conditions in the first quarter of the previous year were obviously more favorable.

The Citi Markets and Banking expenses in the first quarter of 2007 amounted to PLN 180 million, which represents a decline of 5% in comparison with the corresponding period of 2006. The Segment's costs were continuously optimized, among the others, within the telecommunications and technology areas, outsourcing fees as well as through the enhanced control of staff expenses.

Notwithstanding the higher level of provision for incurred but not reported losses (IBNR) being a result of the growth of the loan portfolio, in the first quarter of 2007, CMB reported a positive, amounting to PLN 25 million impact on the financial result from net impairment losses (net recoveries) due to the

loans' repayments by the customers. In the corresponding period of 2006 the Segment booked PLN 2 million of net impairment losses.

a) Global Transaction Services

- *Payments and Receivables*

In response to consumer expectations, in March 2007, the Bank implemented a special internet purchase payment facility operating via the Unikasa Network system. Before the end of the year, the Bank plans to make this internet payment available in approximately 150 internet shops and to launch a nationwide marketing campaign promoting this new payment channel.

In the first quarter of 2007, the Bank began preparing a new offer aimed to bring into a single package three receivables related products currently offered separately: SpeedCollect, Unikasa and Direct Debit. The new package, with commercial name of Integrated Receivables Processing, will streamline documentation handling for the clients (one instead of three agreements) leaving them the choice of the product they wish to implement. Each of the products forming part of the package will be also offered separately.

The Bank has begun working with other domestic banks and the National Clearing Chamber on a project aimed at improving customer complaint and enquiry response tools. The initiative is expected to improve satisfaction of the customers the Bank serves.

- *Liquidity and Cash Management Products*

The Bank now offers within its Cross Border Pooling facility the consolidation of funds in additional currencies of USD and PLN, thus eliminating the need for translation of these currencies into the Euro before executing each operation and for reverse translation of the same at the return of funds to local accounts. The service provides clients with added cash management flexibility and effectiveness.

- *Electronic Banking*

The Bank continues to increase quality of service through further automation of its processes. In the first quarter of 2007, it registered further increase in the number of electronically delivered bank statements. The share of the bank statements transferred via the electronic channel grew to 83.4%. The client benefits most of all from the availability of daily statements at 5.00 a.m. of the following business day. The Bank benefits from further reduction of the costs associated with handling of paper based bank statements.

- *Trade Finance Products*

The key tasks in trade finance implemented in the first quarter of 2007 include:

- Agreement and extension of the terms of co-operation with the export credit insurance institution Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE), which enable the clients to continue using the Bank's trade receivables financing offer,
- Review of the pricing policy geared to reflect actual costs the Bank incurs, with the resultant revenue increase.

Certain key transactions and programs executed or implemented in the first quarter of 2007:

- Implementation of 10 new trade receivables financing programs, relating to receivables insured with KUKE. The service enhances working capital management for the Bank's clients providing their trade partners with deferred payment terms;
- Implementation of a supplier financing program for one of the leading cement manufacturers in Poland.

- *Card Products*

In the first quarter of 2007, the Bank expanded its offer by launching a new product with commercial name of Mikrowplaty. It is a product especially designed for the needs of the courts and the prosecution administration and facilitates calculation of interest on various charges, bail and other deposits in compliance with requirements of the Polish law.

As at 31 March 2007, the number of business cards issued by the Bank exceeded 15,000. The number of prepaid cards issued by the end of the first quarter of 2007 reached nearly 230,000. In the first quarter of 2007, the Bank signed its first agreement with a County Labor Office for issuance of Prepaid Payment Cards to recipients of unemployment benefits.

- *EU Office*

In the first quarter of 2007, the EU Office began implementation of the growth strategy based on utilization of the EU funds of the previous budgeting period of 2004-2006 and of the budget allocated to Poland for the years 2007-2013.

In January it started accepting applications under the Support for Investing Enterprises Action, which heightened the Bank's activity in the field of issuing promises for financing of EU projects. In the first quarter of 2007, the Bank issued 32 promises in a total amount of USD 30 million.

b) *Capital Markets and Corporate and Investment Bank*

- *Treasury Products*

The growth trend in FX transactions with non-bank clients continued over the first quarter of 2007. The Bank registered an over 70% growth of this business compared to the first quarter of 2006.

The market-linked deposits product continued in an upward trend, wherein the Bank registered a 100% volume growth compared to the first quarter of 2006.

In the case of FX options, the first quarter of 2007 was a period of intense customer interest in the product. After a period of some stagnation on the FX market, particularly evident in December of 2006, the beginning of the year yielded a 157% growth of trading volumes compared to the fourth quarter of 2006 and a 136% growth compared to the first quarter of 2006. The trading volume growth was accompanied by proportionate revenue growth, which meant retention of the product margin in spite of the highly competitive conditions in the sector.

