



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

AUGUST 2011

Interim condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A.  
for the second quarter 2011

SELECTED FINANCIAL DATA	PLN '000		EUR '000***	
	Second quarter accruals period from 01.01.11 to 30.06.11	Second quarter accruals period from 01.01.10 to 30.06.10	Second quarter accruals period from 01.01.11 to 30.06.11	Second quarter accruals period from 01.01.10 to 30.06.10
<b>Data related to the condensed consolidated financial statements</b>				
Interest income	928,906	989,884	234,141	247,211
Fee and commission income	386,734	361,863	97,480	90,371
Profit before tax	414,717	446,502	104,534	111,508
Net profit	332,620	349,370	83,840	87,251
Total income	353,299	427,728	89,053	106,820
Increase of net cash	(2,070,696)	(2,117,461)	(521,941)	(528,810)
Total assets*	39,356,661	37,517,540	9,872,237	9,473,409
Financial liabilities valued at amortized cost*	28,265,297	27,308,344	7,090,076	6,895,524
Shareholders' equity	6,095,719	6,132,407	1,529,052	1,479,185
Share capital	522,638	522,638	131,099	126,064
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	46.65	46.93	11.70	11.32
Capital adequacy ratio (%)*	17.96	18.81	17.96	18.81
Earnings per ordinary share (PLN / EUR)	2.55	2.67	0.64	0.67
Diluted net earnings per share (PLN / EUR)	2.55	2.67	0.64	0.67
<b>Data related to the condensed unconsolidated financial statements</b>				
Interest income	913,606	973,917	230,284	243,224
Fee and commission income	332,741	323,774	83,871	80,859
Profit before tax	410,776	439,397	103,540	109,734
Net profit	331,207	345,701	83,484	86,335
Total income	351,456	423,795	88,588	105,838
Increase of net cash	(2,061,973)	(2,118,195)	(519,742)	(528,989)
Total assets*	38,436,947	36,701,673	9,641,536	9,267,397
Financial liabilities valued at amortized cost*	27,941,560	26,943,235	7,008,870	6,803,332
Shareholders' equity	6,023,386	6,063,387	1,510,908	1,462,537
Share capital	522,638	522,638	131,099	126,064
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	46.10	46.41	11.56	11.19
Capital adequacy ratio (%)*	17.82	18.72	17.82	18.72
Earnings per ordinary share (PLN / EUR)	2.53	2.65	0.64	0.66
Diluted net earnings per share (PLN / EUR)	2.53	2.65	0.64	0.66
Declared or paid dividend per share (PLN / EUR)**	5.72	3.77	1.43	0.91

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

\*\* The presented ratios are related to dividend paid in 2011 from the distribution of 2010 profit and dividend paid in 2010 from the distribution of 2009 profit.

\*\*\* The following exchange rates were applied to convert PLN to EUR: for the balance sheet - NBP average exchange rate as at 30 June 2011 - PLN 3.9866 (as at 31 December 2010: PLN 3.9603; as at 30 June 2010 - PLN 4.1458); for the income statement and cash flow - the arithmetic mean of NBP end-of-month exchange rates in the first and second quarter 2011 - PLN 3.9673 (in the first and second quarter 2010: PLN 4.0042).

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## Condensed consolidated income statement

<i>PLN '000</i>	Second quarter period from 01.04.11 to 30.06.11	Second quarter accruals period from 01.01.11 to 30.06.11	Second quarter period from 01.04.10 to 30.06.10	Second quarter accruals period from 01.01.10 to 30.06.10
Interest and similar income	470,197	928,906	493,098	989,884
Interest expense and similar charges	(122,130)	(233,617)	(118,867)	(243,022)
<b>Net interest income</b>	<b>348,067</b>	<b>695,289</b>	<b>374,231</b>	<b>746,862</b>
Fee and commission income	191,613	386,734	188,662	361,863
Fee and commission expense	(24,015)	(49,422)	(22,595)	(45,017)
<b>Net fee and commission income</b>	<b>167,598</b>	<b>337,312</b>	<b>166,067</b>	<b>316,846</b>
Dividend income	5,657	5,657	5,835	5,846
Net income on trade financial instruments and revaluation	45,670	130,679	99,766	156,645
Net gain on debt investment securities	10,090	11,334	35,732	57,692
Net gain on capital investment instruments	-	-	-	2,516
Other operating income	7,417	22,411	16,507	35,436
Other operating expenses	(8,725)	(18,483)	(8,714)	(32,185)
<b>Net other operating income</b>	<b>(1,308)</b>	<b>3,928</b>	<b>7,793</b>	<b>3,251</b>
General administrative expenses	(353,457)	(685,559)	(335,063)	(644,061)
Depreciation expense	(14,774)	(29,202)	(15,598)	(32,537)
Profit/(loss) on sale of tangible fixed assets	65	2,276	(95)	(217)
Net impairment losses	(15,366)	(57,313)	(88,829)	(166,183)
<b>Operating income</b>	<b>192,242</b>	<b>414,401</b>	<b>249,839</b>	<b>446,660</b>
Share in net profits/(losses) of entities valued at equity method	108	316	(36)	(158)
<b>Profit before tax</b>	<b>192,350</b>	<b>414,717</b>	<b>249,803</b>	<b>446,502</b>
Income tax expense	(40,913)	(82,097)	(51,366)	(97,132)
<b>Net profit</b>	<b>151,437</b>	<b>332,620</b>	<b>198,437</b>	<b>349,370</b>
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net earnings per share (in PLN)		2.55		2.67
Diluted net earnings per share (in PLN)		2.55		2.67
Including:				
Net profit due to shareholders of the dominant entity		332,620		349,370
Net profit due to non-controlling shareholders		-		-

## Condensed consolidated statement of comprehensive income

<i>PLN '000</i>	Second quarter period from 01.04.11 to 30.06.11	Second quarter accruals period from 01.01.11 to 30.06.11	Second quarter period from 01.04.10 to 30.06.10	Second quarter accruals period from 01.01.10 to 30.06.10
<b>Net income</b>	151,437	332,620	198,437	349,370
<b>Other comprehensive income:</b>				
Valuation of financial assets available-for-sale (net)	44,221	20,535	(53,627)	78,094
Exchange rate differences	(184)	144	2,051	264
<b>Other comprehensive income after tax</b>	<b>44,037</b>	<b>20,679</b>	<b>(51,576)</b>	<b>78,358</b>
<b>Total comprehensive income</b>	<b>195,474</b>	<b>353,299</b>	<b>146,861</b>	<b>427,728</b>
Including:				
Comprehensive income due to shareholders of the dominant entity		353,299		427,728
Comprehensive income due to non-controlling shareholders		-		-

## Condensed consolidated balance sheet

<i>PLN '000</i>	State as at	30.06.2011	31.12.2010
<b>ASSETS</b>			
Cash and balances with the Central Bank		1,221,450	3,206,554
Financial assets held-for-trading		4,147,634	3,995,916
Debt securities available-for-sale		16,642,195	13,029,254
Capital investments valued at equity method		56,578	56,332
Other capital investments		25,381	23,949
Loans, advances and other receivables		14,375,095	14,543,248
from financial sector		2,167,930	2,949,839
from non-financial sector		12,207,165	11,593,409
Tangible fixed assets		480,858	475,373
property and equipment		462,550	457,065
investment property		18,308	18,308
Intangible assets		1,286,637	1,285,757
Income tax assets		371,338	321,669
current		145,789	75,298
deferred		225,549	246,371
Other assets		739,594	569,587
Fixed assets held-for-sale		9,901	9,901
<b>Total assets</b>		<b>39,356,661</b>	<b>37,517,540</b>
<b>LIABILITIES</b>			
Financial liabilities held-for-trading		3,059,762	2,804,437
Financial liabilities valued at amortized cost		28,265,297	27,308,344
deposits		25,169,048	26,430,223
from financial sector		7,396,171	6,007,190
from non-financial sector		17,772,877	20,423,033
own issue liabilities		40,934	11,533
other liabilities		3,055,315	866,588
Provisions		37,837	32,240
Income tax liabilities		1,853	-
Other liabilities		1,896,193	879,584
<b>Total liabilities</b>		<b>33,260,942</b>	<b>31,024,605</b>
<b>EQUITY</b>			
Share capital		522,638	522,638
Share premium		3,009,396	3,031,149
Revaluation reserve		(24,313)	(44,848)
Other reserves		2,260,759	2,248,707
Retained earnings		327,239	735,289
<b>Total equity</b>		<b>6,095,719</b>	<b>6,492,935</b>
<b>Total liabilities and equity</b>		<b>39,356,661</b>	<b>37,517,540</b>

