

INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE THIRD QUARTER 2010

NOVEMBER 2010

Selected financial data

	PLN '000		EUR '000***	
	Third quarter growing period from 01.01.10 to 30.09.10	Third quarter growing period from 01.01.09 to 30.09.09	Third quarter growing period from 01.01.10 to 30.09.10	Third quarter growing period from 01.01.09 to 30.09.09
Data related to summary condensed consolidated financial statements				
Interest income	1,486,563	1,598,660	371,390	363,390
Fee and commission income	549,084	482,499	137,178	109,676
Profit before tax	703,063	516,479	175,647	117,400
Net profit	560,006	402,860	139,907	91,574
Total income	641,468	494,180	160,259	112,332
Increase of net cash	(2,034,801)	(2,754,212)	(508,357)	(626,057)
Total assets*	41,300,067	37,633,063	10,358,682	9,160,475
Liabilities due to Central Bank*	-	980,446	-	238,656
Financial liabilities valued at amortized cost*	29,888,621	26,359,837	7,496,519	6,416,396
Shareholders' equity	6,349,405	6,124,253	1,592,527	1,450,351
Share capital	522,638	522,638	131,086	123,772
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	48.60	46.87	12.19	11.10
Capital adequacy ratio (%)*	17.50	16.71	17.50	16.71
Earnings per ordinary share (PLN / EUR)	4.29	3.08	1.07	0.70
Diluted net profit per ordinary share (PLN / EUR)	4.29	3.08	1.07	0.70
Data related to summary condensed financial statements of the Bank				
Interest income	1,462,435	1,557,263	365,362	353,980
Fee and commission income	493,796	445,266	123,366	101,213
Profit before tax	690,467	526,858	172,500	119,760
Net profit	552,111	414,191	137,935	94,149
Total income	634,433	505,467	158,501	114,897
Increase of net cash	(2,034,971)	(2,754,160)	(508,400)	(626,045)
Total assets*	40,084,176	36,455,439	10,053,719	8,873,823
Liabilities due to Central Bank*	-	980,446	-	238,656
Financial liabilities valued at amortized cost*	29,443,215	25,761,339	7,384,804	6,270,712
Shareholders' equity	6,277,284	6,049,237	1,574,438	1,432,586
Share capital	522,638	522,638	131,086	123,772
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	48.04	46.30	12.05	10.96
Capital adequacy ratio (%)*	17.59	16.76	17.59	16.76
Earnings per ordinary share (PLN / EUR)	4.23	3.17	1.06	0.72
Diluted net profit per ordinary share (PLN / EUR)	4.23	3.17	1.06	0.72
Declared or distributed dividends per ordinary share (PLN / EUR)**	3.77	-	0.95	-

* Comparable data according to balance sheet as at 31 December 2009.

** The presented ratios are related to dividend paid in 2010 from the appropriation of the 2009 profit. According to the Ordinary General Meeting of 18 June 2009, in conformity with Resolution no 26a/2009, no dividend from 2008 profit has been paid.

*** The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 30 September 2010 - PLN 3.9870 (as at 31 December 2009: PLN 4.1082; as at 30 September 2009 - PLN 4.2226); for the income statement and cash flow- the arithmetic average of NBP end of month exchange rates in first, second and third quarter 2010 - PLN 4.0027 (in first, second and third quarter 2009: PLN 4.3993).

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Condensed consolidated income statement

<i>PLN '000</i>	Third quarter period from 01.07.10 to 30.09.10	Third quarter growing period from 01.01.10 to 30.09.10	Third quarter period from 01.07.09 to 30.09.09	Third quarter growing period from 01.01.09 to 30.09.09
Interest and similar income	496,679	1,486,563	514,836	1,598,660
Interest expense and similar charges	(117,782)	(360,804)	(138,504)	(448,350)
Net interest income	378,897	1,125,759	376,332	1,150,310
Fee and commission income	187,221	549,084	176,180	482,499
Fee and commission expense	(23,677)	(68,694)	(25,189)	(74,701)
Net fee and commission income	163,544	480,390	150,991	407,798
Dividend income	70	5,916	515	6,440
Net income on financial instruments and revaluation	72,805	229,450	74,393	188,970
Net gain on investment debt securities	44,814	102,506	20,908	56,153
Net gain on investment (capital) instruments	-	2,516	-	3,437
Other operating income	16,883	52,319	130,537	178,788
Other operating expenses	(9,916)	(42,101)	(15,091)	(32,924)
Net other operating income	6,967	10,218	115,446	145,864
General administrative expenses	(332,558)	(976,619)	(313,986)	(998,266)
Depreciation expense	(15,025)	(47,562)	(15,405)	(58,245)
Profit / (loss) on sale of tangible fixed assets	(50)	(267)	86	2,288
Net impairment losses	(63,275)	(229,458)	(55,456)	(388,452)
Operating income	256,189	702,849	353,824	516,297
Share in profits / (losses) of undertakings accounted for under the equity method	372	214	691	182
Profit before tax	256,561	703,063	354,515	516,479
Income tax expense	(45,925)	(143,057)	(69,213)	(113,619)
Net profit	210,636	560,006	285,302	402,860
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		4.29		3.08
Diluted net profit per ordinary share (in PLN)		4.29		3.08
Including:				
Net profit due to shareholders of dominant entity		560,006		402,860
Net profit due to minority shareholders		-		-

Condensed consolidated statement of comprehensive income

<i>PLN '000</i>	Third quarter	Third quarter growing	Third quarter	Third quarter growing
	period from 01/07/10 to 30/09/10	Period from 01/01/10 to 30/09/10	period from 01/07/10 to 30/09/10	Period from 01/01/10 to 30/09/10
Net income	210,636	560,006	285,302	402,860
Other comprehensive income:				
Valuation of financial assets available for sale (net)	4,228	82,322	84,275	91,276
Difference in exchange rates	(1,124)	(860)	(1,698)	44
Other comprehensive income after tax	3,104	81,462	82,577	91,320
Total income	213,740	641,468	367,879	494,180
Including:				
Comprehensive income due to shareholders of dominant entity		641,468		494,180
Comprehensive income due to minority shareholders		-		-

Condensed consolidated balance sheet

	State as at	30.09.2010	31.12.2009
<i>PLN '000</i>			
ASSETS			
Cash and balances with Central Bank		1,888,583	4,113,355
Financial assets held-for-trading		7,168,274	5,397,125
Debt securities available-for-sale		15,013,539	8,290,225
Equity investments valued at equity method		55,880	56,895
Other equity investments		23,744	24,140
Loans and advances		14,160,892	16,777,255
<i>to financial sector</i>		2,574,689	4,802,562
<i>to non-financial sector</i>		11,586,203	11,974,693
Property and equipment		489,179	505,192
<i>land, buildings and equipment</i>		470,871	486,884
<i>investment property</i>		18,308	18,308
Intangible assets		1,282,028	1,282,574
Deferred income tax assets		310,532	476,372
<i>current</i>		5,361	97,657
<i>deffered</i>		305,171	378,715
Other assets		897,515	690,384
Non-current assets held-for-sale		9,901	19,546
Total assets		41,300,067	37,633,063
LIABILITIES			
Liabilities due to Central Bank		-	980,446
Financial liabilities held-for-trading		3,716,116	3,108,493
Financial liabilities valued at amortized cost		29,888,621	26,359,837
<i>deposits, from</i>		25,663,450	25,307,218
<i>financial sector</i>		6,733,875	4,735,260
<i>non-financial sector</i>		18,929,575	20,571,958
<i>liabilities from own issue</i>		673	-
<i>other liabilities</i>		4,224,498	1,052,619
Provisions		24,226	49,390
Income tax liabilities		14,042	-
Other liabilities		1,307,657	935,508
Total liabilities		34,950,662	31,433,674
EQUITY			
Issued capital		522,638	522,638
Share premium		3,031,149	3,030,546
Revaluation reserve		1,296	(81,026)
Other reserves		2,253,838	2,225,712
Retained earnings		540,484	501,519
Total equity		6,349,405	6,199,389
Total liabilities and equity		41,300,067	37,633,063

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 2010	522,638	3,030,546	(81,026)	2,225,712	501,519	-	6,199,389
Total income	-	-	82,322	(860)	560,006	-	641,468
Valuation of capital rewards program, including:	-	-	-	1,135	-	-	1,135
- valuation change	-	-	-	2,536	-	-	2,536
- income tax respite	-	-	-	(1,401)	-	-	(1,401)
Dividends paid	-	-	-	-	(492,587)	-	(492,587)
Transfer to capitals	-	603	-	27,851	(28,454)	-	-
State as at 30 September 2010	522,638	3,031,149	1,296	2,253,838	(19,522)	-	6,349,405

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non controlling interest	Total equity
Balance as at 1 January 2009	522,638	3,029,703	(144,110)	1,627,692	589,886	-	5,625,809
Total income	-	-	91,276	44	402,860	-	494,180
Valuation of capital rewards program, including:	-	-	-	4,320	-	-	4,320
- valuation change	-	-	-	5,688	-	-	5,688
- income tax respite	-	-	-	(1,368)	-	-	(1,368)
Dividends to be paid	-	-	-	-	(56)	-	(56)
Transfer to capitals	-	843	-	591,868	(592,711)	-	-
State as at 30 September 2009	522,638	3,030,546	(52,834)	2,223,924	399,979	-	6,124,253

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non controlling interest	Total equity
Balance as at 1 January 2009	522,638	3,029,703	(144,110)	1,627,692	589,886	-	5,625,809
Total incomes	-	-	63,084	(785)	504,399	-	566,698
Valuation of capital rewards program, including:	-	-	-	6,937	-	-	6,937
- valuation change	-	-	-	8,917	-	-	8,917
- income tax respite	-	-	-	(1,980)	-	-	(1,980)
Dividend paid	-	-	-	-	(55)	-	(55)
Transfer on capital	-	843	-	591,868	(592,711)	-	-
State as at 31 December 2009	522,638	3,030,546	(81,026)	2,225,712	501,519	-	6,199,389

Condensed consolidated statement of cash flows

<i>PLN '000</i>	Third quarter growing period from 01.01.10 to 30.09.10	Third quarter growing period from 01.01.09 to 30.09.09
Cash at the beginning of reporting period	4,133,391	3,607,530
Cash flows from operating activities	(1,401,402)	(2,489,126)
Cash flows from investing activities	(5,385)	(21,267)
Cash flows from financing activities	(628,014)	(243,819)
Cash at the end of reporting period	2,098,590	853,318
Increase / (decrease) in net cash	(2,034,801)	(2,754,212)

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	
		30.09.2010	31.12.2009
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2010	31.12.2009
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. under liquidation	Warsaw	100.00	100.00
Entities accounted for under the equity method			
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. under liquidation	Poznań	100.00	100.00

In the third quarter of 2010 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 2009.