The internet based FX transaction platform enabled the Bank to compete effectively on the Polish market and to maintain the high, 20% share in that product. The internet platform contributed to acquisition of a new group of clients, interested in access to attractive FX transaction prices.

In the case of T-bond trading with financial institution counterparties, the volume turnover in the first quarter of 2007 declined by 16% compared to the fourth quarter of 2006. This was caused by reduced interest of foreign investors in Polish treasury securities, which had a direct bearing on the general decline in the market turnover. This general turnover decline was driven by stagnation on the bond market, which discouraged the investors from taking major positions in that instrument.

In the interbank market, the first quarter of 2007 was an exceptionally successful period, particularly in FX transactions. Robust results were achieved as a result of increased turnover in the client field as well as competent positioning at times of increased market volatility.

- *Corporate and Investment Bank and Commercial Bank*

In the corporate banking business, the Bank delivers comprehensive financial services to over 130 of the largest Polish and international corporates, which, in addition to the needs served through the core product range, require financial engineering advisory. In that area, the Bank provides coordination of 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 comes from a combination of local expertise and experience and cooperation within the global Citigroup structure.

In the first quarter of 2007, the Bank sought not only to strengthen its cooperation with the existing clients, but also developed business relations with new local companies characteristic for their dynamic growth, both on the domestic market and internationally. In supporting these businesses, the Bank provided financing on stand-alone basis or arranged and participated in this year's largest syndicated financings and took other positions in all the key transactions on the Polish financial market.

The most important transactions in the first quarter of 2007 included:

- Closing of a loan agreement financing the construction of a power generation unit and the comprehensive modernization program of the Elektrownia Bełchatów S.A. (BOT) power plant. This transaction of EUR 604 million is currently the largest syndicated loan for the electrical energy sector in Poland. It gained the Bank the highly prestigious European Project Finance 2006 Power Deal of the Year award.

- Organization of a 10-year bond issue for the purpose of financing the construction of a new power generation unit in one of the Polish power plants. The total issue program amounts to PLN 650 million. The bond will be issued in 6 series over the three-year investment project implementation period. This constitutes the first structured corporate bond program on the Polish market. The Bank acted in the transaction as the structuring bank and the lead co-arranger.

- Completion of a structured transaction with PKP S.A., the Polish state railways. The transaction involves granting of a syndicated loan in an amount of EUR 130 million linked with an interest rate risk hedge. The lending syndicate, which the Bank was the lead arranger of, included a total of 9 banks. The two transactions are an outcome of a longstanding and fruitful collaboration of the Bank with the Polish state railways, while their preparation was particularly complex due to the EU regulations on state aid to enterprises.

- Closing of a takeover deal in which Computerland bought out the IT company Emax. The PLN 480 million transaction, of which the Bank was mandated the adviser, was one of the main M&A events over the year in Poland.

In the first quarter of 2007, Bank Handlowy w Warszawie S.A. was the leading bank in Poland, by the issue value, in distribution of short-term debt securities (i.e. up to one year), with a market share of about 15% (data after the February 28, 2007 Fitch Ratings bulletin). The Bank maintained at that time 27 issue programs.

As a result of the revised approach to acquisition of new clients in the small and medium enterprise (SME) sector adopted in 2006, but also in lieu of efficient execution of a number of dedicated acquisition campaigns targeting select clients groups (launched with the messages of: "trade with us", "invest with us", "we build assets" and "Online Trading"), in the first quarter of 2007, the Bank acquired 300 new clients, which represents a 63% growth compared to the first quarter of 2006. The robust first quarter of 2007 result was boosted by the new lending program and the innovative product solutions in FX transactions (the internet FX trading platform) and cash management (Mikrowpłaty).

In the first quarter of 2007, the Bank strengthened its offer of financing with utilization of the EU funds. By virtue of the fact that the SME sector is the main beneficiary of the grant funding awarded by the EU within the new budgeting period, EU advisory services are now being offered to the clients through the EU Office operating in the Bank.

- *Dom Maklerski Banku Handlowego S.A. (“DMBH”) – subsidiary*

In the first quarter of 2007, the total value of equity turnover on the Warsaw Stock Exchange (WSE) realized by DMBH amounted to PLN 11,100 million and was 24.4% higher than its equity turnover in the fourth quarter of 2006, and 3.9% higher than in the first quarter of 2006. Similar to the previous quarter, DMBH maintained its third position in the sector and registered growth in its market share in the secondary equities transactions. When we take into account the stock package transactions – a market in which DMBH, with its share of 40.6%, ranked the first in the first quarter of 2007 – DMBH’s share in total equity market turnover stood at 10.2%, which allowed the house to close its distance to the leader and the runner-up of the sector, with market shares of 11.2% and 10.9% respectively.

Worth noting is that the DMBH’s market share growth took place in spite of the fact that the ever increasing part of the equity market turnover is generated by retail investors, whereas the present model of DMBH operation is primarily based on servicing of institutional clients. However, the company is actively diversifying its client portfolio, which actions are expected to increase DMBH’s market share over the longer term.