## Condensed consolidated statement of changes in equity

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
Balance as at 1 January 2011	522,638	3,031,149	(44,848)	2,248,707	735,289	-	6,492,935
Total comprehensive income	-	-	20,535	144	332,620	-	353,299
Valuation of capital rewards program, including:	-	-	-	(3,142)	-	-	(3,142)
valuation change	-	-	-	(6,336)	-	-	(6,336)
deferred income tax	-	-	-	3,194	-	-	3,194
Dividends to be paid	-	-	-	-	(747,373)	-	(747,373)
Transfer to capital	-	(21,753)	-	15,050	6,703	-	-
<b>Balance as at 30 June 2011</b>	<b>522,638</b>	<b>3,009,396</b>	<b>(24,313)</b>	<b>2,260,759</b>	<b>327,239</b>	<b>-</b>	<b>6,095,719</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
Balance as at 1 January 2010	522,638	3,030,546	(81,026)	2,225,712	501,519	-	6,199,389
Total comprehensive income	-	-	78,094	264	349,370	-	427,728
Valuation of capital rewards program, including:	-	-	-	(2,123)	-	-	(2,123)
valuation change	-	-	-	(1,345)	-	-	(1,345)
deferred income tax	-	-	-	(778)	-	-	(778)
Dividends to be paid	-	-	-	-	(492,587)	-	(492,587)
Transfer to capital	-	603	-	27,851	(28,454)	-	-
<b>Balance as at 30 June 2010</b>	<b>522,638</b>	<b>3,031,149</b>	<b>(2,932)</b>	<b>2,251,704</b>	<b>329,848</b>	<b>-</b>	<b>6,132,407</b>

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

## Condensed consolidated statement of cash flows

<i>PLN '000</i>	Second quarter accruals period from 01.01.11 to 30.06.11	Second quarter accruals period from 01.01.10 to 30.06.10
Cash at the beginning of the reporting period	3,311,780	4,133,391
Cash flows from operating activities	(1,990,299)	(1,975,933)
Cash flows from investing activities	(34,936)	(8,070)
Cash flows from financing activities	(45,461)	(133,458)
Cash at the end of the reporting period	1,241,084	2,015,930
Increase / (decrease) in net cash	(2,070,696)	(2,117,461)

## Supplementary notes to the condensed consolidated financial statements

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

This interim consolidated report presents financial data 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 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 kept 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 shares are quoted on 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 on 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	
		30.06.2011	31.12.2010
<b>Entities fully consolidated</b>			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00



Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.06.2011	31.12.2010
<b>Entities valued at equity method</b>			
Handlowy Inwestycje Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.a.r.l.	Luxembourg	100.00	100.00
Bank Rozwoju Cukrownictwa S.A. w likwidacji	Poznań	100.00	100.00

In the second quarter of 2011 there were no changes in the structure of Group's entities.

## 2 Declaration of conformity

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

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes) the Bank publishes its financial results for the six-month period ended 30 June 2011 which is deemed to be the current interim financial reporting period.

## 3 Principles accepted at the composition of the report

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

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2011 to 30 June 2011. Comparable financial data are presented for the period from 1 January 2010 to 30 June 2010 and for the Balance sheet as at 31 December 2010.

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

## 4 Macroeconomic trends and conditions prevailing on the monetary, FX and capital markets

The available monthly data suggest that the economic growth in the second quarter of 2011 remained high and was similar to the level recorded in the first quarter of 2011 (4.4% YOY). The increase in industrial manufacturing slowed down in the period of April-May 2011 to 7.2% YOY from 9.2% recorded in the first quarter of 2011. Although the national economy still benefits from relatively high growth rate in Germany, the key trade partner of Poland, a slight economic slowdown in the world in the second quarter of 2011 had a negative impact on the economic activity results both in Germany and in Poland. In April 2011 the export dynamics decreased to 11.7% YOY from 18% YOY in the entire first quarter of 2011, while the import dynamics went down to 15.4% YOY from 19.7% in the first quarter of 2011. Construction and assembly production accelerated again in April and May 2011 to 19.8% YOY from 18% YOY in the period of January-March 2011 and 12% YOY in the fourth quarter of 2010, which implies further recovery of investment.

The situation on the labor market is stable, and a fairly high demand for labor is accompanied by moderate wage growth. The rate of employment growth in the enterprise sector declined in the period of April-May 2011 to 3.8% YOY from 4% YOY in the first quarter of 2011. In turn, wages in that period increased by 5.0% YOY, compared to 4.3% recorded in the first quarter of 2011. The unemployment rate at the end of May 2011 reached 12.2%, compared to 13.1% at the end of March 2011 and 12.3% in December 2010. The real growth of the wage fund decreased in the period of April-May 2011 to 4.0% YOY from 4.5% YOY in the period January-March 2011.

Although the demand pressure is still moderate, the inflation continued to grow in the second quarter of 2011 and in May CPI (Consumer Price Index) reached 5% YOY, which is clearly above the cap

level of inflation deviation (2.5% +/-1 percentage point). The growing rate of CPI was largely caused by the growing prices of food, gas, energy and the increase of the VAT rate. At the same time, the prices of clothes and footwear significantly went up. As a result of the continuing high inflation and high economic growth, the Monetary Policy Council (MPC) raised interest rates in the second quarter of 2011 three times, by 75 basis points in total, while the reference rate increased to 4.50%, compared to 3.75% at the end of the first quarter of 2011 and 3.50% at the end of the previous year.

For almost the entire second quarter of 2011 the EUR/PLN rate fluctuated between 3.90 and 4.00, although at the beginning of May the zloty strengthened temporarily against the euro, at the level of below 3.90, as a result of unexpected raise of rates by MPC. The exchange rates of zloty were negatively affected by the escalation of debt crisis in the Eurozone – especially in Greece. However, the scale of depreciation of zloty was limited due to the sale of currencies in the market by the Ministry of Finance. Following the approval of the savings package by the Greek parliament and granting Greece a further tranche of loan by international institutions, the zloty appreciated in the wake of the decline in aversion to risk. As at the end of June 2011, the EUR/PLN exchange rate was 3.99 compared to 4.01 as at the end of the first quarter of 2011, while the USD/PLN rate went down to 2.75 compared to 2.82 as at the end of the first quarter of 2011.

In relation to the growing inflation rate, high economic growth and continuing tightening cycle in the monetary policy, there was a further increase in short-term market interest rates in the second quarter of 2011. At the same time there was a decline in yields of Polish bonds, especially on the long end of the yield curve, due – among other things – to the reduction in supply of bonds by the Ministry of Finance and the decline in market interest rates in the underlying debt markets. In the second quarter of 2011, the yield on the 2-year bonds decreased by approx. 20 basis points to 4.82% as at the end of June 2011, while the yield on the 10-year bonds declined by approx. 50 basis points to 5.76% as at the end of June 2011. 3M WIBOR increased to 4.69% as at the end of June 2011 from 4.19% as at the end of March 2011.

The second quarter of 2011 brought a slight deterioration in sentiment in global markets, which resulted – among other things – from the escalation of the Greek crisis and doubts about the effects of the monetary policy pursued by the USA. Apart from factors of global nature, the share market in Poland was negatively affected by oversupply of shares in public offerings, which – combined with limited inflows to investment funds and Open Pension Funds (OFE) (from June 2011) – put pressure on share prices of companies that are already listed, especially those of small and medium capitalization.

This was reflected in index quotations. The index of the largest companies, WIG20, behaved relatively the best – it went down only by 0.5% in the second quarter of 2011. On the other hand, sWIG80 decreased within the last three months by 5%. In terms of sectors, construction companies and media sector companies were under the greatest pressure – WIG-Construction declined by 12.4% QOQ while the sub-index of the latter sector decreased by 10.3% compared to its level as at the end of the first quarter of 2011. On the other hand, the chemical industry companies turned out to be the best investment (similarly as in the first quarter of 2011), and WIG-Chemicals was the only of indices to record double-digit rate of return (+14.1% compared to the level as at the end of March 2011).