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 9 months period ended 30 September 2010 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 third quarter of 2010 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 2009.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2010 to 30 September 2010. Comparable financial data is presented for the period from 1 January 2009 to 30 September 2009 and for Balance sheet as at 31 December 2009.

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

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

Most indicators published in the third quarter of 2010 suggest further improvement of the economy. In the period of July-August 2010 the dynamics of industrial manufacturing decreased slightly to 11.9% YOY from 12.5% YOY in the second quarter of 2010. The manufacturing results were supported by a high level of export orders, which was maintained despite incremental strengthening of the zloty. The growth of construction and assembly production accelerated in the period of July-August 2010 to 4.7% YOY from 1.9% YOY in the second quarter of 2010 and was influenced by a recovery in the building construction sector.

In the period of July-August 2010 the growth of employment in the corporate sector increased again to 1.5% YOY from 0.5% YOY in the second quarter of 2010. Meanwhile the unemployment rate continued its downward trend to 11.4% at the end of August 2010 from 11.6% at the end of June 2010, mainly because of

seasonal factors and a recovery in industry and construction. However, in the same period the number of unemployed people deregistered as they found jobs increased by 17% YOY compared to 22% in the previous quarter. The growth of uncertainty about the prospects of global economic growth, including the Eurozone, may reduce the willingness of companies to increase employment. The growth of wages in the period of July-August 2010 decreased slightly to 3.2% YOY from 3.8% YOY in the second quarter of 2010.

The demand and wage pressures are still moderate but they are gradually growing. Inflation slowed down in the period of July-August 2010 to 2.0% YOY from 2.3% YOY in the second quarter of 2010 and stayed below the inflation target (2.5% +/- 1 percentage point). In the period of July-August 2010 the Monetary Policy Council (MPC) decided to keep interest rates at a record low level of 3.5%. However, in August 2010 the MPC voted the motion to raise the interest rates by 50 basis points and to increase the ratio of mandatory reserves.

In the third quarter of 2010 the zloty strengthened by 3.5% against the euro to around 3.99 from 4.15 at the end of July 2010 and by 13.8% against the dollar to around 2,93 from 3.40 at the end of June 2010. Much of the zloty appreciation against the euro took place in July 2010, the reason being the gradual revival of global risk appetite. Although the concerns over the stability of the recovery increased in August and September 2010, the zloty remained relatively stable, staying below 4.0.

The FRA rates increased in the third quarter of 2010 by around 10 to 20 basis points, together with the approaching date of the expected interest rate hike. The FRA rate accelerated after the publication of the minutes of the Monetary Policy Council meeting in August, when the MPC voted the interest rate raise. Short term IRS rates grew slightly, while the long term IRS rates dropped significantly by 25 basis point for the 5-year term and by 45 basis points for the 10-year term. This was mainly the result of a strong decrease in the swap curve in the Eurozone and the US, which resulted from growing concerns over the stability of the global recovery. In the third quarter of 2010 the yields of 2-year bonds dropped by around 15 basis points, 5-year bonds by around 33 basis points and 10-year bonds by around 44 basis points. The increase in the price of treasuries was supported by very strong demand for Polish bonds from foreign investors.

The record-low interest rates in the US, the indicated continuation of the quantitative easing process by the Fed, the inflow of funds investing in emerging markets, the positive signals from economies (which at the same time eased the concerns over the materialization of the double-dip scenario) – all these factors supported positive sentiment on both the global and domestic equity market in the third quarter of 2010. In the last three months all the main indices of the Warsaw Stock Exchange (WSE) recorded double-digit increases and it is worth stressing that the high-cap stocks performed significantly better than the mid-cap and low-cap stocks. This may indicate growing interest of foreign investors in the domestic equity market. The highest quarterly rate of return (+23% compared to the end of June 2010) was recorded by telecommunications stocks (mainly TPSA) and chemical stocks (+18.3% QOQ). The IT stocks proved to be clearly the weakest, with their index recording a symbolic 1% increase in the third quarter of 2010. The food sector and banks proved to be the best performing companies from the annual perspective (+44% and +28% YOY respectively). On the other hand, the WIG-IT (-6% YOY) and WIG-Developers (-3% compared to the end of September 2009) were the only sub-indices to record negative rates of return.

In the third quarter of 2010 four new companies were listed on the WSE with the value of their offerings exceeding PLN 241 million (including PLN 188 million from new issues) and meanwhile three companies were delisted. As a result 384 companies were listed on the WSE at the end of September 2010 with total capitalization at PLN 796,3 billion (+9,5% QOQ). The market value of Polish companies grew in the third quarter of 2010 by 15% QOQ to PLN 519 billion, which was 65% of the total stock exchange capitalization.

Warsaw Stock Exchange equity market, as at 30 September 2010

Index	End of Q3 2010	Change QOQ (%)	End of Q2 2010	Change YOY (%)	End of Q3 2009
WIG	45,236.72	14.8%	39,392.47	20.4%	37,580.32
WIG-PL	44,538.79	15.6%	38,533.81	21.0%	36,796.94
WIG20	2,615.22	15.2%	2,271.03	19.3%	2,192.37
mWIG40	2,653.45	11.8%	2,373.84	17.5%	2,258.99
sWIG80	12,103.19	10.2%	10,980.45	7.1%	11,298.36
Sector specific sub-indices					
WIG-Banks	6,647.09	14.9%	5,786.52	28.3%	5,182.25
WIG-Construction	5,839.34	8.2%	5,396.44	7.3%	5,444.55
WIG-Chemicals	3,939.13	18.3%	3,331.14	15.1%	3,422.08
WIG-Developers	2,817.56	7.2%	2,628.28	(3.0%)	2,905.23
WIG-Energy	4,247.14	12.5%	3,775.17	-	-
WIG-IT	1,171.73	1.0%	1,160.15	(6.3%)	1,249.91
WIG-Media	3,736.06	12.8%	3,312.80	23.4%	3,027.70
WIG-Fuel industry	2,756.89	11.0%	2,482.82	24.0%	2,222.47
WIG-Food industry	4,150.91	10.4%	3,759.64	44.2%	2,879.13

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

Volumes of trade in shares, bonds and derivative instruments on WSE in the third quarter of 2010

	Q3 2010	Change QOQ (%)	Q2 2010	Change YOY (%)	Q3 2009
Shares (PLN million)	106,220	(12.7%)	121,680	5.7%	100,486
Bonds (PLN million)	983	56.2%	629	28.7%	764
Futures contracts (thousand units)	6,131	(22.0%)	7,858	(18.4%)	7,515
Option contracts (thousand units)	285.4	(13.1%)	328.4	25.5%	227.5

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

Despite the positive trends on the WSE, the quarterly volumes of trade dropped by almost 13% to PLN 106 billion, which to some extent can be explained by high reference base (in the second quarter of 2010 the volumes were record high because of, among other things, the PZU debut). Investor activity in the stock market grew by 5.7% compared to the third quarter of 2009.

An incremental growth of trade was recorded in the bond market. In the third quarter of 2010 the value of debenture trade was almost 29% higher compared to the same period of 2009.

The third quarter of 2010 saw weaker interest in futures contracts on the part of the investors. The futures volume was 6.13 million units, which was a drop by 22% compared to the second quarter of 2010 and 18% compared to the second quarter of 2009. The option contracts volume was also lower than in the previous quarter (285.4 thousand units compared to 328.4 thousand units in the previous three months), although compared to the same period of 2009 it was higher by over 25%.

5. Banking sector

Polish banking sector results continued to improve in the third quarter of 2010. The improvement can be reflected by amongst other things the growth of the banking climate indicator Pengab, which went up to 31.8 in September from 30.3 recorded in June 2010. Better results of the Polish banking sector were driven by stabilization on global financial markets and gradual improvement of macroeconomic conditions.

Although they are still seen as a problem for the sector, the non-performing loans also reported some improvement. The nonfinancial sector's NPL ratio increased slightly from 8.5% in June 2010 to 8.6% in August. The improvement was visible in terms of corporate loans, however with simultaneous increase in households' nonperforming loans reported (in terms of both mortgage and consumer loans).

The third quarter of 2010 brought a slight decrease in corporate loans amounting to 1% QoQ. The drop was primarily due to increase in Polish currency's value against that of euro and dollar, which translated into a decreased volume of foreign currency loans reaching 7% QoQ. On the other hand, the corporate loans denominated in Polish zlotys increased by 1% versus the previous quarter. It has been the highest quarterly increase in local currency corporate loans since the beginning of global financial crisis. This may indicate companies' growing interest in financing and thereby a growing belief that the recovery has taken hold.

Also, a slight increase (1% QoQ) was reported in terms of households' loans. Similarly to corporate loans, the increase in volume was reduced by zloty's appreciation. The volume of foreign currency mortgage loans decreased by 3% QoQ, while the local currency mortgage loans increased by 7% QoQ. Due to tightened credit policy in the consumer loans segment (resulting amongst other things from adjusting the policy to Recommendation T), its growth dynamics remained at a low level for another quarter of 2010. The growth of PLN loans for individuals (excluding mortgage loans) in the last 9 months of 2010 amounted only to 2% (PLN 1 billion) and it was the lowest growth reported since 2003.

Households' deposits rose in the third quarter of 2010 by 1%, while the volume of corporate deposits fell by 1% QoQ. It was the first in the last 10 years a corporate deposit quarterly decline not caused by foreign exchange rate fluctuations (excluding seasonal declines in corporate deposits volume in the first quarter of each year), which together with corporate loan increase may indicate a growing demand for further business development financing.