- *Handlowy-Leasing Sp. z o.o. – subsidiary*

As it continued to pursue its development strategy and the actions begun in the fourth quarter of 2006, the company completed the launch of the new Express Leasing product, addressed to clients with a minimum annual turnover of PLN 400,000. Under this offer, it is able to rapidly accept and execute orders of its clients up to an exposure amount of PLN 500,000.

The first quarter of 2007 was also a period in which the company worked intensively on expanding its distribution channels. Actions were aimed at increasing sales, particularly in the “small ticket” segment, involving both vehicles and machinery.

The value of the operating and financial lease contracts closed in the first quarter of 2007 amounted to PLN 192 million, which compared to the first quarter of 2006 (PLN 82 million) represented growth of 133%, with machinery leasing increasing by 300%, and vehicle leasing by 107%.

2. Consumer Bank

- *Summary of Results*

In the first quarter of 2007, the Consumer Bank reported profit before tax of PLN 72 million, which represents a 29% increase over the first quarter of 2006. The prior year result included gain on sale of the organized part of the Bank’s enterprise including the business in settlements of card transactions within the Consumer Bank. Excluding the impact of this gain first quarter’s of 2006 profit before tax was PLN 44 million and year over year increase of reported profit before tax was 65%.

2007 first quarter net interest income of the Segment amounted to PLN 160 million, which is 15% higher than in the corresponding period of 2006. The increase is a result of volume growth in the credit card and installment loan portfolios, which has been partially offset by a reduction in the interest rates charged forced by strong market competition and the Act Amending the Act – Civil Code and Amending Certain Other Acts of 7 July 2005 limiting the maximum interest rate, which was introduced on 14 February 2006.

Commission income in the first quarter of 2007 amounted to PLN 101 million, representing 45%

growth compared to the corresponding period of 2006. This is a result of a significant increase in sales of insurance and investment products as well as growth of credit cards and installment loans portfolios.

General and administrative expenses of the segment amounted to PLN 186 million, which is higher than in the first quarter of 2006 by 7%, primarily due to an increase in staff level and increased marketing activities, both related to business growth and continued expansion of the distribution network of CitiFinancial in the second half of 2006.

In the first quarter of 2007, net impairment losses amounted to PLN 4 million compared to positive (net recoveries) of PLN 5 million in prior year.

a) Credit Cards

In the first quarter of 2007, the Bank acquired over 51,000 new cards and was the best trimester in the Bank's history in terms of the number of newly acquired credit cards. This result is 16% higher than the one achieved in the fourth quarter of 2006. By the end of March 2007, the total number of cards reached over 695,000, which represented a growth of 17% compared to the first quarter of 2006.

In February the number of the Citibank-BP credit cards in our portfolio exceeded 100,000. Thus, Motokarta strengthened its position of the best partner card on the Polish market.

In March the Bank closed two partnership agreements of strategic importance – with the national carrier Polskie Linie Lotnicze LOT and Miles & More International GmbH and with Polkomtel, cellular operator – on the basis of which the Bank will launch two new partner cards on the market in the second half of the year. As the credit cards market leader in Poland and internationally, the Bank intends to offer the most attractive available palette of co-branded cards on this market.

Additionally, in March the Bank launched a combined CitiFinancial loan and Citibank Credit Card product, thus expanding its target credit card market to include the clients of CitiFinancial.

The first quarter of 2007 saw the completion of the “Ale numer! Wygrałam!” competition addressed to our most active clients. Apart from the grand prize, being a BMW series 1 car, the organize awarded 3,333 prizes totaling PLN 201,000.

In the first quarter of 2007, the Bank also continued to offer credit cards to students, which constantly meets with unwaning interest on university campuses throughout Poland. In the past quarter the card was presented in Warsaw (Kozłowski, SGH, UW, SWPS) and a number of other cities (UJ, WSB-NLU, AGH, Akademia Ekonomiczna in Poznań). As a result, a couple of thousand students have the Citibank Credit Card in their wallets.

b) Other Consumer Bank Products

- *Bank Accounts*

The Bank continued the intensive acquisition of accounts, both in the wealthy consumer segment and in the medium-wealth consumer segment, as a result of which the number of customers in both the segments increased.

In the first quarter of 2007, the Bank developed sales of its CitiOne Direct internet account, added to the offer in December of 2006. The Bank promoted it, among others, in its banking product presentations given at universities. In the course of these a couple of hundred students opened personal account with the Bank.

With respect to deposits, the Bank continued its cross-selling approach, joining deposits with investment

products. Particularly advantageous for the customers was the Investment Portfolio offer in connection with the unusually high interest on three-month PLN deposits of 11% p.a.

- *Credit Products*

In March 2007, an exercise aimed at harmonization of the credit products for retail customers involved certain changes to the Citibank Loan Pricing Table. The Bank continued to stimulate uptake of the Citibank Loan through cross-selling to the credit card and personal account holders.