The second quarter of 2011 brought a revival in the market for initial public offerings. During this period shares of fourteen companies debuted on the main stock exchange, the total value of which exceeded PLN 2 billion. In terms of value, the largest initial offerings were carried out by: Open Finance (PLN 445.5 million), the first Slovenian company listed on the main stock exchange in Warsaw – Nova Kreditna Banka (EUR 104.3 million), and Kruk (PLN 325.5 million).

At the end of June 2011, 379 domestic companies were listed on the main market and their capitalization exceeded PLN 556 billion. Apart from that, shares of 34 foreign companies were traded, the market value of which was almost PLN 268 billion.

#### Warsaw Stock Exchange equity market, as at 30 June 2011

Index	30.06.2011	31.03.2011	Change (%) QoQ	30.06.2010	Change (%) YoY
WIG	48,414.36	48,729.83	(0.6%)	39,392.47	22.9%
WIG-PL	47,811.51	48,061.66	(0.5%)	38,533.81	24.1%
WIG20	2,802.01	2,816.96	(0.5%)	2,271.03	23.4%
mWIG40	2,850.55	2,912.50	(2.1%)	2,373.84	20.1%
sWIG80	12,085.98	12,727.29	(5.0%)	10,980.45	10.1%

Index	30.06.2011	31.03.2011	Change (%) QoQ	30.06.2010	Change (%) YoY
<b>Sector specific sub-indices</b>					
WIG-Banks	6,801.48	7,091.76	(4.1%)	5,786.52	17.5%
WIG-Construction	4,258.96	4,861.37	(12.4%)	5,396.44	(21.1%)
WIG-Chemicals	7,588.77	6,650.94	14.1%	3,331.14	127.8%
WIG-Developers	2,322.16	2,520.11	(7.9%)	2,628.28	(11.6%)
WIG-Energy	4,385.79	4,244.59	3.3%	3,775.17	16.2%
WIG-IT	1,258.34	1,318.44	(4.6%)	1,160.15	8.5%
WIG-Media	3,385.52	3,775.16	(10.3%)	3,312.80	2.2%
WIG-Fuel industry	3,554.70	3,506.63	1.4%	2,482.82	43.2%
WIG-Food industry	4,373.05	4,318.25	1.3%	3,759.64	16.3%
WIG-Telecommunication	1,397.38	1,350.99	3.4%	1,127.74	23.9%

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

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

	Q2 2011	Q1 2011	Change (%) QoQ	Q2 2010	Change (%) YoY
Shares (PLN million)	142,454	167,378	(14.9%)	121,680	17.1%
Bonds (PLN million)	343	432	(20.7%)	629	(45.6%)
Futures contracts (thousand units)	5,983	7,422	(19.4%)	7,858	(23.9%)
Option contracts (thousand units)	471	545	(13.6%)	330	42.6%

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

The value of shares traded in the second quarter of 2011 totaled over PLN 142 billion, which means a decline by 14.9% on the quarterly basis; however, it should be remembered that the data for the first quarter include also the transactions made as a part of the call for shares of BZ WBK. Comparing to the corresponding period of the previous year, the activity in the equity market significantly increased (+17.1% YOY).

In the period April–June 2011 the interests of investors in debt instruments continued to decline. Based on the WSE data, the value of bonds traded amounted to PLN 343 million and was lower by 20.7% and over 45% on the quarterly and annual basis, respectively.

In the second quarter of 2011 investors were less active on the futures market. The total volume of futures contracts traded fell down by 19.4% and 23.9% on the quarterly and annual basis, respectively.

The decrease in turnover of options by almost 14% QOQ is not surprising, taking into consideration the record turnover in this market in the first three months of 2011. On the other hand, an increase in investors' interest in these instruments is still visible, as evidenced by the growth in volume by 42.6% compared to the corresponding period of the previous year.

## 5 Situation in the banking sector

According to the PFSA (Polish Financial Supervision Authority) data, in the period from January till May 2011, the sector revenue grew by 7% in comparison to previous year, while the expenses dynamics was slightly lower and amounted to 5%. It resulted in the increase of operating margin by 9% (from January till May 2011 the cumulative operating margin amounted to over PLN 11 billion). Due to improvement of credit portfolio quality the banking sector reported decrease of net impairment losses by 26%, which had a positive impact on the net income (increase by 39% to over PLN 6 billion). Preliminary data (till May) show that the net income of banking sector in 2011, despite the turmoil on global financial market, may amount to around PLN 15 billion, which would be the highest result in the history.

Substantial impact for this situation has the good condition of Polish companies, gradual improvement of the labour market, as well as the increase of interest rates. The rates were increased by the Monetary Policy Council by 25 b.p. four times in the first half of 2011 (reference rate went up from 3.50% to 4.50%). It had a direct impact on the increase of margin earned by banks, especially when it comes to current deposits of both individuals and corporates.

In the second quarter of 2011 the volumes of corporate loans and deposits grew at similar pace (5% in comparison to the first quarter of 2011, up by 6% YoY). Corporate loans at the end of June 2011 were near to PLN 220 billion, as the deposit volume reached nearly PLN 179 billion.

In the second quarter of 2011 households loans increased by 4% (up by 9% YoY), mainly because of the housing loans, the volume of which increased by over PLN 18 billion to the level of almost PLN 292 billion (up by 7% QoQ and by 15% YoY). Foreign exchange rate fluctuations had a major impact on the mortgage loans portfolio increase, especially strengthening of Swiss Franc value against Polish Zloty (+7% QoQ, +5% YoY). Excluding the FX impact, the dynamics of mortgage loans portfolio is lower and amounts to 3% QoQ and 12% YoY. Consumer loans recorded slight quarterly decline (-0,4%), and in the year over year comparison it decreased from PLN 138 billion to PLN 134 billion (-2% YoY), as a result of a more restrictive credit policy and implementation of Recommendation T.

The volume of households deposits did not record any significant changes in the second quarter of 2011. Demand deposits drop was recorded, whereas the time deposits increased slightly by over PLN 2 billion (+1% QoQ). The volume of households savings gathered on the bank accounts amounted to almost PLN 427 billion at the end of June 2011 (up by 9% YoY), of which 54% were the demand deposits.

## 6 Financial analysis of the Group's Results

### 1. Balance sheet

At the end of the second quarter 2011 total assets amounted to PLN 39.4 billion, as compared with PLN 37.5 billion at the end of 2010 and increased by PLN 1.8 billion (or 4.9%). The biggest impact on the assets' increase had the following elements:

- Increase of debt securities available-for-sale by PLN 3.6 billion (i.e. 27.7%), mainly resulting from the higher portfolio of bonds of the National Bank of Poland and purchase of bonds issued by Bank Gospodarstwa Krajowego for an amount of PLN 1 billion (more information on the transaction can be found on page 22 of this report in the section concerning business achievements);
- Drop of balance for 'Cash and Balances with Central Bank' by PLN 2.0 billion related to the obligatory reserve management;
- Slight drop of loans, advances and other receivables portfolio by PLN 0.2 billion (i.e. 1.2%), which is the effect of drop of dues from banks (by PLN 0.5 billion, i.e. 23%). On the other hand, non-banking sector recorded an increase of PLN 0.4 billion, i.e. 2.9%, which was to a large extent impacted by higher level of corporate loans (up by PLN 0.8 billion, i.e. 13.0%).