6. Financial analysis of the Group's Results

▪ Balance sheet

At the end of the third quarter of 2010 total assets amounted to PLN 41.3 billion as compared with PLN 37.6 billion at the end of 2009 and increased by PLN 3.7 billion (or 10%). The biggest impact on the change had an increase of AFS debt securities portfolio (up by PLN 6.7 billion, or 81%), primarily as an effect of higher balance of cash bonds of the National Bank of Poland. Increase of balance was also recorded in terms of „financial assets held-for-trading” (up by PLN 1.8 B i.e. 33%) as a result of larger Treasury bonds portfolio. On the other hand the balance of Cash and balances with the Central Bank recorded a decrease, which was driven by reserve requirement management. The balance of loans, advances and other receivables recorded a decrease as well. Decrease in this line resulted mainly from a drop of receivables from banks by PLN 2.6 billion (or 75%) and to minor extent from lower balance of loans to non-financial sector (decline by PLN 0.4 billion, i.e. 3%).

Loans and advances, net

<i>PLN '000</i>	30.09.2010	31.12.2009	Change	
			PLN '000	%
Loans and advances to non-financial sector				
Corporate customers*	6,204,084	6,361,327	(157,243)	(2.5%)
Individual customers, including:	5,382,119	5,613,366	(231,247)	(4.1%)
<i>Credit cards</i>	2,372,929	2,406,703	(33,774)	(1.4%)
<i>Cash loans to customers</i>	2,663,164	2,918,866	(255,702)	(8.8%)
Total	11,586,203	11,974,693	(388,490)	(3.2%)
Loans and advances to financial sector				
Banks and other monetary financial institutions	862,351	3,477,729	(2,615,378)	(75.2%)
Non-banking financial institutions	1,712,338	1,324,833	387,505	29.2%

<i>PLN '000</i>	30.09.2010	31.12.2009	Change	
			PLN '000	%
Total	2,574,689	4,802,562	(2,227,873)	(46.4%)
Total loans and advances	14,160,892	16,777,255	(2,616,363)	(15.6%)

* *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)

<i>PLN '000</i>	30.09.2010	31.12.2009	Change	
			PLN '000	%
Not at risk of impairment, including:	12,559,464	12,502,809	56,655	0.5%
Non-financial sector				
<i>corporate customers</i>	5,552,430	5,637,988	(85,558)	(1.5%)
<i>individual customers</i>	5,296,858	5,540,852	(243,994)	(4.4%)
At risk of impairment, including	2,080,476	2,120,333	(39,857)	(1.9%)
Non-financial sector				
<i>corporate customers</i>	1,222,147	1,460,258	(238,111)	(16.3%)
<i>individual customers</i>	834,617	637,658	196,959	30.9%
Dues related to matured derivative transactions	118,872	137,373	(18,501)	(13.5%)
Total	14,758,812	14,760,515	(1,703)	(0.0%)
Impairment, including:	1,460,271	1,460,989	(718)	(0.0%)
Dues related to matured derivative transactions	95,685	106,360	(10,675)	(10.0%)
Loans and advances to non-banking sector, net	13,298,541	13,299,526	(985)	(0.0%)
Provision coverage ratio	65.6%	63.9%		
<i>corporate customers</i>	48.6%	52.5%		
<i>individual customers</i>	89.8%	88.7%		

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

<i>PLN '000</i>	30.09.2010	31.12.2009	Change	
			PLN '000	%
Performing loans, including:	12,982,705	12,892,154	90,551	0.7%
including non-financial sector				
<i>corporate customers</i>	5,884,918	5,950,278	(65,360)	(1.1%)
<i>individual customers</i>	5,387,611	5,617,907	(230,296)	(4.1%)
Non-performing loans, including:	1,547,750	1,585,761	(38,011)	(2.4%)
including non-financial sector				
<i>corporate customers</i>	780,174	1,002,691	(222,517)	(22.2%)
<i>individual customers</i>	743,864	560,603	183,261	32.7%
Dues related to matured derivative transactions	118,872	137,373	(18,501)	(13.5%)
Total	14,649,327	14,615,288	34,039	0.2%
Non-performing loans ratio (NPL)	10.7%	11.0%		

On the liabilities side, the biggest change (up by PLN 3.5 billion, or 13%) was recorded in liabilities valued at amortized cost. This change was primarily due to higher balance of liabilities related to repo transactions (mainly with banks), which are part of "other liabilities" line. Total deposits increased slightly in comparison to 2009 (up by PLN 0.4 billion, 1.4%). This change was due to substantial increase of banks deposits (up by PLN 1.8 billion, or 107%) and simultaneous decline of nonfinancial sector deposits (down by PLN 1.6 billion, or 8%).

Deposits

<i>PLN '000</i>	30.09.2010	31.12.2009	Change	
			PLN '000	%
Non-financial sector				
Current accounts, including:	10,423,284	10,611,552	(188,268)	(1.8%)
<i>corporate customers</i>	6,189,511	6,066,200	123,311	2.0%
<i>individual customers</i>	4,233,773	4,545,352	(311,579)	(6.9%)
Deposits, including:	8,485,657	9,939,698	(1,454,041)	(14.6%)
<i>corporate customers</i>	6,801,644	8,148,746	(1,347,102)	(16.5%)
<i>individual customers</i>	1,684,013	1,790,952	(106,939)	(6.0%)
Accrued interest	20,634	20,708	(74)	(0.4%)
Total	18,929,575	20,571,958	(1,642,383)	(8.0%)
Financial sector				
Banks and other monetary financial institutions	3,398,134	1,643,480	1,754,654	106.8%
Non-banking financial institutions	3,335,741	3,091,780	243,961	7.9%
Total	6,733,875	4,735,260	1,998,615	42.2%
Total deposits	25,663,450	25,307,218	356,232	1.4%

▪ Income statement

In the third quarter of 2010 the Group reported consolidated net income of PLN 210.6 million, down by PLN 74.7 million (or 26%) compared to the third quarter of 2009. At the same period, the Group's revenue decreased by PLN 71.6 million (or 10%) to PLN 667 million. It has to be underlined, that a one-off transaction had a significant impact on the Group's result in third quarter of 2009. As a result of correction to tax settlements of value added tax the gross profit for third quarter of 2009 was increased by PLN 115 million. After excluding impact of this transaction, the Group reached increase of net income amounting to PLN 18 million (or 9%) in comparison to third quarter of 2009.

The main determinants of the Group's operating result for the third quarter of 2010 as compared to the corresponding period of 2009 were:

- net interest income amounting to PLN 378.9 million in comparison with PLN 376.3 million recorded in the third quarter of 2009 (up by PLN 2.6 million, or 1%), stemming mainly from lower interest expenses on financial sector deposits (drop of volume of nonbanking financial institutions) and on operations with Central Bank;

Interest income

<i>PLN '000</i>	01.07 - 30.09.2010	01.07 - 30.09.2009	Change	
			PLN '000	%
<i>Interest and similar income from:</i>				
Central Bank	6,670	8,103	(1,433)	(17,7%)
Placements in banks	6,423	7,703	(1,280)	(16,6%)

<i>PLN '000</i>	01.07 - 30.09.2010	01.07 - 30.09.2009	Change	
			PLN '000	%
Loans and advances, of which:	299,759	312,503	(12,744)	(4,1%)
Financial sector	4,570	8,122	(3,552)	(43,7%)
Non-financial sector, including:	295,189	304,381	(9,192)	(3,0%)
<i>on credit cards</i>	94,003	91,449	2,554	2,8%
Debt securities available-for-sale	165,061	147,104	17,957	12,2%
Debt securities held-for-trading	18,766	39,423	(20,657)	(52,4%)
Total	496,679	514,836	(18,157)	(3,5%)

Interest expense and similar charges on:

Operations with Central Bank	(1,735)	(7,202)	5,467	(75,9%)
Deposits from banks	(9,671)	(8,559)	(1,112)	13,0%
Deposits from financial sector (excl. banks)	(15,068)	(27,433)	12,365	(45,1%)
Deposits from non-financial sector	(88,901)	(91,627)	2,726	(3,0%)
Loans and advances received	(2,407)	(3,683)	1,276	(34,6%)
Total	(117,782)	(138,504)	20,722	(15,0%)

Net interest income	378,897	376,332	2,565	0,7%
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- net fee and commission income amounting to PLN 163.5 million in comparison with PLN 150.9 reported in the third quarter of 2009 (up by PLN 12,6 million, or 8%) - primarily due to higher income from payment and credit cards in retail banking as well as from higher commissions on brokerage and custody operations;

Fee and commission income

<i>PLN '000</i>	01.07 - 30.09.2010	01.07 - 30.09.2009	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products	36,252	35,850	402	1.1%
Payment and credit cards	62,135	51,738	10,397	20.1%
Transaction services	30,558	32,066	(1,508)	(4.7%)
Custody services	18,912	16,638	2,274	13.7%
Cash loans	2,773	3,477	(704)	(20.2%)
Brokerage operations	17,243	15,024	2,219	14.8%
Other	19,348	21,387	(2,039)	(9.5%)
Total	187,221	176,180	11,041	6.3%

Fee and commission expense

Payment and credit cards	(13,247)	(15,060)	1,813	(12.0%)
Brokerage operations	(4,819)	(4,422)	(397)	9.0%
Other	(5,611)	(5,707)	96	(1.7%)
Total	(23,677)	(25,189)	1,512	(6.0%)

PLN '000	01.07 - 30.09.2010	01.07 - 30.09.2009	Change	
			PLN '000	%
Net fee and commission income				
Insurance and investment products	36,252	35,850	402	1.1%
Payment and credit cards	48,888	36,678	12,210	33.3%
Transaction services	30,558	32,066	(1,508)	(4.7%)
Custody services	18,912	16,638	2,274	13.7%
Cash loans	2,773	3,477	(704)	(20.2%)
Brokerage operations	12,424	10,602	1,822	17.2%
Other	13,737	15,680	(1,943)	(12.4%)
Total	163,544	150,991	12,553	8.3%

- net income on financial instruments and revaluation amounting to PLN 72.8 million as compared to PLN 74.4 million in the third quarter of 2009 (down by PLN 1.6 million) stemming mainly from lower income on proprietary management coupled with simultaneous improvement of result on customer activity;
- net gain on investment debt securities amounting to PLN 44.8 million as compared to PLN 20.9 million in the third quarter of 2009 (up by PLN 23.9 million);
- in comparison to the third quarter of 2009, in the third quarter of 2010 the Group reported increase in general administrative expenses and overheads together with depreciation expenses (up by PLN 18.6 million) due to higher staff expenses, insourcing of some operational processes, as well as increase of marketing and advertising costs and other expenses. On the other hand, there was a decrease in expenses related to building maintenance and rent.