From February 19th to the end of the first quarter of 2007, loan sales were supported through a media campaign with the message: Money available at Citibank Handlowy (“Udostępniamy pieniądze w Citibank Handlowy”).

As of January 18, 2007, the Citibank Credit Line product (account overdraft facility) has been available under promotional pricing to customers transferring similar lines of credit from other banks. This promotional campaign will be continued until the end of May 2007.

Another promotional campaign of the same Citibank Credit Line was launched as of March 20, 2007, under which the line is made available free of any charge over the first year of its utilization. The promotion period will continue until the end of the second quarter of 2007.

As of February 1, 2007, the Bank launched a special offer of CitiFinancial Cash Loan, which is a product addressed to customers with modest yet urgent seasonal funding needs. The offer provides such key benefits as reduced documentation requirements and rapid credit decision delivery.

In January 2007, the Bank enhanced its mortgage product offer by introducing:

- Mortgage loans in foreign currencies of CHF and EUR;
- Housing Loan – for purchase of a fully built real property or repayment of a housing loan drawn with a different bank – in PLN as well as in EUR and CHF;
- Property insurance, a security for the allocated loan, in cooperation with TU Generali S.A.;
- Loan repayment insurance (for the interim period running until establishment of a mortgage in favor of the Bank), under agreements with TU Generali S.A.

Additionally, the mortgage product offer was supported through the “Best offer” television and press advertising campaign.

- *Investment Products*

In January 2007, the Bank’s offer expanded at addition of a new investment fund: DWS Top 50 Small and Medium Enterprises Plus.

In the first quarter of 2007, the division organized 12 subscriptions for structured bonds denominated in several currencies (PLN, USD and EUR). Five of these were structures tailored specifically for the Investment Center clients. The Bank enhanced its offer with structures linked to European and Japanese real estate market indices as well as structures with embedded hedge funds.

- *Insurance Products*

In March 2007, the Bank ran a telephone sales campaign for its new insurance product dedicated to holders of Citibank Credit Cards. The Safe Way (“Bezpieczna Droga”) is an elective life insurance

product, providing high benefit payments in the event of the insured person's death in an accident, with added benefit in the case of a road traffic accident.

As of February 1, 2007, three new funds were added to the portfolio available under the Investment Portfolio and the Life Insurance Linked Investment Program:

- ING Selective Subfund Plus,
- ING Construction and Real Estate Subfund Plus,
- DWS Top 50 Small and Medium Enterprises Plus.

Currently, the Bank's customers allocating their insurance premium have as many as 31 investment funds to choose from.

- *Electronic Banking*

In the first quarter of 2007, the Bank continued to popularize its Citibank Online (CBOL) internet platform and registered growth in its usage. The number of users who accessed the platform at least once rose to over 477,000, which corresponds to a 29.7% growth compared to the end of the first quarter of 2006. The number of transactions conducted with the help of Citibank Online constituted over 83% of total financial transactions initiated by the individual customers of the Customer Bank.

The Bank has also promoted actively its Online Account Statement (Wyciąg Online) service registering the resultant stable growth in the number of its users, which generates considerable savings. Wyciąg Online is the electronic version of the account statements from the Citibank Personal Account and the Citibank Credit Card products, which the customer chooses instead of the paper based account statement. As at the end of the first quarter of 2007, the number of customers using that service exceeded 83,000, which represents a 107% growth on y-o-y basis. As of the end of the first quarter of 2007 13% of customers used Online Account Statement.

The number of users of the CitiAlerts service at the end of March 2007 reached over 84,000, and rose by 23% compared to the number of the CitiAlerts users at the end of March 2006. The client which has activated CitiAlerts service is notified in detail (via sms or electronic mail) of the recent transactions on the credit card account, available overdraft limit, account balance, the due date of the overdraft settlement, etc.

c) *CitiBusiness Micro-Company Banking*

In the first quarter of 2007, the Business continued with intensive development of its product offer and active acquisition of the small and medium enterprise (SME) sector clients.

From the beginning of the year, the Bank developed its sales force dedicated to the SME sector, doubling the number of its bank advisers by the end of the first quarter of 2007. On that basis the Bank was able to substantially step up its sales activities and achieve a 25% growth rate in the number of newly acquired clients in reference to the record fourth quarter of 2006.

In February 2007, the Bank launched Receivables Plus (Należności Plus), a new credit product that responds to the needs of the enterprise sector in the field of settlement of trade receivables. Należności Plus complements the broad range of the Bank's trade finance products, and is particularly attractive for its streamlined documentary requirements.