#### Loans, advances and other receivables, net

<i>PLN '000</i>	30.06.2011	31.12.2010	Change PLN '000	%
<b>Non-banking sector</b>				
Corporate clients*, including:	7,089,154	6,271,803	817,351	13.0%
budgetary units	139,428	96,567	42,861	44.4%
Non-banking financial institutions	413,513	676,701	(263,188)	(38.9%)
Individual clients, including:	5,118,011	5,321,606	(203,595)	(3.8%)
credit cards	2,277,205	2,376,105	(98,900)	(4.2%)
cash loans to private persons	2,322,818	2,540,499	(217,681)	(8.6%)
mortgage loans	430,804	318,766	112,038	35.2%
<b>Total of non-banking sector</b>	<b>12,620,678</b>	<b>12,270,110</b>	<b>350,568</b>	<b>2.9%</b>
<b>Banks and other monetary financial institutions</b>	<b>1,754,417</b>	<b>2,273,138</b>	<b>(518,721)</b>	<b>(22.8%)</b>
<b>Total loans, advances and other receivables</b>	<b>14,375,095</b>	<b>14,543,248</b>	<b>(168,153)</b>	<b>(1.2%)</b>

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

**Loans, advances and other receivables from non-banking sector, gross (reverse repo transactions included)**

<i>PLN '000</i>	30.06.2011	31.12.2010	Change PLN '000	%
Not at risk of impairment, including:	12,233,348	11,628,708	604,640	5.2%
non-financial sector				
corporate clients, including:	6,796,419	5,717,287	1,079,132	18.9%
budgetary units	139,484	96,625	42,859	44.4%
individual clients	5,023,337	5,237,116	(213,779)	(4.1%)
At risk of impairment, including:	1,647,405	1,878,129	(230,724)	(12.3%)
non-financial sector				
corporate clients	686,793	971,044	(284,251)	(29.3%)
individual clients	941,615	883,164	58,451	6.6%
Dues related to matured derivative transactions	119,360	122,191	(2,831)	(2.3%)
<b>Total</b>	<b>14,000,113</b>	<b>13,629,028</b>	<b>371,085</b>	<b>2.7%</b>
Impairment, including:	1,379,435	1,358,918	20,517	1.5%
Dues related to matured derivative transactions	96,263	96,487	(224)	(0.2%)
<b>Loans, advances and other receivables from non-banking sector, net total</b>	<b>12,620,678</b>	<b>12,270,110</b>	<b>350,568</b>	<b>2.9%</b>
<b>Provision coverage ratio</b>	<b>77.9%</b>	<b>67.2%</b>		
corporate clients	60.7%	45.5%		
individual clients	90.0%	90.4%		

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

**Loans, advances and other receivables from non-banking sector, gross, divided into performing vs. non-performing (reverse repo transactions included)**

<i>PLN '000</i>	30.06.2011	31.12.2010	Change PLN '000	%
Performing loans, including:	12,310,416	11,970,898	339,518	2.8%
non-financial sector				
corporate clients, including:	6,796,419	5,963,712	832,707	14.0%
budgetary units	139,484	96,625	42,859	44.4%
individual clients	5,100,405	5,332,881	(232,476)	(4.4%)
Non-performing loans, including:	1,570,337	1,535,939	34,398	2.2%
non-financial sector				
corporate clients	686,793	724,619	(37,826)	(5.2%)
individual clients	864,547	787,399	77,148	9.8%
Dues related to matured derivative transactions	119,360	122,191	(2,831)	(2.3%)
<b>Total</b>	<b>14,000,113</b>	<b>13,629,028</b>	<b>371,085</b>	<b>2.7%</b>
<b>Non-performing loans ratio (NPL)</b>	<b>11.3%</b>	<b>11.4%</b>		

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

On the liabilities side, the biggest change was recorded for the deposits from non-financial sector, which declined by PLN 2.7 billion, i.e. 13%, as compared with the end of 2010. Drop in deposits was reported mainly within the corporate segment and was related to lower balance on current accounts (decrease by PLN 1.9 billion, i.e. 24.5%) and, to a smaller extent, decline of term deposits (by PLN 0.8

billion, i.e. 10.8%). In the segment of individual clients, drop of term deposits (by PLN 0.2 billion, i.e. 14.5%) was offset by the increase of current accounts volumes (by PLN 0.2 billion, i.e. 4.3%).

The Group's liabilities were impacted also by the financial liabilities valued at amortized cost, which recorded a threefold growth, i.e. by PLN 2.2 billion. The increase was caused mainly by liabilities related to repo transactions with banks.

## Deposits

<i>PLN '000</i>	30.06.2011	31.12.2010	Change PLN '000	%
<b>Non-banking sector</b>				
Current accounts of:	11,022,564	12,649,236	(1,626,672)	(12.9%)
Corporate clients, including:	5,730,866	7,591,803	(1,860,937)	(24.5%)
budgetary units	735,642	1,973,816	(1,238,174)	(62.7%)
Non-banking financial institutions	787,682	736,903	50,779	6.9%
Individual clients	4,504,016	4,320,530	183,486	4.3%
Deposits from:	9,900,292	10,909,954	(1,009,662)	(9.3%)
Corporate clients, including:	6,328,434	7,096,639	(768,205)	(10.8%)
budgetary units	651,229	672,499	(21,270)	(3.2%)
Non-banking financial institutions	2,376,698	2,416,231	(39,533)	(1.6%)
Individual customers	1,195,160	1,397,084	(201,924)	(14.5%)
Accrued interest	15,720	18,388	(2,668)	(14.5%)
<b>Total non-banking sector's deposits</b>	<b>20,938,576</b>	<b>23,577,578</b>	<b>(2,639,002)</b>	<b>(11.2%)</b>
<b>Banks and other monetary financial institutions</b>	<b>4,230,472</b>	<b>2,852,645</b>	<b>1,377,827</b>	<b>48.3%</b>
<b>Total deposits</b>	<b>25,169,048</b>	<b>26,430,223</b>	<b>(1,261,175)</b>	<b>(4.8%)</b>

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

## 2. Income statement

In the second quarter of 2011 the Group reported consolidated net income of PLN 151.4 million, which is a decrease of PLN 47.0 million (i.e. 23.7%) as compared to the second quarter of 2010. In the same period, the Group's revenue dropped by PLN 113.7 million (i.e. 16.5%) and reached the level of PLN 575.8 million.

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

- Net interest income amounting to PLN 348.1 million as compared to PLN 374.2 million recorded in the second quarter of 2010 (decline by PLN 26.2 million, i.e. 7%), stemming primarily from lower interest income from debt securities held for trade (resulting from a decline in average balance of the portfolio) and loans to non-financial sector, mainly in retail banking segment due to a decline in income from cash loans;

### Interest income

<i>PLN '000</i>	01.04 - 30.06.2011	01.04 - 30.06.2010	Change PLN '000	%
<b>Interest and similar income from:</b>				
Central Bank	8,484	6,227	2,257	36.2%
Placements in banks	6,773	7,465	(692)	(9.3%)
Loans and advances to:	287,603	298,562	(10,959)	(3.7%)

Interim condensed consolidated financial statements of the Capital Group of Bank Handlowy w Warszawie S.A.  
for the second quarter 2011

<i>PLN '000</i>	01.04 - 30.06.2011	01.04 - 30.06.2010	Change	
			PLN '000	%
financial sector	5,716	6,055	(339)	(5.6%)
non-financial sector, including:	281,887	292,507	(10,620)	(3.6%)
credit cards	90,495	92,928	(2,433)	(2.6%)
Debt securities available-for-sale	159,119	160,914	(1,795)	(1.1%)
Debt securities held-for-trading	8,218	19,930	(11,712)	(58.8%)
<b>Total</b>	<b>470,197</b>	<b>493,098</b>	<b>(22,901)</b>	<b>(4.6%)</b>
<b>Interest expense and similar charges on:</b>				
Balances with the Central Bank	-	(2,360)	2,360	(100.0%)
Banks' deposits	(10,358)	(6,001)	(4,357)	72.6%
Financial sector's (excl. banks') deposits	(23,525)	(18,958)	(4,567)	24.1%
Non-financial sector's deposits	(85,705)	(89,516)	3,811	(4.3%)
Loans and advances received	(2,542)	(2,032)	(510)	25.1%
<b>Total</b>	<b>(122,130)</b>	<b>(118,867)</b>	<b>(3,263)</b>	<b>2.7%</b>
<b>Net interest income</b>	<b>348,067</b>	<b>374,231</b>	<b>(26,164)</b>	<b>(7.0%)</b>

- net fees and commissions income amounting to PLN 167.6 million in comparison with PLN 166.1 million reported in the second quarter of 2010 (up by PLN 1.5 million, i.e. 1%) mainly due to higher income from brokerage (partially due to participation in initial public offerings of companies owned by the State Treasury – more information on these transactions can be found on pages 22 and 25 of this report in the section concerning business achievements) and custody operations along with better result on payment and credit cards within the Consumer Banking segment;