General administrative expenses and depreciation expense

PLN '000	01.07 - 30.09.2010	01.07 - 30.09.2009	Change	
			PLN '000	%
Staff expenses	173,621	164,464	9,157	5.6%
Remuneration costs	138,877	131,026	7,851	6.0%
Perks and rewards	34,744	33,438	1,306	3.9%
Administrative expenses	158,937	149,522	9,415	6.3%
Telecommunication fees and hardware purchases	36,660	41,881	(5,221)	(12.5%)
Advisory, audit, consulting and other services	38,990	30,255	8,735	28.9%
Building maintenance and rent	26,480	29,257	(2,777)	(9.5%)
Marketing	10,241	7,711	2,530	32.8%
Transaction costs	15,234	14,066	1,168	8.3%
Postal services	8,589	8,130	459	5.6%
Training and education	1,899	1,618	281	17.4%
Banking supervision	(323)	(410)	87	(21.2%)
Other expenses	21,167	17,014	4,153	24.4%
Depreciation/amortization of tangible and intangible assets	15,025	15,405	(380)	(2.5%)
Total	347,583	329,391	18,192	5.5%

- Net impairment losses of PLN 63.3 million compared to the PLN 55.5 million in the third quarter of 2009 (up by PLN 7.8 million, or 14%). The higher net impairment losses concerned Consumer Segment and were caused by deterioration of consumer loans and credit card loans portfolio quality. On the other hand in the Corporate Banking Sector decline of net impairment losses was recorded stemming from significant improvement of proportion between provisions released and created – due to maintaining economic growth and stabilization of customers' financial situation the risk of untimely paying of liabilities by borrowers has lowered.
- Ratios

In the third quarter of 2010 basic financial ratios present as follows:

Financial ratios	Q3 2010	Q3 2009
ROE *	11.2%	8.0%
ROA	1.7%	1.0%
Cost/Income	52%	45%
Loans to non-financial sector/Deposits from non-financial sector	61%	72%
Loans to non-financial sector/Total assets	28%	34%
Net interest income/Revenue	57%	51%
Net fee and commission income/Revenue	25%	20%

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

Group employment

<i>In full time job equivalents (FTE)</i>	01.01. – 30.09. 2010	01.01. – 30.09. 2009	Change	
			FTEs	%
Average employment in the third quarter	5,875	5,305	570	11%
Average employment in the period	5,614	5,364	250	5%
Employment at the quarter-end	5,830	5,260	570	11%

In the third quarter of 2010 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 September 30, 2010, capital adequacy ratio of the Group amounted to 17.50% and was 0.79 percentage points higher compared to the end of 2009, which was mainly caused by increase of own funds and decrease of total capital requirement (primarily due to lower total market risk requirement).

Capital adequacy ratio

<i>PLN '000</i>		30.09.2010*	31.12.2009**
I	Own funds for the calculation of capital adequacy ratio. including:	4,441,111	4,329,257
	Less in core and supplementary funds		
	- interests in subordinated financial entities	55,880	56,895
	- intangible assets, including:	1,282,028	1,282,574
	<i>goodwill</i>	1,245,976	1,245,976
II	Risk-weighted assets and off-balance sheet liabilities (bank portfolio)	17,477,563	17,536,963

<i>PLN '000</i>		30.09.2010*	31.12.2009**
III	Total capital requirements, of which:	2,029,741	2,072,351
	- credit risk capital requirements (II*8%)	1,398,205	1,402,957
	- counterparty risk capital requirements	122,778	131,142
	- excess concentration and large exposures risks capital requirements	51,678	54,387
	- total market risk capital requirements	73,443	106,772
	- operational risk capital requirements	361,165	345,885
	- other capital requirements	22,472	31,208
Capital adequacy ratio (I/III*12.5)		17.50%	16.71%

*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).

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

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 – 30.09.2010			01.01 – 30.09.2009		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>PLN '000</i>						
Net interest income	531,432	594,327	1,125,759	577,947	572,363	1,150,310
<i>Internal interest income, including:</i>						
<i>Internal income</i>	14,346	(14,346)	-	32,970	(32,970)	-
<i>Internal expenses</i>	14,346	-	14,346	32,970	-	32,970
<i>Internal expenses</i>	-	(14,346)	(14,346)	-	(32,970)	(32,970)
Net commission income	221,742	258,648	480,390	181,978	225,820	407,798
<i>Internal commission income, including:</i>						
<i>Internal income</i>	-	-	-	7,801	(7,801)	-
<i>Internal income</i>	-	-	-	7,801	-	7,801
<i>Internal expenses</i>	-	-	-	-	(7,801)	(7,801)
Dividend income	2,775	3,141	5,916	3,704	2,736	6,440
Net income on traded financial instruments and revaluation	208,705	20,745	229,450	158,910	30,060	188,970
Net gain on investment (deposit) securities	102,506	-	102,506	56,153	-	56,153
Net gain on investment (capital) instruments	277	2,239	2,516	3,437	-	3,437
Net other operating income	33,240	(23,022)	10,218	44,396	(10,451)	33,945
General administrative expenses	(449,570)	(527,049)	(976,619)	(446,147)	(552,119)	(998,266)
Depreciation expense	(22,785)	(24,777)	(47,562)	(37,633)	(20,612)	(58,245)
Profit / (loss) on sale of tangible fixed assets	(80)	(187)	(267)	1,872	416	2,288
Net impairment losses	(7,601)	(221,857)	(229,458)	(235,154)	(153,298)	(388,452)
Other profit not ascribe to the segment*	-	-	-	-	-	111,919
Operating income	620,641	82,208	702,849	309,463	94,915	516,297
Share in net profits (losses) of entities valued at equity method	214	-	214	182	-	182
Profit before tax	620,855	82,208	703,063	309,645	94,915	516,479
Income tax expense			(143,057)			(113,619)
Net profit			560,006			402,860

State as at:	30.09.2010			31.12.2009		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>PLN '000</i>						
Assets, including:	35,478,300	5,821,767	41,300,067	31,608,909	6,024,154	37,633,063
<i>Assets valued by the equity method</i>	55,880	-	55,880	56,895	-	56,895

State as at:	30.09.2010			31.12.2009		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>PLN '000</i>						
<i>Non-current assets held-for-sale</i>	-	9,901	9,901	2,999	16,547	19,546
Liabilities, including:	32,523,127	8,776,940	41,300,067	28,370,043	9,263,020	37,633,063
<i>Obligations</i>	28,338,434	6,612,228	34,950,662	24,369,661	7,064,013	31,433,674

8. Activities of the Group

1. Corporate Bank

- *Summary of segment results*

<i>PLN '000</i>	Q3 2010	Q3 2009	Change	
			PLN '000	%
Net interest income	179,922	192,147	(12,225)	(6.4%)
Net fee and commission income	72,895	66,771	6,124	9.2%
Dividend income	70	515	(445)	(86.4%)
Net income on traded financial instruments and revaluation	65,707	64,825	882	1.4%
Net gain on debt investment securities	44,814	20,908	23,906	114.3%
Net other operating income	11,217	9,558	1,659	17.4%
Total income	374,625	354,724	19,901	5.6%
General administrative expenses and depreciation	(157,046)	(153,014)	(4,032)	2.6%
Profit/(loss) on sales of tangible fixed assets	19	218	(199)	(91.3%)
Net impairment losses	(1,096)	(4,211)	3,115	(74.0%)
Share in profits / (losses) of undertakings accounted for under the equity method	372	691	(319)	(46.2%)
Profit before tax	216,874	198,408	18,466	9.3%
Cost / Income	42%	43%		

The main factors that determined the gross profit of the Corporate Banking for the third quarter of 2010 as compared to the corresponding period of 2009:

- Decrease in net interest income as a result of following factors: lower income from loans (due to decrease of volumes), higher income from AFS debt securities along with reduced cost of deposits;
- Increase in net fee and commission income driven by higher income on brokerage and custody services;
- Increase of net income on traded financial instruments and revaluation mainly thanks to better result on customer activity;
- Increase of net gain on debt investment securities as a result of realization of profits in the period of dropping interest rates in the two first quarters of 2010;
- Increase of general administrative expenses stemming mainly from higher staff expenses and external services expenses. At the same time depreciation as well as building maintenance and rent –

related expenses recorded a decrease (due to the consolidation of the branch network);

- Decrease of net impairment losses - as a result of significant improvement of the proportion between the amount of provisions released and created on loans at risk of impairment. Due to lasting recovery in the economy and stabilization of clients' financial situation the risk of irregular debt settlement by borrowers was lower.

a) Transaction Services

The Bank offers comprehensive, differentiated and modern products in the area of trade and transaction services to corporate customers. In parallel with traditional banking services, it delivers modern liquidity management solutions as well as mass payments and receivables management products. By combining the traditional with the best of modern banking solutions, the Bank has pursued with effective consistency the strategy of broadening its product offer, through inclusion of truly innovative services.

- Account services

One of the key elements of pursuing the Bank's strategy is focusing on acquiring and servicing operating accounts – i.e. bank accounts hosting the crucial part of operational cash flow of their owners. Within the strategy the Bank intensifies activities aimed at strengthening the Bank-client relations. Achieving this goal will be fostered by further improvement of the service quality, adapting the product offer to the needs of particular client segments and implementation of innovative transaction banking solutions. The tangible result of implementing this strategy is the 16% growth in the number of operating accounts in the period of January-September 2010.

- Payments and receivables

Electronic Post Office Money Transfers

Electronic Post Office Money Transfer is a product aimed at corporate clients who wish to pay cash to their business partners in post offices through post office employees. In the third quarter of 2010 the Bank achieved impressive results as far as the number of processed electronic post office money transfers is concerned – in September, the record month, over 42 thousand transactions were conducted. The total number of transactions in the third quarter of 2010 exceeded 124 thousand and was 71% higher than in the same period of 2009.