Taking an advantage of corporate banking expertise and practice, in the final days of March 2007, the Bank launched a pilot campaign addressed to a select group of CitiBusiness clients offering access to an

internet information and transaction platform that enables real-time monitoring of the FX market prices. This service, quite novel on the Polish SME market, represents yet another element in the comprehensive offer tailored to the needs of firm that trade internationally.

d) CitiFinancial

Under the CitiFinancial brand the Bank has offered products for the middle and low income customer segment since the end of the year 2002. Its core product mix includes the Cash Loan, the Debt Consolidation Loan and the Mortgage Loan. The products are channeled through own branch network as well as authorized outlets and the central process, in other words, via financial intermediaries and brokers.

In the first quarter of 2007, CitiFinancial began market a credit card, which – because of its high degree of responsiveness to the target group needs – met with high interest and its sales grew steadily over the first quarter of 2007 from 600 sold in January to almost 2.5 thousand sold in March.

Selected authorized CitiFinancial sales outlets expanded their offer to include settlement of utility bills. This supplementary service is implemented in cooperation with Unikasa. At the same time, a new IT system supporting the sales process was rolled out in the same outlets.

In the first quarter of 2007, CitiFinancial implemented an effective customer outflow prevention program, which succeeded in materially reducing the number of customers transferring to other credit institutions.

Additionally, CitiFinancial launched its seasonal loans product, which creates the possibility for drawing a loan with minimum documentation required, in fact limited to the personal ID card. The product is addressed to customers in need of financing modest expenditures, such as: increased winter season home heating costs, holiday shopping, holy communion related presents, back-to-school shopping etc.

3. Restructuring the branch network

In the first quarter of 2007, the Bank continued its branch network restructuring project with the aim of optimizing costs and accessibility to the retail and corporate clients. The Bank's branch network did not change compared to the fourth quarter of 2006 and at the end of March 2007 constituted 236 branches, including:

- 111 CitiFinancial outlets, including 99 branches and 12 points of sale being partner outlets operating under the CitiFinancial logo;
- 86 Consumer Bank branches, including 1 Investment Center, 13 outlets dedicated to the CitiGold Wealth Management customers and 72 multi-functional outlets. 62 of the Consumer Bank branches also serve the Corporate Bank clients;
- 39 branches and sub-branches of the Corporate Bank, 30 of which also serve retail customers.

As at the end of the first quarter of 2007 there was 116 Bank outlets servicing retail customers (86 Consumer Bank branches and 30 corporate outlets) and, as compared to the end of 2006, this number grew by 7 retail servicing corporate branches. As for the corporate customers, the service was available in 101 outlets (39 corporate branches and 62 retail).

Within the framework of Branch Network Optimization Project 2 retail outlets (in Poznań and Bielsko Biała) were transferred to the Bank's corporate banking locations.

6. Seasonality or cyclical nature of business activity

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

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

No debt or equity securities were issued, bought out or repaid in the first quarter of 2007.

8. Paid or declared dividends

Declared dividends

On 13 March 2007 the Management Board of the Bank adopted a Resolution proposing the distribution of 2006 profit. The Management Board of the Bank proposed to pay out PLN 535,704,360 as a dividend. This proposal means that the dividend per one ordinary share amounts to PLN 4.1. The date of determination of the right to the dividend was designated as 5 July 2007 and the date of dividend payment as 31 August 2007. The resolution was considered and approved by the Supervisory Board of Directors and will be submitted to the General Meeting of Shareholders for approval.

9. Changes in the Group's structure

From among assets, that as at 31 December 2006 were classified as non-current assets held-for-sale the resorts in Rowy and Wisła were sold. The buyer's research process for the remaining Bank's property classified as non-current asset held-for-sale is currently at the advanced stage. By the end of 2007 the sale transaction is expected to be complete. The above-mentioned assets of the Group are stated in the balance sheet as "Non-current assets held-for-sale".

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

As at 31 March 2007 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.

11. Movements in off-balance sheet commitments

As at 31 March 2007 compared to the end of 2006 there were no significant changes in off-balance contingent liabilities.

The off-balance sheet commitments are as follows:

<i>In thousand of PLN</i>	31/03/2007	31/12/2006
Contingent liabilities		
Granted liabilities		
a) financial	9,714,943	9,574,732
<i>Import letters of credit issued</i>	163,873	155,296
<i>Lines of credit granted</i>	9,183,800	9,177,576
<i>Deposits to be distributed</i>	105,270	24,860

<i>In thousand of PLN</i>	31/03/2007	31/12/2006
<i>Issue guarantees</i>	262,000	217,000
b) guarantees	2,603,791	2,819,688
<i>Guarantees granted</i>	2,531,043	2,779,418
<i>Export letters of credit confirmed</i>	72,748	40,270
	12,318,734	12,394,420
Received guarantees liabilities		
a) financial	463,358	-
<i>Deposits to be received</i>	463,358	-
b) guarantees	1,799,748	2,019,070
<i>Guarantees received</i>	1,799,748	2,019,070
	2,263,106	2,019,070
Current off-balance sheet transactions	6,873,214	6,462,803
Term of balance sheet transactions	455,310,778	375,540,009
	476,765,832	396,416,302

12. Achievement of 2007 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2007.

13. Information about shareholders

As at the submission date of this consolidated quarterly report, the only shareholder of the Bank holding, directly or indirectly through subsidiaries, a minimum of 5% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A is Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., with 97,994,700 shares held, i.e. 75% of the authorized share capital of the Bank and 97,994,700 votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A., i.e. 75% of the votes.