#### Fee and commission income

<i>PLN '000</i>	01.04 - 30.06.2011	01.04 - 30.06.2010	Change	
			PLN '000	%
<b>Fee and commission income</b>				
Insurance and investment products	34,105	35,512	(1,407)	(4.0%)
Payment and credit cards	58,875	59,077	(202)	(0.3%)
Payment orders	28,825	31,207	(2,382)	(7.6%)
Custody services	22,270	20,354	1,916	9.4%
Cash loans	2,546	3,099	(553)	(17.8%)
Brokerage operations	25,876	18,866	7,010	37.2%
Cash management	7,384	7,832	(448)	(5.7%)
Off-balance-sheet guarantee liabilities	3,688	4,032	(344)	(8.5%)
Off-balance-sheet financial liabilities	1,832	1,940	(108)	(5.6%)
Other	6,212	6,743	(531)	(7.9%)
<b>Total</b>	<b>191,613</b>	<b>188,662</b>	<b>2,951</b>	<b>1.6%</b>
<b>Fee and commission expense</b>				
Payment and credit cards	(10,865)	(11,828)	963	(8.1%)
Brokerage operations	(6,717)	(5,569)	(1,148)	20.6%
Fees paid to the National Depository for Securities (KDPW)	(4,201)	(3,148)	(1,053)	33.4%
Brokerage fees	(935)	(654)	(281)	43.0%
Other	(1,297)	(1,396)	99	(7.1%)
<b>Total</b>	<b>(24,015)</b>	<b>(22,595)</b>	<b>(1,420)</b>	<b>6.3%</b>
<b>Net fee and commission income</b>				
Insurance and investment products	34,105	35,512	(1,407)	(4.0%)

<i>PLN '000</i>	01.04 - 30.06.2011	01.04 - 30.06.2010	Change	
			PLN '000	%
Payment and credit cards	48,010	47,249	761	1.6%
Payment orders	28,825	31,207	(2,382)	(7.6%)
Custody services	22,270	20,354	1,916	9.4%
Cash loans	2,546	3,099	(553)	(17.8%)
Brokerage operations	19,159	13,297	5,862	44.1%
Cash management	7,384	7,832	(448)	(5.7%)
Off-balance-sheet guarantee liabilities	3,688	4,032	(344)	(8.5%)
Off-balance-sheet financial liabilities	1,832	1,940	(108)	(5.6%)
Fees paid to the National Depository for Securities (KDPW)	(4,201)	(3,148)	(1,053)	33.4%
Brokerage fees	(935)	(654)	(281)	43.0%
Other	4,915	5,347	(432)	(8.1%)
<b>Total</b>	<b>167,598</b>	<b>166,067</b>	<b>1,531</b>	<b>0.9%</b>

- net income on trade financial instruments and revaluation amounting to PLN 45.7 million as compared to PLN 99.8 million in the second quarter of 2010, i.e. a decline of PLN 54.1 million stemming mainly from a decrease of result on the Bank's proprietary management;
- net gain on investment debt securities amounting to PLN 10.1 million as compared to PLN 35.7 million in the second quarter of 2010 – a decline of PLN 25.6 million resulting mainly from macroeconomic changes (rise of interest rates);
- in comparison to the second quarter of 2010, in the second quarter of 2011, the Group reported increase in general administrative expenses and overheads together with depreciation expenses by PLN 17.6 million, i.e. 5%, due to higher external services expenses concerning distribution of retail banking products (effect of increased acquisition of credit cards) coupled with increase of marketing and advertising costs (as a result of marketing campaign promoting Bank's operating accounts, among others). On the other hand, there was a decrease in staff expenses by PLN 3.2 million, i.e. 2%;

#### General administrative expenses and depreciation expense

<i>PLN '000</i>	01.04 - 30.06.2011	01.04 - 30.06.2010	Change	
			PLN '000	%
<b>Staff expenses</b>	<b>171,184</b>	<b>174,397</b>	<b>(3,213)</b>	<b>(1.8%)</b>
Remuneration costs	142,764	136,426	6,338	4.6%
Bonuses and rewards	28,420	37,971	(9,551)	(25.2%)
<b>Administrative expenses</b>	<b>182,273</b>	<b>160,666</b>	<b>21,607</b>	<b>13.4%</b>
Telecommunication fees and hardware purchase costs	40,673	42,528	(1,855)	(4.4%)
Advisory, audit, consulting and other external services' costs	22,690	20,704	1,986	9.6%
Building maintenance and rent costs	25,723	27,431	(1,708)	(6.2%)
Marketing costs	16,002	9,377	6,625	70.7%
Transactional costs	14,341	14,801	(460)	(3.1%)
Costs of external services concerning distribution of banking products	21,282	10,547	10,735	101.8%
Postal services, office supplies and printmaking costs	8,582	7,934	648	8.2%
Training and education costs	2,495	1,771	724	40.9%
Banking supervision costs	2,517	1,904	613	32.2%
Other costs	27,968	23,669	4,299	18.2%
<b>Depreciation/amortization of tangible and intangible assets</b>	<b>14,774</b>	<b>15,598</b>	<b>(824)</b>	<b>(5.3%)</b>
<b>Total</b>	<b>368,231</b>	<b>350,661</b>	<b>17,570</b>	<b>5.0%</b>



- net impairment losses of PLN 15.4 million as compared to PLN 88.8 million in the second quarter of 2010 (improvement by PLN 73.5 million, i.e. 83%). Lower level of net impairment losses was reported both in Consumer Banking segment (as a result of improved quality of consumer loans' and credit cards' portfolios) and Corporate Banking segment (the drop resulted from higher level of released provisions for individually assessed impaired loans thanks to stabilization of customers' financial situation and declining risk of delinquency in borrowers' payments).

### Net impairment losses

<i>PLN '000</i>	01.04 – 30.06.2011	01.04 – 30.06.2010	Change	
			PLN '000	%
<b>Net impairment write-downs of financial assets</b>				
<b>Impairment write-downs</b>				
Loans and advances valued at amortized cost	95,577	185,486	(89,909)	(48.5%)
Dues related to matured transactions on derivative instruments	53	6,516	(6,463)	(99.2%)
Other	3,860	5,990	(2,130)	(35.6%)
	<b>99,490</b>	<b>197,992</b>	<b>(98,502)</b>	<b>(49.8%)</b>
<b>Reversals of impairment write-downs</b>				
Loans and advances valued at amortized cost	(86,862)	(84,557)	(2,305)	2.7%
Dues related to matured transactions on derivative instruments	(479)	(8,920)	8,441	(94.6%)
	<b>(87,341)</b>	<b>(93,477)</b>	<b>6,136</b>	<b>(6.6%)</b>
	<b>12,149</b>	<b>104,515</b>	<b>(92,366)</b>	<b>(88.4%)</b>
<b>Net (charges to)/releases of provisions for off-balance-sheet commitments</b>				
Charges to provisions for off-balance-sheet commitments	10,932	15,484	(4,552)	(29.4%)
Releases of provisions for off-balance-sheet commitments	(7,715)	(31,170)	23,455	(75.2%)
	<b>3,217</b>	<b>(15,686)</b>	<b>18,903</b>	<b>(120.5%)</b>
<b>Net impairment losses</b>	<b>15,366</b>	<b>88,829</b>	<b>(73,463)</b>	<b>(82.7%)</b>

### 3. Ratios

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

Financial ratios	Q2 2011	Q2 2010
ROE *	12.8%	12.8%
ROA**	1.6%	1.9%
Cost/Income	64%	51%
Loans to non-financial sector/Deposits from non-financial sector	69%	54%
Loans to non-financial sector/Total assets	31%	29%
Net interest income/Revenue	60%	54%
Net fee and commission income/Revenue	29%	24%

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

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

## Group employment

In full time job equivalents (FTE)	01.01 – 30.06. 2011	01.01 – 30.06.2011	Change FTEs	%
Average employment in the second quarter	5,841	5,732	109	1.9
Average employment in the period	5,889	5,483	406	7.4
Employment at the end of quarter	5,879	5,829	50	0.9

As of June 30, 2011, capital adequacy ratio of the Group amounted to 17.96% and was 0.85 percentage point lower comparing to the end of 2010, because of the slight increase of total capital requirement (primarily due to higher credit risk capital requirement by 6% caused by an increased portfolio of risk-weighted assets and off-balance-sheet commitments). Own funds remained almost unchanged.