Direct Debit

In the third quarter of 2010 the Bank continued work on implementing the Ognivo Electronic Direct Debit (EDD) module, which would speed up and streamline the process of confirming mandates in the servicing of the direct debit product. Currently, the process is functioning based on paper documents sent by mail or courier companies. Within the Ognivo EDD, which is offered by Krajowa Izba Rozliczeniowa S.A. (the National Clearing Chamber), the process of confirming direct debit mandates will be carried out electronically, based on scanned images of paper mandates. The Bank is a market leader in servicing direct debit for creditors. The implementation of the Ognivo module will speed up the service, increase customer satisfaction and will positively influence the efficiency of the Bank resource utilization.

Foreign Bank Transfers

In an endeavor to meet the expectations of its corporate clients, the Bank extended the hours of accepting foreign bank transfers for the most popular currencies. The new schedules apply to the USD, EUR and GBP. The conditions of servicing foreign transactions offered by the Bank are viewed as one of the most attractive on the market.

MicroPayments

MicroPayments are used by institutions and entities that accept cash deposits from various payers and have the obligation of returning these together with accrued interest. Courts and prosecution administrations are

the key client segment using that product. Clients outside the public sector use the MicroPayments for servicing tenders.

- Card Products

The Bank maintains the position of the leader in the pre-paid payment cards market in Poland. 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. At the end of the third quarter of 2010 the number of actively used pre-paid cards stood at over 366 thousand.

The Bank has sought to strengthen its position in the business cards segment. At the end of the third quarter of 2010 the number of active cards of that type stood at almost 17 thousand.

The Visa Business debit card issued for EUR and USD accounts proved to be highly popular. This offer, introduced at the beginning of the second quarter this year, led to signing 20 contracts with new clients.

- Cash Products

The Bank offers its clients a broad range of cash products and solutions. Its product offer is responsive to the needs and requirements of diverse client groups. In addition to corporates, also budgetary units, courts and banks rely on the cash settlements offer of the Bank. In the third quarter of 2010 the volume of customer payments increased again. The volume of processed cash was 3% higher compared to the previous quarter and 4.5% higher compared to the same period of the previous year.

- E-Banking

The CitiDirect is the primary e-banking system offered by the Bank to its corporate clients.

At the end of the third quarter of 2010 the number of corporate clients activated in the CitiDirect e-banking system grew by 6% compared to the end of the third quarter of 2009 and amounted to 10.7 thousand. The number of transactions processed electronically by the CitiDirect e-banking system in the third quarter of 2010 amounted to over 5.5 million and remained at a similar level compared with the equivalent period a year earlier.

The share of bank statements delivered to customers through electronic means only stayed at a high and stable level and, similarly to the third quarter of 2009, amounted to 90%.

- Trade Finance Products

The Bank offers a wide range of trade finance products, including factoring, factoring with insurance, discounting various bills of exchange, supplier financing and distributor financing. In the third quarter of 2010 the Bank continued work to strengthen its position in that segment of banking services. A new solution was included in the Bank's offer – the reverse factoring. This service consists in purchasing trade debt on the motion of the debtor, based on subrogation – the legal mechanism regulated by the Civil Code.

The confirmation of the Bank's competence in trade financing was choosing it to be the organizer of supplier financing program for a pharmaceutical leader. The value of financing within the program amounts to PLN 45 million.

In the area of trade finance products (such as letters of credit, collections and guarantees) the key event was the inclusion of a new product in the offer – the financing of the ordering party, which for the Bank client means deferment of payment refunding on the import letter of credit.

- EU Office

In the third quarter of 2010 the EU Office conducted activities aimed at making the present clients of the Bank active. The Bank representatives organized direct meetings with the clients and took part in press

conferences devoted to EU funds. During the meetings the possibilities of obtaining EU financing were presented. The clients also acquired information on potential financing of innovative undertakings. The meetings were aimed mainly at small and medium enterprises. The campaign was effective in the sense of gaining new clients for whom the EU Office performed advisory activities and prepared application documents. In the third quarter of 2010 the EU Office signed further contracts for EU advisory services with the Bank's clients.

b) Capital Markets and the Corporate and Investment Bank

- Treasury

In the third quarter of 2010 the Bank performed well in the area of foreign exchange with corporate clients and maintained its leadership position in the market. The high standard of service and well-developed offer allowed for increasing the turnover for these transactions by 10% compared to the third quarter of 2009 and by 11% compared to the second quarter of 2010. The increased turnover was coupled with growing customer base.

The Bank provides its clients with the CitiFX Pulse internet platform, which enables internet-based FX trading at market prices. This tool offers quick and safe access to financial markets and makes it possible to allocate financial resources and manage the FX position. In the third quarter of 2010 the Bank recorded a growth of turnover from FX transactions executed on-line by 12% compared to the same period of 2009.

The third quarter of 2010 proved to be very beneficial also within the complex derivative market. The non-banking clients became more interested in the possibility of hedging commodity transactions, which is confirmed by over six-fold growth of the Bank's income from such transactions.

- 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 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

PLN million	30.09.2010	30.06.2010	Change	
			Amount	%
Total Commercial Bank	6,959	6,761	198	3%
including:				
MMEs and SMEs	941	864	77	9%
Large enterprises	812	697	115	17%
Public sector	93	94	(1)	(1%)
Global Clients	2,960	2,572	388	15%
Corporate Clients	1,089	1,412	(323)	(23%)

Liabilities

PLN million	30.09.2010	30.06.2010	Change	
			Amount	%
Total Commercial Bank	15,269	16,283	(1,014)	(6%)
including:				
MMEs and SMEs	1,950	1,943	7	0%
Large enterprises	1,078	725	354	49%
Public sector	1,568	1,934	(365)	(19%)
Global Clients	7,436	7,326	110	2%
Corporate Clients	3,196	4,040	(844)	(21%)

Key initiatives in the Global Clients Segment

The Bank's position is particularly strong in servicing international corporations. In servicing the largest clients the strong advantage of the Bank is its Citigroup membership. The Bank is able to offer unique services to its clients that combine its knowledge of domestic economic conditions with the Citigroup's international experience and global reach.

In the third quarter a significant transaction was finalized concerning pre-financing import to Poland based on the SACE policy and new programs were signed based on financing suppliers of an FCMG leader. Compared to the second quarter of 2010, the assets of the Global Clients Segment grew by 15%.

In the third quarter of 2010 the "German Day" was organized. It was a special day for German clients, during which the Bank presented a set of macroeconomic data and its product offer.

Key initiatives in the Corporate Clients Segment

In the third quarter of 2010 the Bank executed significant derivative and commodity exchange transactions with key clients in the Polish market. One of the successes was signing a credit contract for PLN 200 million with a leading energy sector company and signing a significant leasing contract with a pharmaceutical company.

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

In the third quarter of 2010 the Bank focused particularly on making the current customer base active by financing working capital and selling other bank products. As a result the assets in the SME, MME and Large Enterprises Segments grew by about 12% compared to the second quarter of 2010. On the other hand, the lower level of liabilities resulted from falling deposit balances of public sector clients (mainly courts).

Additionally, in the third quarter of 2010 the Bank won the tender for servicing the City of Tarnów and acquired a significant player from the domestic appliance sector. This latter transaction assumes servicing the holding company in Poland and a subsidiary in Russia.

The activation campaign for trade finance is being continued and it consists in introducing reverse factoring. This product proved to be highly popular among the clients.

Key initiatives in the Direct Banking Segment

A new Direct Banking Office was launched at the beginning of April which, in line with the accepted strategy, executes the plan of 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.

In the third quarter of 2010 the Direct Banking Office continued its activities aimed at making the clients active. As a result about 150 clients intensified their cooperation with the Bank.

- 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 third quarter of 2010 the DMBH acted as an intermediary in 13.1% of secondary equities trading, thus retaining its market leadership. Over the period the value of equity trades executed via DMBH on WSE reached PLN 13.9 billion (growth of 30% compared to the equivalent period of 2009) while trading over the entire WSE market increased by 14.2% compared to the equivalent period of 2009.

The number of brokerage accounts with the DMBH in the third quarter of 2010 remained virtually unchanged and amounted to 8,265 at the end of the period.

The listing of significant market value companies on the WSE (PZU, Tauron) increased foreign investors’ interest in the Polish equity market. This also translated into increased DMBH performance as its exposure to this client segment is significant.

The potential change in law regulating the investment activities of OFEs (Open Pension Funds) may exert a positive influence on the DMBH activity, as it may increase the OFEs’ demand for stocks.

At the end of the third quarter of 2010 the DMBH served as a Market Maker for 36 companies, which is 9.3% of all stocks listed on the WSE and places the DMBH at the fourth place among brokerage houses in Poland. Additionally, in the third quarter of 2010 the DMBH was the second most active brokerage house supporting market liquidity within the Market Maker function.

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

In the third quarter of 2010 the DMBH organized the following capital market transactions:

- the public call for 100% shares of Nepentes S.A., announced in May 2010 and completed in August 2010, the realized value of PLN 466 million. The DMBH acted as an Intermediary for the call,
- the public offering of the B series Investment Certificates of Legg Mason Akcji Skoncentrowany FIZ, commenced in June 2010 and completed in July 2010, the realized value of PLN 18 million. The DMBH acted as the Underwriter,
- the forced buyout of the shares of Nepentes S.A., executed in September 2010 with the value of PLN 1.2 million. The DMBH acted as an Intermediary for the forced buyout,
- the public call for 100% shares of Ruch S.A., announced in July 2010 and completed in September 2010, the realized value of PLN 547 million. The DMBH acted as an Intermediary for the call.

Summary Income Statement and Balance Sheet*

Company name	Headquartered	Participation interest of the Bank in equity	Balance	Equity as at	Net financial result
			sheet total as at 30.09.2010	30.09.2010	for 01.01-30.09.2010
		%	PLN ‘000	PLN ‘000	PLN ‘000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100,00	912,772	99,547	16,172

*Unaudited data

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

The value of new leases contracted in the third quarter of 2010 stood at PLN 32.7 million, compared to PLN 67.6 million of contracts executed in the third quarter of 2009, representing a decline of 51.6%.

The structure of assets leased in the third quarter of 2010 was as follows:

- the share of heavy transport vehicles stood at 54% of the total financed chattels,
- the share of machinery and equipment stood at 46% of the total financed fixed assets.