The structure of major shareholdings has not changed since the submission of the previous quarterly report.

According to the information held by Bank as at submission date of this consolidated quarterly report, the number of Bank's shares held by International Finance Associates (IFA), a subsidiary of COIC, has changed in the reporting period. IFA does not hold any shares of Bank. Before the change IFA held 1,903 shares, i.e. 0.001% of the authorized share capital of the Bank and 1,903 votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A.

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

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

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

15. Information on pending proceedings

In the first quarter of 2007 there were no proceedings regarding debts of the Bank or a subsidiary of the Bank pending before court, public administration authority or an arbitration authority, the value of which would equal at least 10% of the Bank's equity.

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Bank's equity and equaled PLN 1,238 million.

The amount of debts of the Bank and its subsidiaries decreased in relation to the end of the fourth quarter 2006 as a result of closing some cases with the participation of the Bank as the claimant or the applicant for assigning the court enforcement clause to bank collection title and bankruptcy proceedings. The amount of debts of the Bank and subsidiaries results mainly from voluntary arrangement proceedings and bankruptcy proceedings in which the Bank or its subsidiaries participate as creditors. It should be emphasized that the court proceedings, especially bankruptcy and voluntary arrangement proceedings, are long-lasting and protracted. Due to the lengthiness of proceedings, only a few voluntary arrangement and bankruptcy proceedings result in a final and legally valid court decision within a period shorter than two years (and a majority of them last for a period of four and more years). The report includes some proceedings that started several years ago.

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

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

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	158,534	8 August 1996 – declaration of bankruptcy.	Case pending. The Bank submitted the receivable to obtain repayment from the bankrupt's assets for arrangement on 14 October 1996. The Bank realized all the collateral. The Bank will probably not receive its receivables. The official receiver expected to complete the bankruptcy proceeding by the end of 2006. The Bank expects to receive a resolution on completion of the bankruptcy proceeding.
Creditor: Bank Handlowy w Warszawie S.A.	65,947	In 2000, the court declared the borrower bankrupt.	Within the framework of the pending proceedings, the Bank submitted a receivable. The Bank's receivable may remain unpaid.

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	47,054	On 22 June 2001, the court declared the debtor bankrupt.	Case pending. The Bank submitted its receivables to the proceedings.
Creditor: Bank Handlowy w Warszawie S.A.	30,953	The court declared the debtor bankrupt in March 2004.	The Bank submitted the receivable to repay it from the bankrupt's assets for arrangement. Case pending.

In the first quarter 2007, there were no proceedings regarding liabilities of the Bank or a subsidiary of the Bank, the value of which would equal at least 10% of the Bank's equity, pending before court, public administration authority or an arbitration authority.

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities exceeded 10% of the Bank's equity and equaled PLN 694 million.

It requires a lot of time to obtain a verdict before business and civil courts. The report includes some proceedings that started a few years ago. Only a few court proceedings result in a final and legally valid court decision within a period shorter than two years (and many of them last for a period of four and more years). Appropriate provisions are created in the case of court proceedings related to a risk of inflows of resources due to fulfilling a liability by the Group.

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	149,202	5 October 2005	The plaintiff takes exception that the Bank abused the law by notice of the termination of the contract that resulted in the paralysis of the business activity of the plaintiff. The damage was an effect and resulted in significant loss of profits. On 19 December 2006 the court of first instance disallowed the complaint entirely. The plaintiff has the right to appeal. Case pending.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	42,306 with interest from 1 March 2002	23 May 2003	The suit concerns the irregularities of the Bank's activity during the restructuring of its client's debt – the plaintiff who bears a loss. On 3 February 2005 the court suspended the proceedings owing to proceedings of bankruptcy.