## Capital adequacy ratio\*

<i>PLN '000</i>	30.06.2011	31.12.2010
<b>I Own funds in total, including:</b>	<b>4,419,903</b>	<b>4,384,927</b>
Reduction of basic and supplementary funds		
investments in financial entities	56,578	56,332
intangible assets, including:	1,286,636	1,285,757
goodwill	1,245,976	1,245,976
<b>II Risk-weighted assets and off-balance-sheet commitments (bank portfolio)</b>	<b>16,650,674</b>	<b>15,766,225</b>
<b>III Total capital requirements, including:</b>	<b>1,969,237</b>	<b>1,865,353</b>
credit risk capital requirements (II*8%)	1,332,054	1,261,298
counterparty risk capital requirements	119,552	98,223
capital requirements for excess of exposures' concentration limit and large exposures' limit	61,135	44,066
total market risk capital requirements	69,908	72,382
operational risk capital requirements	360,531	361,165
other capital requirements	26,059	28,219
<b>Capital adequacy ratio (I/III*12.5)</b>	<b>17.96%</b>	<b>18.81%</b>

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

## 7 Segmental reporting

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

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

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

## Corporate Banking

Within the Corporate Banking segment the Group offers products and renders services to business entities, self-government units and public sector. Apart from traditional banking services consisting in credit and deposit activities, the segment provides services in the area of cash management, trade 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 as well as obtaining and underwriting financing via public and non-public issue of financial instruments. The activities also comprise proprietary transactions on the capital, debt and derivative instruments market. Products and services are available through distribution channels tailored to client's needs, not only through branch network and direct contact with customers, but also modern and effective remote channels such as telephone and electronic banking.

## Consumer Banking

Within the Consumer Banking segment the Group provides products and financial services to individuals as well as micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from keeping bank accounts and providing an extensive credit and deposit offer, it also offers cash loans, mortgage loans and credit cards, provides asset management services and acts as agent in investment and insurance products sale. 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 as well.

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

## Consolidated income statement of the Group by business segment

	For the period			01.01. – 30.06.2011			01.01. – 30.06.2010		
	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<i>PLN '000</i>									
Net interest income	321,368	373,921	695,289	351,510	395,352	746,862			
Internal interest income, including:	32,161	(32,161)	-	10,663	(10,663)	-			
Internal income	32,161	-	32,161	10,663	-	10,663			
Internal expenses	-	(32,161)	(32,161)	-	(10,663)	(10,663)			
Net commission income	167,020	170,292	337,312	148,847	167,999	316,846			
Dividend income	1,283	4,374	5,657	2,705	3,141	5,846			
Net income on trade financial instruments and revaluation	117,247	13,432	130,679	142,998	13,647	156,645			
Net gain on debt investment securities	11,334	-	11,334	57,692	-	57,692			
Net gain on capital investment instruments	-	-	-	277	2,239	2,516			
Net other operating income	14,694	(10,766)	3,928	22,023	(18,772)	3,251			
General administrative expenses	(293,879)	(391,680)	(685,559)	(299,979)	(344,082)	(644,061)			
Depreciation expense	(12,955)	(16,247)	(29,202)	(15,330)	(17,207)	(32,537)			
Profit / (loss) on sale of fixed assets	115	2,161	2,276	(99)	(118)	(217)			
Net impairment losses	1,183	(58,496)	(57,313)	(6,505)	(159,678)	(166,183)			
<b>Operating income</b>	<b>327,410</b>	<b>86,991</b>	<b>414,401</b>	<b>404,139</b>	<b>42,521</b>	<b>446,660</b>			
Share in net profits (losses) of entities valued at equity method	316	-	316	(158)	-	(158)			
<b>Profit before tax</b>	<b>327,726</b>	<b>86,991</b>	<b>414,717</b>	<b>403,981</b>	<b>42,521</b>	<b>446,502</b>			
Income tax expense			(82,097)			(97,132)			
<b>Net profit</b>			<b>332,620</b>			<b>349,370</b>			

State as at	30.06.2011			31.12.2010		
	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<i>PLN '000</i>						
<b>Assets, including:</b>	<b>33,789,792</b>	<b>5,566,869</b>	<b>39,356,661</b>	<b>31,735,154</b>	<b>5,782,386</b>	<b>37,517,540</b>
Assets valued at equity method	56,578	-	56,578	56,332	-	56,332
Fixed assets held-for-sale	-	9,901	9,901	-	9,901	9,901
<b>Liabilities, including:</b>	<b>31,495,196</b>	<b>7,861,465</b>	<b>39,356,661</b>	<b>28,916,979</b>	<b>8,600,561</b>	<b>37,517,540</b>
Obligations	27,299,140	5,961,802	33,260,942	24,594,934	6,429,671	31,024,605

## 8 Activities of the Group

### 1. Corporate Banking

#### 1.1. Summary of segment results

<i>PLN '000</i>	Q2 2011	Q2 2010	Change	
			PLN '000	%
Net interest income	161,117	172,551	(11,434)	(6.6%)
Net fee and commission income	79,934	76,195	3,739	4.9%
Dividend income	1,283	2,694	(1,411)	(52.4%)
Net income on trade financial instruments and revaluation	38,766	91,784	(53,018)	(57.8%)
Net gain on debt investment securities	10,090	35,732	(25,642)	(71.8%)
Net other operating income	3,093	11,185	(8,092)	(72.3%)
<b>Total income</b>	<b>294,283</b>	<b>390,141</b>	<b>(95,858)</b>	<b>(24.6%)</b>
General administrative expenses and depreciation	(154,252)	(165,149)	10,897	(6.6%)
Profit/(loss) on sales of tangible fixed assets	31	(56)	87	(155.4%)
Net impairment losses	13,517	(10,702)	24,219	(226.3%)
Share in net profits (losses) of entities valued at equity method	108	(36)	144	(400.0%)
<b>Profit before tax</b>	<b>153,687</b>	<b>214,198</b>	<b>(60,511)</b>	<b>(28.3%)</b>
<b>Cost / Income</b>	<b>52%</b>	<b>42%</b>		

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

- decline in net interest income as a result of lower income from debt securities and, to a smaller extent, a decline of income from loans and financial institutions. The impact of the above factors was partially compensated by the increase of income from corporate loans (an effect of growing volumes);
- increase in net fee and commission income driven by higher income on brokerage (partially related to participation of the Bank and DMBH in major transactions on the capital market - more information on the transaction can be found on pages 22 and 25 of this report in the section concerning business achievements) and custody services;
- decline of income on trade financial instruments and revaluation mainly resulting from the Bank's proprietary management;
- decline of net gain on debt investment securities resulting mainly from macroeconomic changes (rise of interest rates);
- decline of general administrative expenses stemming mainly from lower staff expenses along

with decrease in building maintenance and rent-related expenses;

- decline of net impairment losses – caused by higher level of released provisions for individually assessed impaired loans. It was mainly related to stabilization of customers' financial standing as well as decline of risk of delinquency in borrowers' payments.

## 1.1 Corporate and Investment Bank and the Capital Markets

### Corporate and Commercial Bank

Corporate banking activities of the Bank include comprehensive financial services provided to the largest Polish companies and strategic enterprises with a strong growth potential, as well as to the largest financial institutions and public sector companies.

At the end of the second quarter of 2011 the number of corporate clients was 7,900, including 7,000 in the segment of enterprises (small and medium enterprises, large companies and public sector).

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

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

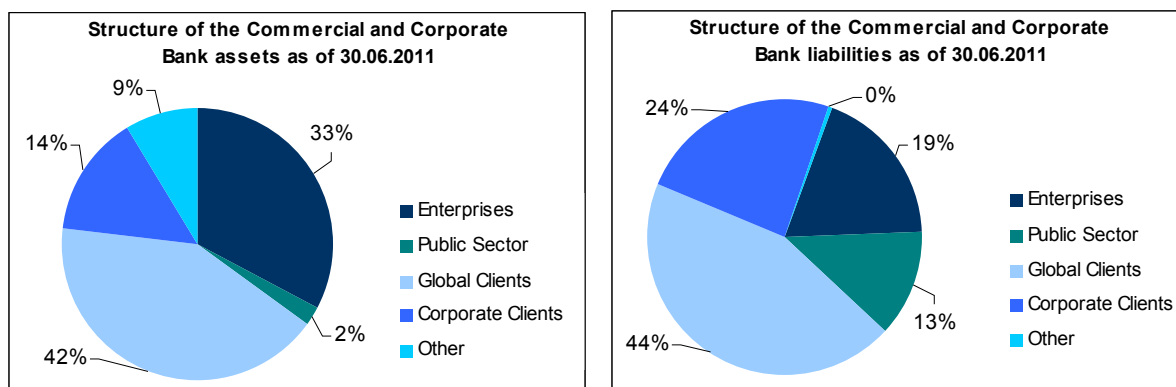
#### Assets

<i>PLN million</i>	30.06.2011	31.03.2011	Change	31.12.2010	Change
	(1)	(2)	(1)/(2)	(3)	(1)/(3)
Enterprises, including:	2,506	2,189	14%	1,957	28%
SMEs	1,324	1,173	13%	1,007	31%
MMEs	1,182	1,016	16%	950	24%
Public Sector	156	133	17%	112	39%
Global Clients	3,207	3,218	(0%)	2,818	14%
Corporate Clients	1,099	1,286	(15%)	1,297	(15%)
Other*	664	877	(24%)	957	(31%)
<b>Total Corporate and Commercial Bank</b>	<b>7,632</b>	<b>7,570</b>	<b>1%</b>	<b>7,029</b>	<b>9%</b>