Net asset value of leases

PLN million	Q3 2010	Q3 2009	Change	
			PLN million	%
Value of leases contracted in the period:	32.7	67.6	(34.9)	(51.6%)
- for vehicles	17.6	12.8	4.8	37.4%
- for machinery and equipment	15.1	54.8	(39.7)	(72.4%)

The company pursued its strategy, whose main assumption is selling leasing solely to the clients of the Bank and strengthening the Handlowy-Leasing brand recognition among those clients. Additionally, intensive activities were carried out to create a broader Company offer that would cover all the segments of the Bank's clients. In the third quarter of 2010 the marketing campaign directed at retail banking clients was terminated.

In the third quarter of 2010 Handlowy-Leasing continued the execution of determined sales objectives by activating banking advisors and increasing product sales through the banking sales channel. At the same time the Company's priority was to maintain the quality of its credit portfolio through adequate risk assessment for new transactions and to keep the discipline of its credit portfolio management.

Summary Income Statement and Balance Sheet*

Company name	Headquartered	Participation interest of the Bank in equity	Balance sheet total	Equity as at	Net financial result
			as at 30.09.2010	30.09.2010	for 01.01-30.09.2010
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100,00	949,508	157,747	(440)

*Unaudited unit data

2. Consumer Bank

- *Summary segmental results*

PLN '000	Q3 2010	Q3 2009	Change	
			PLN '000	%
Net interest income	198,975	184,185	14,790	8.0%
Net fee and commission income	90,649	84,220	6,429	7.6%
Net income on traded financial instruments and revaluation	7,098	9,568	(2,470)	(25.8%)
Net other operating income	(4,250)	(6,031)	1,781	(29.5%)
Total income	292,472	271,942	20,530	7.5%
General administrative expenses and depreciation	(190,537)	(176,377)	(14,160)	8.0%
Profit/(loss) on sale of tangible fixed assets	(69)	(132)	63	(47.7%)
Net impairment losses	(62,179)	(51,245)	(10,934)	21.3%
Profit before tax	39,687	44,188	(4,501)	(10.2%)
Cost / income	65%	65%		

The main factors that determined the gross profit of Consumer Bank in the third quarter of 2010 as compared to the corresponding period of 2009:

- Increase in net interest income through both lower interest costs (effect of lowered interests on savings accounts) and higher interest income, driven mainly by credit cards;
- Increase in fee and commission income resulting from higher income on payment and credit cards as well as lower cards' acquisition expenses;
- Increase of expenses as a result of higher staff expenses due to insourcing of some operational processes, previously performed by external companies cooperating with the Bank, intensified marketing and continued investments in IT infrastructure (including internet banking platform);
- The higher net impairment losses were caused by deterioration of quality of the consumer loans and credit cards portfolio.

a) Credit Cards

The total portfolio of credit cards as at the end of the third quarter of 2010 amounted to 932 thousand.

To celebrate the 140th anniversary of Bank Handlowy w Warszawie S.A. the Bank launched a limited series of credit cards with the image of one of its first branches. The sale is conducted within a special, temporary price offer – exempted from the annual fee.

In July 2010, in order to further increase customer satisfaction, the branches of the Bank were supplied with new equipment for pressing credit cards that allows to produce and distribute a card within 20 minutes only.

In the third quarter of 2010, due to establishing cooperation with a new, external telemarketing center, the sales campaign of the Comfort Instalment Repayment Plan was intensified. Additionally, focusing on the customers who withdraw cash via ATMs, the Bank launched a new offer whose aim was to encourage them to use larger cash transfers via the CitiPhone 24-hour service office.

In order to intensify the sales and activation of additional cards, in the third quarter of 2010 the Bank introduced a special offer for the Bank's credit card holders: "Promotion – Additional Card for those close to you". Customers who applied for an Additional Card in a specified period of time and executed a non-cash transaction received a gift. Starting from July 2010 the customers were enabled to apply for additional cards not only through the CitiPhone, but also in the branches and through direct sale agents.

The third quarter of 2010 was a period of a number of marketing campaigns, including: "Win an iPad for holidays" directed at all card holders, an offer for specific LOT and PLUS partner card holders or the Cashback promotion. Within the last campaign, directed at clients who often travel and use their credit card extensively, a defined percentage of the value of a credit card transaction is returned to the client.

The "Upgrade" program was also initiated in the third quarter of 2010 for the Bank's customers. They are offered replacement of their credit with a more prestigious one to maintain good relations (from silver to gold or from gold to platinum). The offer is directed at selected client groups and will be conducted cyclically.

b) Consumer Bank

- Bank accounts

In the third quarter of 2010 the Bank continued its initiatives directed at increasing the acquisition of active customers owning personal accounts and it introduced numerous solutions influencing the quality of service and cost reduction.

In July 2010 the new Table of Fees and Commissions was introduced for individuals opening bank accounts and it introduced, among other things, lower fees within the new, standard offer. The biggest change is enabling the owners of all four individual account types to withdraw cash free of charge from all ATMs in Poland.

The new accounts foster customer activity. The customer does not pay for servicing the account when a minimum sum of PLN 1.5 thousand is transferred into the account, irrespective of the source. So far only remuneration inflow exempted the owner from the account servicing fee. Additionally, the new CitiKonto Direct internet account has a lower income requirement (PLN 1.5 thousand instead of the former PLN 2.5 thousand). Although the internet account involves higher money transfer commission for transfers ordered in the branches, it exempts the owner from the debit card fee.

For the other higher segment accounts, i.e. CitiOne and Citigold, even if the customer does not fulfil the specified requirements of income (PLN 5 thousand and PLN 12 thousand respectively), the accounts are serviced free of charge provided that the total of deposit, investment and insurance products has a specified balance with the Bank (PLN 15 thousand and PLN 200 thousand for CitiOne and CitiGold accounts respectively). The new table also involves other beneficial changes for the customers, such as: removing the cash withdrawal fee in shops (the Cashback service), no fees for internal transfers irrespective of the channel or introducing the first free-of-charge transfer in a given month from any savings account, including currency accounts.

In July, together with the changes in the Table of Fees and Commissions, the new Deposit Product Contract was introduced. Signing the contract by both the existing and new customers enables opening subsequent products and services directly via the CitiPhone, and later also via the Citibank Online, the internet service of the Bank. The contract integrates the contract for individual, savings and super savings accounts, as well as deposits and currency accounts, debit cards and other payment instruments, such as mobile payments. For customers who decide to provide the Bank with their e-mail address the contract also introduced electronic statements and electronic notification of changes in the Regulations of Bank Accounts and the Table of Fees and Commissions.

Starting with the third quarter of 2010, the customers interested in the MasterCard PayPass microprocessor debit card will get it “on the spot” in a branch. This significant technological change is aimed at increasing the quality of banking service. Citi Handlowy is the only bank in Poland that offers such a convenience to its customers.

On 1 July and 3 August 2010 the Bank lowered the interest on its PLN deposit products. The change in interest rates increased the income efficiency from savings accounts and deposits and was a part of the strategy of active interest management for the customers.

On 1 July 2010 the Bank introduced a new debit card for small enterprises. The magnetic strip Maestro cards were replaced with MasterCard PayPass Business cards with a microprocessor that protects against copying the card data. Due to this the new cards are safer and enable quicker transactions through its PayPass proximity module. Transactions of up to PLN 50 do not require authorization with the PIN code or signature.

The number of bank accounts grew in the third quarter of 2010 to 765 thousand (including 202 thousand foreign currency accounts) from 746 thousand in the second quarter of 2010 and from 690 thousand in the third quarter of 2009, which translates into growth of almost 3% QOQ and 11% YOY respectively. The total number of bank accounts (765 thousand) includes savings accounts, which at the end of the third quarter of 2010 amounted to 204 thousand.

- Credit Products

Cash loan

In July and August 2010 the bank conducted a number of sales activities aimed at strengthening the relations with the customers who use the Bank’s credit and deposit products.

The aim of the “Loan with attractive interest” promotion, introduced in July 2010, was to encourage selected credit card customers to transfer their debt from other banks. Under the special consolidation offer the nominal interest rate of the loan could be up to 1 per cent lower than in other banks, on condition that the customers consolidate their debt and present the contract or other written confirmation of their financial conditions in another bank.

In the second half of September 2010 the Bank introduced an attractive offer of a cash loan for active customers holding a personal account and regularly transferring their remuneration to it. The nominal interest rate of the loan will be lowered by 3% for the customers who take advantage of the offer.

Starting from September 2010, in reaction to seasonal growth of customer interest in the loan offer, the Bank prepared a promotional offer for large cash loans available via the internet. Customers who apply for the loan through the internet and receive a loan of at least PLN 80 thousand net, may choose one of the prizes – either a laptop computer or 0% cost of the preparation fee for the loan.

Credit Line

In the third quarter of 2010 a new, promotional interest rate of the Credit Line was introduced for those customers who transfer their account with remuneration and credit line to the Bank. Additionally, the Bank continues its price promotion of not charging fees for the first year of using the Credit Line.

The promotion influenced both the growth of activity of the Credit Line in the third quarter of 2010 and the increase of respective income by 4% compared to the second quarter of 2010.

In August 2010 the Bank introduced changes in the product documentation and credit verification, which ensured the conformity of the Credit Line Product servicing with the requirements of the T Recommendation introduced by the Polish Financial Supervision Authority.

Mortgage products

Starting from July 2010, in order to fulfill growing customer needs, the Bank introduced the Purpose Mortgage Loan. Through this product the customers can finance the purchase of an apartment in the primary market or the purchase of a building plot. The margin level for Purpose Mortgage Loan is the same as for Mortgage Loan if the loan is for purchasing fixed property and the customer provides the Bank with the required collateral. Additionally, starting from July 2010, the Bank commenced cooperation with local financial brokers. This process will allow for testing the efficiency and quality of this channel in acquiring new customers and will strengthen the perception of the Bank’s mortgage products.

On 1 September 2010 a new autumn promotion was launched – 0% commission on granting a Mortgage Credit or Loan. The campaign is carried out in the branches (by exposition of materials informing about the promotion) as well as over the internet and on affiliate websites. Apart from the commission promotion, customers could receive PLN 100 on a pre-paid card for filing in a complete application for a credit or loan.