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Plaintiff: Administrative Receiver of the Bank's clients (borrowers) Defendant: Bank Handlowy w Warszawie S.A.	29,215	5 May 2005	The plaintiff claims for the compensation due to the unjustified cancellation of credit agreement and selling of goods being the subject of repossession at the glaring underrated price, interrupting plaintiff's basic activity and loosing of possibilities to conclude an agreement and as a consequence bringing to plaintiff's bankruptcy (including statutory interests since the day of delivery of claim to the compensation payment day). Case pending.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	24,661	6 February 2006	The claimant requested the payment of PLN 233,000 plus statutory interest for a period from 3 November 1999 to the payment date and the amount of PLN 24,428,000 plus statutory interest from the date of filing a statement of claim (28 October 2005) to the payment date. The first amount refers to the claim for contractual damages and equals the difference between the amount of debts deducted by the claimant, arising from a letter of credit confirmed by the Bank and the loan granted to the claimant. The claim for PLN 24,428,000 is based on the Bank's liability in tort. Until now, the claimant did not present sufficient evidence, confirming that his claims are reasonable. On 08 December 2006 the court of first instance disallowed the complaint entirely. The plaintiff has a right to appeal. Case pending.
Plaintiff: Entrepreneur Defendant: Bank Handlowy w Warszawie S.A.	387,400	11 April 2006	The claimant requests the payment of compensation. The petitioner claims that the Bank violated copyright law by applying a strategy in a marketing campaign, to which the claimant was entitled.
Administrative proceedings Participants of Administrative Process Polska Organizacja Handlu Dystrybucji, Visa CEMEA	10,200	20 April 2001	Accusation of applying practices restraining market competition throughout pricing agreement and association with settling of the level of "interchange" charges, coordination of activity to restrict access to market for entrepreneurs who do not belong to

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
International w Warszawie, Europa International SA W Warszawie and banks including Bank Handlowy w Warszawie S.A.			issuer market. On 12 January 2007 the Bank received Decision by President of Office of Fair Trading. According to his decision the Bank has to pay 10,200,000 PLN. Bank has the decision to appealed again.

16. Information about significant transactions with related entities

In the first quarter of 2007, the Bank and its subsidiaries did not enter into any transactions with related entities, which were on non-market terms. Transactions with related entities result from the ongoing operating activities of the Bank and its subsidiaries.

In February 2007 the Bank signed with Citibank N.A., the sole shareholder of Citibank Overseas Investment Corporation, which owns the majority stake of the Bank's shares, Amendment no 1 to the Agreement dated 4 November 2005 concerning CitiDirect services providing. The main subject of the amendment is widening of CitiDirect range of services rendered with connection to the securities' trading through Internet platform 'CitiDirect for Securities'.

17. Information about guarantee agreements

At the end of the first quarter of 2007, 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.

18. Other material information

Personnel changes in the Bank first quarter of 2007

On 20 of March 2007 Mr. Rupert Hubbard, a Member of Bank's Supervisory Board, was recalled from his post.

On 20 of March 2007 Mrs. Sabina S. Hansen was appointed as a Member of the Supervisory Board of Bank Handlowy w Warszawie S.A.

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

The most important factors that may affect the Group's performance in the future are as follows:

- The dynamic growth in consumption and investment, which can contribute to increased demand for credit;

- The continuing improvement of the conditions prevailing in the labor market, which translates into growth in the disposable income of households. This is likely to stimulate interest in investment as well as credit products (driven by growth in consumption spending);
- The interest rates hike indicated by the Monetary Policy Council, which would be a response to the gradual improvements in the labor market and the increased higher inflation risk. The decision of the monetary policy authority in this respect would cause the market rates to also increase;
- The continuing uncertainties relating to the political situation and the possible change in the market sentiment on global scale. Such trends can contribute to the PLN exchange rate volatility and thus stimulate interest on the part of the clients in products that can provide a hedge against unfavorable FX market developments.

Summary financial statements of the Bank – parent company

Income statement of the Bank – parent company

<i>In thousands of PLN</i>	First quarter period from 01/01/07 to 31/03/07	First quarter period from 01/01/06 to 31/03/06
Interest and similar income	450,495	374,381
Interest expense and similar charges	(170,398)	(136,507)
Net interest income	280,097	237,874
Fee and commission income	205,978	153,226
Fee and commission expense	(38,214)	(23,161)
Net fee and commission income	167,764	130,065
Dividend income	9	-
Net income on financial instruments and revaluation	104,337	109,057
Net gain on investment (deposit) securities	10,433	32,731
Net gain on investment (capital) instruments	6,665	-
Other operating income	24,772	26,764
Other operating expenses	(9,412)	(10,573)
Net other operating income	15,360	16,191
General administrative expenses	(337,429)	(329,810)
Depreciation expense	(28,084)	(33,098)
Profit / (loss) on sale of tangible fixed assets	(848)	114,093
Net impairment losses	16,946	3,493
Profit before tax	235,250	280,596
Income tax expense	(48,253)	(63,661)
Net profit	186,997	216,935
Weighted average number of ordinary shares	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	1.43	1.66
Diluted net profit per ordinary share (in PLN)	1.43	1.66