#### Liabilities

<i>PLN million</i>	30.06.2011	31.03.2011	Change	31.12.2010	Change
	(1)	(2)	(1)/(2)	(3)	(1)/(3)
Enterprises, including:	2,692	2,564	5%	3,110	(13%)
SMEs	1,955	1,964	(0%)	2,175	(10%)
MMEs	737	600	23%	935	(21%)
Public Sector	1,811	1,765	3%	2,958	(39%)
Global Clients	6,345	6,070	5%	7,866	(19%)
Corporate Clients	3,442	1,798	91%	2,940	17%
Other*	37	75	(51%)	73	(49%)
<b>Total Corporate and Commercial Bank</b>	<b>14,327</b>	<b>12,272</b>	<b>17%</b>	<b>16,947</b>	<b>(15%)</b>

\* Includes customers under restructuring and customers of Handlowy Leasing sp. z o.o., not being customers of the Bank.



#### Key transactions in Corporate and Commercial Bank in the second quarter of 2011:

- Revolving loan granted to PKN ORLEN S.A. in the total amount of EUR 2.6 billion– in the second quarter of 2011 a consortium composed of 14 banks signed an agreement for financing arranged in “Club Deal” formula. Bank Handlowy is one of the co-organizers.
- An annex to the agreement for inter-company bonds program was signed (increase of the program amount to PLN 1 billion), in order to increase the effectiveness of short-term liquidity management in one of companies from fuel and energy sector.
- Winning the tender for processing operations of companies from the automotive industry (including organization of the Commercial Papers program) and FMCG industry (including consultancy on mergers and acquisitions transaction).
- The Bank signed an agreement on the purchase of bonds issued by Bank Gospodarstwa Krajowego for an amount of PLN 1 billion with a redemption date occurring after 3 years from the date of issue.

#### Investment Banking

Bank's Investment Banking, launched in 2010, retains its strong position in terms of advising on key transactions on capital market.

In the second quarter of 2011 the Investment Banking team, together with Dom Maklerski Banku Handlowego S.A. and Corporate Clients segment, completed two key transactions for the State Treasury: The Initial Public Offering (IPO) of Jastrzębska Spółka Węglowa S.A. and the Initial Public Offering of Bank Gospodarki Żywnościowej S.A. Introduction of Jastrzębska Spółka Węglowa on the stock exchange has been the largest in Poland and one of the three largest transactions of this type in Europe.

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

#### Treasury Products

Business activities and achievements in the Treasury Division in the second quarter of 2011:

- The Bank has a leading position on the foreign exchange market – in the ranking published in May 2011 by prestigious Euromoney magazine it once again took the first place in the category of FX trading with corporate clients;
- In the second quarter of 2011 the Bank recorded growth in the volume of FX transactions with corporate clients by 24% compared to the second quarter of 2010 and by 16% compared to the first quarter of 2011;
- CitiFX Pulse, an electronic FX platform – in the second quarter of 2011 half of the clients making FX transactions took advantage of the possibility to make such transactions on their

own via an electronic platform;

- On the market of complex derivatives the Bank provides corporate clients with solutions to hedge commodity transactions and to hedge against the market interest rate change risk (IRS transactions). In the second quarter of 2011 the Bank recorded an increase in the number of such transactions and, consequently, an increase in the resulting income compared to the corresponding period of the previous year;
- Transactions on Treasury bonds concluded with financial institutions – the turnover volume in the second quarter of 2011 increased more than twice compared to the corresponding period of the previous year. During the analyzed quarter the Bank recorded the highest turnover since 2007;
- The Bank has a leading position as the arranger of the issue of bonds and deposit certificates for banks. According to the Rating&Market report of the FitchRatings Agency, as at the end of June 2011, the Bank had almost 44% share on that market.

### Global Transaction Services (GTS)

The Bank is a leading institution providing transaction banking services in Poland. In parallel with traditional banking services, it delivers modern liquidity management solutions as well as mass payments and receivables management products.

The Bank continues efforts to add innovative services to its transactional banking offer. The Bank's priority is to improve the range of the offered transactional services, so that it fully meets clients' needs and set new trends in the banking industry in Poland. This objective will be achieved with the use of services of **Research and Development Centre in Łódź**. It is the first banking research centre in Poland. The Centre will cooperate with schools of higher education – letters of intent have been signed with Technical University of Łódź and University of Łódź. The Centre has already recorded its first successes, e.g. participation in creating Cash2Mobile product.

GTS offers the following products and services:

- Cash management products: deposits and current accounts, liquidity management products, MicroPayments, electronic banking;
- Card products;
- Payments and receivables: Unikasa, Direct Debit;
- Cash products;
- EU-related advisory;
- Trade finance products.

In the second quarter of 2011 the following changes were made in the range of GTS:

- MicroPayments – launch of a new version of the product, which offers many previously unavailable functionalities: various kinds of interest capitalization (daily, weekly, monthly, half-yearly, yearly), improvements in report generation, micro-accounts in foreign currencies and various ways of payment into accounts;
- Electronic banking – the Bank launched an information platform for clients CitiDirect.pl, which provides all information about the system training materials, documents and practical tips) in one place;
- Direct Debit – the Bank improved the system for distribution of direct debit mandate forms to debtor's banks, by implementing EPZ module of Ognivo system of the National Clearing House. The automation of mandate distribution resulted in the improvement of the service process efficiency and significantly reduced the activation time for clients;
- SpeedCollect – the Bank has implemented a new, innovative functionality, not offered by other banks; it consists in informing transfer payers about crediting the payment to the beneficiary's account.

Other business information concerning Transaction Services:

- Electronic banking
  - At the end of the second quarter of 2011 the number of corporate clients activated in the CitiDirect e-banking system grew by 5% compared to the end of the second quarter of 2010 and exceeded 11,000.
  - As at the end of the second quarter of 2011, the number of clients using the system actively was almost 5,000.
  - The number of transactions processed electronically by CitiDirect system in the second quarter of 2011 was 5.9 million, which means a 15% growth compared to the second quarter of 2010.
  - The share of bank statements delivered to customers through electronic means only stayed at a high and stable level and, similarly to the second quarter of 2010, totaled 90%.

- Card products

The Bank is the leader on the pre-paid card market in Poland, maintaining its share in that market at 44%. The Bank's prepaid cards are most frequently used under loyalty, promotional and incentive programs. In the second quarter of 2011 the Bank continued active promotion of its pre-paid cards among corporate clients, taking part – as a gold partner – in international conference "Customer Loyalty Summit" in Krakow.

- Unikasa

Unikasa, a payment processing network enabling payment for products and services, is present in 383 locations across the country. Unikasa clients can also pay their bills in more than 1,000 customer service points of the Unikasa partner network.

- Direct Debit

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

- Foreign Transfers

In the second quarter of 2011 there was an increase in the number of transfers by 11% compared to the corresponding period of 2010.

- Electronic Post Office Money Transfers

In the second quarter of 2011 the number of transfers carried out by the Bank was 21% higher than in the corresponding period of 2010.