- Investment Products

Investment Life Insurance

Due to signing an agent contract with the PZU Życie S.A., the largest Polish insurer, in August 2010 the bank started its first subscription of individual investment life insurance – “Inwestuj z WIGorem” – the WIG20 subscription. It was the first product prepared in collaboration with PZU Życie S.A. that enabled the Bank’s customers to benefit from the potential growth of the WIG20 index and at the same time offered 100% initial capital protection at the end of the insurance period.

Structured Bonds

The Bank carried out 3 structured bond subscriptions aimed at the Citigold and Citigold Select clients. The structured bonds were denominated in PLN (1 subscription), USD (1 subscription) and EUR (1 subscription). The offers were directed both at clients who were seeking products with fixed coupon (3-4% p.a. for bonds denominated in USD or EUR) and at those who were seeking indirect exposure to the commodity market with simultaneous invested capital protection by the Issuer at the date of maturity.

Brokerage services

In the third quarter of 2010 the model of cooperation with the DMBH was developed. Due to the new capabilities the Bank was able to actively promote the DMBH services among its current customers. Although there were no new offerings of companies owned by the State Treasury, which had significantly supported customer acquisition in the previous months, in the third quarter of 2010 100 new Customers were acquired for the brokerage services provided together by the Bank and the DMBH.

- Insurance Products

Travel Insurance

In July 2010 the Bank extended its offer by the new World without Frontiers travel insurance. This insurance is available via the Citibank Online and is purchased by the customer on-line and the payment is made from the Citibank credit card account. The confirmation of insurance is sent to the customer by a SMS text message and the policy is sent to the customer's e-mail address.

Within the World without Frontiers insurance the holder of the primary Citibank Credit Card and a designated number of co-travellers have access to a broad range of insurance coverage while travelling in Europe or all over the world. The insurer is Europ Assistance Holding Ltd.

The Secure Your Financial Future campaign

On 6 September 2010 the Secure Your Financial Future campaign was launched in the Bank's branches. By this new campaign the Bank wishes to convince its customers to adequately plan and secure the financial future of themselves and the ones close to them. Marketing materials supporting the campaign were made available in the branches and the Bank advisors conducted activities promoting solutions that can help customers collect and grow funds for financing their future goals. Within the campaign the Bank offers investment, insurance products as well as insurance products incorporating the savings or investment element.

Promotion of savings insurance together with the Citibank personal account

In September the Policy for a Good Life and Policy for a Good Start insurance promotion was introduced. Its aim is to strengthen the attractiveness of the insurance offer and increasing the sales of accounts with regular income.

Within the promotion the customers who start regular contributions to the account after signing an insurance contract will receive a 50% discount on the premium from the Insurer, MetLife. The discount will apply to the maximum of 6 first monthly premiums.

- Electronic and Telephone Banking

The Internet

The third quarter of 2010 was a period of introducing numerous new solutions within the Internet Banking.

In August the Bank introduced the Program á La Carte internet service. Within the Program the Bank recommends selected restaurants to its customers where they can receive special privileges. A special version of the service, suited to the customers using the CitiMobile banking, was also prepared.

On 6 September 2010 the Bank launched the new version of the Citibank Online internet banking service. The Bank's customers were offered a new transaction platform, visually facelifted and equipped with a number of new functionalities.

The third quarter of 2010 saw a stable increase in the number of customers using the electronic service. The number of customers registered in the internet banking at the end of the third quarter of 2010 exceeded 628 thousand, which translates into 5% growth compared to the end of the second quarter of 2010. The number of the electronic statement users reached 489 thousand, i.e. it grew by 2% compared to the end of the second

quarter of 2010.

CitiPhone

In the third quarter of 2010 the CitiPhone 24h customer service team satisfied the assumed quality standards for customer telephone services and the telephone service factor (TSF) was over 80%.

- Indirect and Direct Customer Acquisition

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.

The third quarter of 2010 saw dynamic development of the Office structures. Within a new initiative the area sales team was expanded and now incorporates a network of direct sales agents all over the country. Meanwhile, due to continuing improvement of sales efficiency, the third quarter of 2010 saw a 64% growth in the number of new customers and a 66% increase in the products sold compared to the second quarter of 2010.

The financial seminars, familiarizing the domain of the Bank's services and products, continued into the third quarter of 2010. The Office organized 209 presentations for over 2000 potential customers. Owing to the information disseminated during the seminars, the ratio of participants interested in further contacts with the Bank grew to 42% from 27% in the previous quarter.

In September 2010 contracts with new Bank partners were finalized, which made it possible to increase the number of sales outlets by 25%. Further development of the network is planned so that by the end of the year the number of outlets should reach at least 130.

The Bank continues its project of selling credit cards via sales outlets in airports. In July 2010 the sales outlet in Chopin airport in Warsaw posted record sales. This impressive sales performance was influenced by introducing a new working shift in the banking outlet and organizing special training sessions.

During the third quarter of 2010 the Bank increased its presence in sales outlets located in BP petrol stations and in Plus sales outlets.

The third quarter of 2010 was also a period of further increase in personal account acquisition, whose sales commenced in June 2010 via the Agency channel.

2. Branch network

At the end of the third quarter of 2010 the branch network comprised 155 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).

In the period the Bank continued to optimize its branch network, which contributed to increased operational efficiency, improved sales, optimized use of human resources and infrastructure, and rationalization of the Bank's property management costs.

The branch network optimization in the third quarter of 2010 included the following:

- in consequence of a property sale decision, full operational activity of an L type outlet was consolidated and moved from ul. Jasnogórska 75 to the existing, expanded outlet at ul. Najświętszej Marii Panny 26 in Częstochowa,
- two outlet consolidations formerly branded as CitiFinancial were carried out. The activities consisted in

moving the outlets to existing multifunctional outlets that now offer a full range of products,

- the range of customer deposit service was expanded in one S type outlet, currently the M type.

The number of branches

	Q3 2010	Q2 2010	Q3 2009	Change Q310/ Q210	Change Q310/ Q309
Number of outlets:	155	158	234	(3)	(79)
- L type	43	43	47	-	(4)
- M type	90	90	88	-	2
- S type	22	25	64	(3)	(42)
- T type	-	-	35	-	(35)
Other sales / customer service outlets:					
Polkomtel sales points	51	71	68	(20)	(17)
Plus outlets	16	11	14	5	2
Airports	5	5	3	-	2
BP petrol stations	32	13	50	19	(18)
Shopping centres	7	7	3	-	4
Number of own ATMs	157	154	162	3	(5)
Euronet ATMs with logo of "Citi Handlowy"	940	789	-	151	940
Unikasa – advanced functionality	370	450	-	(80)	370

The prospects for the branch network development

In accordance with the assumed strategy, in 2010 all branches in G9 markets (biggest towns in the country, strategic from the point of view of development of consumer banking) and in Tier 1 (cities of over 100 thousand inhabitants) the Bank will continue its "Citi Grow" program aimed at standardization of sales quality and customer service. The network of bank outlets will be actively supported by remote customer service channels (CitiPhone, internet platform, TeleSales), providing 24h transaction services and sales of banking services tailored to customer needs.

Further outlets will be adapted to expanded consumer deposit taking services. The Bank will also extend the branch network by new outlets on G9 markets.

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 2 July 2010, within the Emisja Bankowych Papierów Wartościowych (Debt Security of the Bank Issue) Program, Bank effected the first issue of 18-month certificate of deposit ("BPW") in the amount of 673 thous. PLN.

Provided that BPW are held until maturity - 6 January 2012, at redemption the issuer is obliged to pay the principal, guaranteed interest and premium interest.

The principal, in line with the issue price, is 1 000 PLN, minimum investment is 10 000 PLN and further the multiple of 1 000 PLN. Guaranteed interest rate is 0,2%. The payment of premium interest depends on the performance of the currency pair EUR/PLN, which is quoted at Bloomberg EUCFPLN Index or Reuters ECB47. The amount of premium interest depends on the fall of value of underlying EUR/PLN in a period between Initial Level Fixing Day - 4 October 2010 - and Reference Level Fixing Day - 4 January 2012.

11. Paid or declared dividends

Paid dividends

According to Resolution no 29/2010 of the Ordinary General Meeting of 28 June 2010 the profit for year 2009 was divided and the decision to pay out the dividend was made. Record and payment dates were also set. It was decided to pay out PLN 492,586,692.00 as a dividend to stockholders from net profit for the year 2009 which determined the payout for single share at PLN 3.77. The amount of shares eligible to dividend is 130,659,600.

Record date was set to be 5 July 2010. Dividend was paid out on 30 August 2010.

12. Changes in the Group's structure

In the third quarter of 2010 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 30 September 2010 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 30 September 2010 and changes in comparison to the end of 2009 are as follows:

<i>PLN '000</i>	State as at		Change	
	30.09.2010	31.12.2009	PLN '000	%
<i>Contingent liabilities</i>				
Granted liabilities				
a) financial	11,463,781	11,857,013	(393,232)	(3%)
<i>Import letters of credit issued</i>	102,548	128,453	(25,905)	(25%)
<i>Lines of credit granted</i>	10,811,755	11,428,560	(616,805)	(6%)
<i>Deposits to withdraw</i>	14,978	-	14,978	-
<i>Subscription of securities granted to other issuers</i>	534,500	300,000	234,500	44%
b) guarantees	1,843,932	1,910,419	(66,487)	(4%)
<i>Guarantees granted</i>	1,826,470	1,902,396	(75,926)	(4%)
<i>Export letters of credit confirmed</i>	2,142	8,023	(5,881)	(275%)
<i>Other</i>	15,320	-	15,320	-
	13,307,713	13,767,432	(459,719)	(3%)
Liabilities received				
a) financial (deposits to receive)	3,485	-	3,485	-
b) guarantees (guarantees received)	2,830,600	3,231,817	(401,217)	(14%)
	2,834,085	3,231,817	(397,732)	(14%)
Current off-balance sheet transactions*	5,069,893	989,499	4,080,394	80%
Forward off-balance sheet transactions**	227,841,901	150,135,664	77,706,237	34%
	249,053,592	168,124,412	80,929,180	32%

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

** Derivatives: FX, interest rate transactions and options

15. Achievement of 2010 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2010.

16. Information about shareholders

As at the day of transfer of the Interim Statement for the third quarter 2010 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 (PLN '000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75	97,994,700	75
Other shareholders	130,659	32,664,900	25	32,664,900	25
	522,638	130,659,600	100	130,659,600	100

In the period between publishing Interim consolidated financial statement for the second quarter of 2010 and publishing this statement for the third quarter of 2010 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 the Interim Financial Statement for the third quarter 2010	Number of shares on day of transfer of the Interim Financial Statement for the second quarter 2010
Iwona Dudzińska	Member of the Managing Board	600	600
Andrzej Olechowski	Vice-chairman of Supervisory Board	1,200	1,200
Total		1,800	1,800

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

18. Information on pending proceedings

In the third quarter of 2010 there was no single proceeding regarding debts of the Bank or debts 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 650 million.