Balance sheet of the Bank – parent company

In thousands of PLN

	31/03/2007	31/12/2006
ASSETS		
Cash and balances with central bank	1,110,648	535,623
Financial assets held for trading	5,572,277	4,551,094
Debt securities available-for-sale	12,472,159	8,247,313
Equity investments	292,671	300,534
Loans and advances	17,139,083	19,030,974
<i>to financial sector</i>	6,800,888	9,562,908
<i>to non-financial sector</i>	10,338,195	9,468,066
Property and equipment	620,975	626,481
<i>land, buildings and equipment</i>	604,214	617,095
<i>investment property</i>	16,761	9,386
Intangible assets	1,281,619	1,284,883
Income tax liabilities	275,876	273,216
Other assets	302,424	233,237
Non-current assets held-for-sale	4,179	12,539
Total assets	39,071,911	35,095,894
LIABILITIES		
Due to central bank	-	250,113
Financial liabilities held for trading	4,486,262	3,316,847
Financial liabilities valued at amortized cost	28,199,979	25,529,437
<i>deposits from</i>	26,780,695	24,843,591
<i>financial sector</i>	8,534,021	6,481,772
<i>non-financial sector</i>	18,246,674	18,361,819
<i>other liabilities</i>	1,419,284	685,846
Provisions	53,550	47,023
Income tax liabilities	12,805	-
Other liabilities	842,178	647,910
Total liabilities	33,594,774	29,791,330
EQUITY		
Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(95,925)	(81,501)
Other reserves	1,297,175	1,297,175
Retained earnings	808,664	621,667
Total equity	5,477,137	5,304,564
Total liabilities and equity	39,071,911	35,095,894

Statement of changes in equity of the Bank – parent company

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2006	522,638	2,944,585	(64,554)	1,101,418	667,407	5,171,494
Valuation of financial assets available-for-sale	-	-	(8,833)	-	-	(8,833)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(32,731)	-	-	(32,731)
Deferred income tax on valuation of financial assets available-for-sale	-	-	7,898	-	-	7,898
Net profit	-	-	-	-	216,935	216,935
Closing balance as at 31 March 2006	522,638	2,944,585	(98,220)	1,101,418	884,342	5,354,763

	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2007	522,638	2,944,585	(81,501)	4,297,175	621,667	5,304,564
Valuation of financial assets available-for-sale	-	-	(7,375)	-	-	(7,375)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(10,433)	-	-	(10,433)
Deferred income tax on valuation of financial assets available-for-sale	-	-	3,384	-	-	3,384
Net profit	-	-	-	-	186,997	186,997
Closing balance as at 31 March 2007	522,638	2,944,585	(95,925)	1,297,175	808,664	5,477,137

Summary statement of cash flows of the Bank – parent company

<i>In thousands of PLN</i>	Year to date Period from 01/01/07 to 31/03/07	Year to date Period from 01/01/06 to 31/03/06
Cash at the beginning of reporting period	1,304,621	1,005,263
Cash flows from operating activities	38,587	1,377,064
Cash flows from investing activities	(13,122)	160,257
Cash flows from financing activities	(17,686)	(17,855)
Cash at the end of reporting period	1,312,400	2,524,729
Increase / Decrease in net cash	7,779	1,519,466

Notes to the Abbreviated Financial Statements of Bank Handlowy w Warszawie S.A (“the Bank”) for the first quarter of 2007

The abbreviated interim financial statements of the Bank for the first quarter of 2007 have been prepared in accordance with accounting principles adopted and summarized in the abbreviated annual financial statements of the Bank for the reporting period ending on 31 December 2006.

The notes to these interim consolidated financial statements for the first quarter of 2007 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 2007 is presented below.

The Bank’s financial results

In first quarter of 2007 the Bank generated a profit before tax of PLN 235 million, compared to PLN 281 million in the corresponding period of the previous year.

The Bank’s net profit for the first quarter of 2007 amounted to PLN 187 million, compared to PLN 217 million in the corresponding period of the previous year.

Financial results of the first quarter of 2006 includes a PLN 114 million profit on sale of shares of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego w Warszawie S.A. and Handlowy Zarządzanie Aktywami S.A., equities of the associated undertaking Handlowy Heller S.A. and the organized part of the Bank’s enterprise including the business in settlements of card transactions within the Consumer Bank.

Provided above stated transactions are excluded the growth of Bank’s income before tax in the first quarter of 2007 compared to the first quarter of 2006 is PLN 68 million (i.e. 41%), whereas the net income grew by PLN 62 million (i.e. 50%).

The Bank’s net profit for the first quarter of 2007 was mainly influenced by the increase in net interest and commission income of PLN 80 million (i.e. 22%), the decrease in financial instrument (financial instruments held for trading and revaluation, debt investment securities and investment equity instruments) of PLN 20 million, the increase in general administrative expenses, overhead and the depreciation expense of PLN 3 million (i.e. 1%), the decrease in profit from sale of tangible fixed assets of PLN 115 million and the reduction of net impairment losses by PLN 13 million.

The consolidated quarterly report for the first quarter of 2007 will be made available on the website of Bank Handlowy w Warszawie S.A. at www.citibankhandlowy.pl

Signature of the Financial Reporting and Control
Department Deputy Director
Date and signature

08.05.2007

Signature of the Management Board Member
Chief Financial Officer
Date and signature

08.05.2007