In the third quarter of 2010, the total amount of debts of the Bank and its controlled companies has decreased. 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

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: 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: 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 third quarter 2010, there was no proceeding regarding liabilities of the Bank or liabilities of any bank controlled company, the value of which would equal at least 10% of the Bank's equity, pending before court, public administration authority or an arbitration authority.

In the third quarter 2010 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 third quarter of 2010, 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 third quarter of 2010, 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. Description of factors and events that might affect the Group's future financial performance

The realization of a negative global macroeconomic scenario, especially in the Eurozone, would negatively affect the exporters' performance, which could deteriorate the job market and weaken the zloty. The

depreciation of the domestic currency could also be triggered by revival of concerns over the fiscal situation of highly indebted countries. Worse job market conditions and the weaker zloty would negatively affect the condition of households, and particularly borrowers burdened with currency loans. Weaker global and domestic economic growth could pose a risk of deteriorating public finance, while growing public debt to GDP ratio would require tightening the fiscal policy in the coming years. Lowering the fiscal deficit by cutting expenses and raising taxes would exert even more negative influence on the Bank's customers discretionary income.

*Summary interim financial statements of the Bank for third quarter 2010**Condensed income statement of the Bank*

<i>PLN '000</i>	Third quarter period from 01.07.10 to 30.09.10	Third quarter growing period from 01.01.10 to 30.09.10	Third quarter period from 01.07.09 to 30.09.09	Third quarter growing period from 01.01.09 to 30.09.09
Interest and similar income	488,518	1,462,435	504,216	1,557,263
Interest expense and similar charges	(117,609)	(360,718)	(137,101)	(442,793)
Net interest income	370,909	1,101,717	367,115	1,114,470
Fee and commission income	170,022	493,796	161,171	445,266
Fee and commission expense	(18,888)	(53,648)	(20,767)	(60,092)
Net fee and commission income	151,134	440,148	140,404	385,174
Dividend income	-	12,509	263	17,837
Net income on financial instruments and revaluation	71,498	229,366	73,670	195,285
Net gain on investment (deposit) securities	44,814	102,506	20,908	56,153
Net gain on investment (capital) instruments	-	2,516	-	3,437
Other operating income	16,095	55,365	133,829	180,843
Other operating expenses	(9,647)	(40,882)	(15,494)	(32,018)
Net other operating income	6,448	14,483	118,335	148,825
General administrative expenses	(322,451)	(947,423)	(309,233)	(975,054)
Depreciation expense	(13,497)	(43,588)	(14,283)	(55,070)
Profit/(loss) on sale of tangible fixed assets	(50)	(253)	85	2,295
Net impairment losses	(57,735)	(221,514)	(44,720)	(366,494)
Profit before tax	251,070	690,467	352,544	526,858
Income tax expense	(44,660)	(138,356)	(69,197)	(112,667)
Net profit	206,410	552,111	283,347	414,191
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		4.23		3.17
Diluted net profit per ordinary share (in PLN)		4.23		3.17

Condensed statement of comprehensive income

<i>PLN '000</i>	Third quarter period from 01.07.10 to 30.09.10	Third quarter growing period from 01.01.10 to 30.09.10	Third quarter period from 01.07.09 to 30.09.09	Third quarter growing period from 01.01.09 to 30.09.09
Net income	206,410	552,111	283,347	414,191
Other comprehensive income:				
Valuation of financial assets available for sale (net)	4,228	82,322	84,275	91,276
Total income	210,638	634,433	367,622	505,467

Condensed balance sheet of the Bank

	State as at	30.09.2010	31.12.2009
<i>PLN '000</i>			
ASSETS			
Cash and balances with Central Bank		1,888,583	4,113,355
Financial assets held for trading		7,165,742	5,372,618
Debt securities available-for-sale		15,013,539	8,290,225
Equity investments		303,585	305,016
Loans and advances		13,467,309	15,940,293
<i>to financial sector</i>		2,714,927	5,043,395
<i>to non-financial sector</i>		10,752,382	10,896,898
Property and equipment		448,232	471,103
<i>land, buildings and equipment</i>		429,924	452,795
<i>investment property</i>		18,308	18,308
Intangible assets		1,279,394	1,278,793
Income tax assets		297,375	459,413
<i>current</i>		-	86,687
<i>deferred</i>		297,375	372,726
Other assets		210,516	205,077
Non-current assets held-for-sale		9,901	19,546
Total assets		40,084,176	36,455,439
LIABILITIES			
Liabilities to Central Bank		-	980,446
Financial liabilities held for trading		3,716,116	3,108,493
Financial liabilities valued at amortized cost		29,443,215	25,761,339
<i>deposits from</i>		25,801,494	25,408,506
<i>financial sector</i>		6,955,625	4,861,146
<i>non-financial sector</i>		18,845,869	20,547,360
<i>liabilities from own issue</i>		673	-
<i>other liabilities</i>		3,641,048	352,833
Provisions		24,199	49,527
Deferred income tax liabilities		13,215	-
Other liabilities		610,147	421,011
Total liabilities		33,806,892	30,320,816
EQUITY			
Issued capital		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		1,296	(81,026)
Other reserves		2,256,654	2,223,274
Retained earnings		552,111	525,152
Total equity		6,277,284	6,134,623
Total liabilities and equity		40,084,176	36,455,439

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 2010	522,638	2,944,585	(81,026)	2,223,274	525,152	6,134,623
Total income	-	-	82,322	-	552,111	634,433
Valuation of capital rewards program, including:	-	-	-	815	-	815
- valuation change	-	-	-	2,140	-	2,140
- income tax respite	-	-	-	(1,325)	-	(1,325)
Dividends paid	-	-	-	-	(492,587)	(492,587)
Transfer on capital	-	-	-	32,565	(32,565)	-
Balance as at 30 September 2010	522,638	2,944,585	1,296	2,256,654	552,111	6,277,284

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2009	522,638	2,944,585	(144,110)	1,570,673	645,664	5,539,450
Total income	-	-	91,276	-	414,191	505,467
Valuation of capital rewards program, including:	-	-	-	4,320	-	4,320
- valuation change	-	-	-	5,688	-	5,688
- income tax respite	-	-	-	(1,368)	-	(1,368)
Transfer on capital	-	-	-	645,664	(645,664)	-
Balance as at 30 September 2009	522,638	2,944,585	(52,834)	2,220,657	414,191	6,049,237

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2009	522,638	2,944,585	(144,110)	1,570,673	645,664	5,539,450
Total income	-	-	63,084	-	525,152	588,236
Valuation of capital rewards program, including:	-	-	-	6,937	-	6,937
- valuation change	-	-	-	8,917	-	8,917
- income tax respite	-	-	-	(1,980)	-	(1,980)
Transfer on capital	-	-	-	645,664	(645,664)	-
Balance as at 31 December 2009	522,638	2,944,585	(81,026)	2,223,274	525,152	6,134,623

Condensed summary statement of cash flows of the Bank

<i>PLN '000</i>	Third quarter growing Period from 01.01.10 to 30.09.10	Third quarter growing Period from 01.01.09 to 30.09.09
Cash at the beginning of reporting period	4,133,389	3,607,476
Cash flows from operating activities	(1,511,256)	(2,719,324)
Cash flows from investing activities	4,942	(4,177)
Cash flows from financing activities	(528,657)	(30,659)
Cash at the end of reporting period	2,098,418	853,316
Increase / Decrease in net cash	(2,034,971)	(2,754,160)

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 2009.

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 30 September 2010 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 second quarter of 2010 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 third quarter of 2010 are consistent with the principles, described in the annual unconsolidated financial statements of the Bank as at 31 December 2009.

Other information and explanations to these condensed interim consolidated financial statements for the third quarter of 2010 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 third quarter of 2010 is presented below.

The Bank's financial results

Cumulative net profit from January to September reached PLN 552 million which is a rise by PLN 138 million in comparison to relative period last year while net profit for the third quarter of 2010 amounted to PLN 206 million in comparison to PLN 283 million during the same period of 2009.

During the three quarters of 2010 the Bank has generated profit before tax of PLN 690 million in comparison to PLN 527 million in the same period of the year 2009. Profit before tax in the third quarter of 2010 reached PLN 251 million in comparison to PLN 353 million in the third quarter of 2009.

An important disposable issue that had positive influence on the Bank's financial results occurred in the third quarter of 2009. Corrections of value added tax settlements had been performed and a motion had been made to verify if there had been the overpayment for years 2005 – 2008. The amount of disposable influence of the issue on the profit before tax for third quarter of 2009 concerning to corrections of previous years overpayment amounted of PLN 115 million.

After exclusion of influence of the transaction, the amount of profit before tax reached by the Bank in third quarter of 2010 in comparison to third quarter of 2009 increased by PLN 14 million (i.e. 5.7%), while net profit amounted of PLN 206 million and was higher by PLN 38 million (i.e.22.6%).

Factors that influenced net profit of the Bank in the third quarter of 2010 were mainly: growth of profit on financial instruments (trade financial instruments and revaluation, debt securities and investment capital instruments) by total amount of PLN 22 million (i.e. 23.0%), PLN 15 million rise in interest and commission result (i.e. 2.9%), increase of costs of operating, general administrative expenses and depreciation by total amount of PLN 12 million (i.e. 3.8%), net write-downs for impairment of financial assets higher by PLN 13 million (i.e. 29.1%).

The consolidated quarterly report for the third quarter of 2010 will be made available on the website of Bank Handlowy w Warszawie S.A. at 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

05.11.2010

05.11.2010

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