- Trade finance products

- According to the data available as at the end of the first quarter of 2011, the Bank's share in the trade finance product market in terms of turnover on receivables discounting was 6.4%.
- Record high turnover in trade finance in the second quarter of 2011 – the turnover value exceeded PLN 1.5 billion and was higher by 150% compared to the second quarter of 2010.
- The Bank's assets in the area of trade finance products were 32% higher as at the end of the second quarter of 2011 compared to the fourth quarter of 2010 and 15% higher compared to the first quarter of 2011.
- Major transactions related to structured trade finance services in the second quarter of 2011: release of the structured funding of receivables for the syndicate constructing a motorway at the order of the General Directorate for National Roads and Motorways – it is the second contract of this type, and continuation of structured factoring transaction for one of the largest fuel manufacturers in Poland.

## Custody services

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



As at 30 June 2011, the Bank maintained 14,200 securities accounts.

At the same time, the Bank was the custodian bank for five Open Pension Funds (OFE): AMPLICO OFE, AVIVA OFE AVIVA BZ WBK, ING OFE, Pekao OFE, Nordea OFE and two employee pension funds: PZU "Słoneczna Jesień" Employee Pension Fund and Telekomunikacja Polska S.A. Employee Pension Fund.

The Bank was the custodian bank for mutual funds and sub-funds managed by the following Investment Fund Corporations (TFI): BZ WBK TFI S.A., PKO TFI S.A., PIONEER PEKAO TFI S.A., LEGG MASON TFI S.A. and AVIVA INVESTORS POLAND TFI SA.

### Brokerage services

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 second quarter of 2011, DMBH acted as an intermediary in 10.4% of secondary equities trading (data do not include calls), thus achieving the second position on the market. Over the analyzed period the value of equity trades executed via DMBH on the Warsaw Stock Exchange was PLN 14.8 billion (down by 19.7% compared to the corresponding period of the previous year). The value of trading on WSE went up by 17.2% compared to the corresponding period in 2010.

The number of brokerage accounts with DMBH at the end of the second quarter of 2011 amounted to 8,989, up by 8.8% compared to the end of the second quarter of the previous year.

The performance of DMBH is largely dependent on the activity of institutional investors, which – in turn – depends directly on the inflow of new funds, as well as the situation on the domestic share market.

In the second quarter of 2011 DMBH acted as a Market Maker for 31 financial instruments – companies and future contracts, thanks to which DMBH is in the lead among the brokerage houses that perform that function on the WSE.

Key transactions of DMBH in the second quarter of 2011:

- The Initial Public Offering of BGŻ S.A. completed in May 2011, at the value of PLN 312 million; DMBH acted as a Global Offering Co-coordinator and Co-Bookrunner.
- The Initial Public Offering of Jastrzębska Spółka Węglowa S.A. at the value of PLN 5.37 billion; DMBH acted as a Global Offering Co-coordinator and Co-Bookrunner; the company debuted on the WSE on 6 July 2011.
- Non-public transaction of sale of Polish bank's shares, carried out in May 2011, at the value of PLN 158.8 million; DMBH served as a transaction intermediary.
- Public offering of the C series of Investment Certificates of Legg Mason Akcji Skoncentrowany FIZ, concluded in June 2011, at the value of PLN 38.5 million; DMBH acted as the Offerer.

### Summary Income Statement and Balance Sheet\*

Company's Name	Headquarters	Participation interest of the Bank in equity %	Balance sheet as at 30.06.2011 PLN '000	Equity as at 30.06.2011 PLN '000	Net financial result for 01.01-30.06.2011 PLN '000
Dom Maklerski Banku Handlowego S.A.	Warszawa	100.00	695,019	104,115	18,975

*\*Unaudited data*

### Leasing services

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

The value of new leases contracted in the second quarter of 2011 was PLN 90.9 million, compared to PLN 49.6 million worth of contracts executed in the second quarter of 2010, which means an increase by 83%.

The value of leased assets in the second quarter of 2011 totaled PLN 65.6 million. The structure of assets was as follows:

- the share of transport vehicles stood at 81% of the total financed chattels,
- the share of machinery and equipment stood at 19% of the total financed fixed assets.

#### Net asset value of leases

<i>PLN million</i>	Q2 2011	Q2 2010	Change PLN million	%
Value of leases contracted in the period:	65.6	50.3	15.3	30%
for vehicles	53.2	25.1	28.1	112%
for machinery and equipment	12.4	25.1	(12.8)	(51%)

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

In the second quarter of 2011 the priority task of the Company was the achievement of the set sales targets and activities aimed at reclaiming VAT due to insurance re-invoices, the recognition of which had a negative impact on the result in the fourth quarter of 2010.

#### Summary Income Statement and Balance Sheet\*

Company's Name	Headquarters	Participation interest of the Bank in equity %	Balance sheet as at 30.06.2011 PLN '000	Equity as at 30.06.2011 PLN '000	Net financial result for 01.01- 30.06.2011 PLN '000
Handlowy-Leasing Sp. z o.o.	Warszawa	100.00	807,948	153,071	2,707

*\*Unaudited data*

## 2. Consumer Banking

### 2.1. Summary of the segmental results

<i>PLN '000</i>	Q2 2011	Q2 2010	Change PLN '000	%
Net interest income	186,950	201,680	(14,730)	(7.3%)
Net fee and commission income	87,664	89,872	(2,208)	(2.5%)
Dividend income	4,374	3,141	1,233	39.3%
Net income on trade financial instruments and revaluation	6,904	7,982	(1,078)	(13.5%)
Net other operating income	(4,401)	(3,392)	(1,009)	29.7%
<b>Total income</b>	<b>281,491</b>	<b>299,283</b>	<b>(17,792)</b>	<b>(5.9%)</b>
General administrative expenses and depreciation	(213,979)	(185,512)	(28,467)	15.3%
Profit/(loss) on sale of tangible fixed assets	34	(39)	73	(187.2%)
Net impairment losses	(28,883)	(78,127)	49,244	(63.0%)
<b>Profit before tax</b>	<b>38,663</b>	<b>35,605</b>	<b>3,058</b>	<b>8.6%</b>
<b>Cost/Income</b>	<b>76%</b>	<b>62%</b>		

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

- decline in net interest income through a lower exposure in cash loans in selected customer segments in line with the Bank's strategy. Similarly to the previous quarter, decline was partially compensated by lower interest expenses, which was an effect of consistent focus on operating accounts coupled with pricing policy regarding time deposits and saving accounts;
- slight decrease of net fee and commissions income resulting from promotional offers for credit cards (in terms of annual fee) and operating accounts, introduced in order to support sales of these products, as well as lower fees on cash loans. Additionally, there was a drop of income from cash loans' and credit cards' insurance policies (due to lower volumes as well as change of target customer profile mix). The above decreases were somewhat offset by higher fees on investment products. The latter went up also comparing to the first quarter of 2011 which, along with growing fees from non-cash transactions on credit and debit cards, led to increase of total net fee and commission income quarter on quarter;
- growth of expenses mainly related to higher costs of external sales agencies driven by development of direct sales and telesales channels as well as growth of expenses related to intensified marketing efforts to increase sales of credit cards and operating accounts (Citibank MasterCard World and ZTM Card, among others);
- significant decline of net impairment losses, caused by improving quality of cash loans and credit cards portfolios, partially due to earlier changes in credit policy (such as strategic decrease of higher risk segments in retail credit portfolio).

## 2.2. Selected business data

	Q2 2011	Q1 2011	Q2 2010	Change QoQ	Change YoY
Number of individual customers	985,845	994,654	1,035,105	(8,809)	(49,260)
Number of current accounts, including:	628,483	605,216	606,998	23,267	21,485
number of operating accounts	153,742	139,381	113,945	14,361	39,797
Number of newly acquired operating accounts during the reported period	32,124	28,507	18,510	3,617	13,614
Number of saving accounts	217,882	214,172	199,404	3,710	18,478
Number of credit cards, including:	871,299	883,985	950,531	(12,686)	(79,232)
co-branded cards	483,932	485,370	541,954	(1,438)	(58,022)
Number of debit cards, including:	468,882	457,940	456,976	10,942	11,906
PayPass cards	269,742	234,982	76,361	34,760	193,381

The number of all individual clients as at the end of the second quarter of 2011 was over 985,000 compared to 1,035,000 in the corresponding period of the previous year. In the second quarter of 2011 18,900 new clients were acquired – most of them opened a current account with the Bank. At the same time approx. 50% of new current accounts were opened for new clients.

## 2.3. Business activities and achievements

### Credit cards

As at the end of the second quarter of 2011, the number of credit cards was 871,300, which means a fall by 8.5% compared to the second quarter of 2010. The decrease in the size of the portfolio was due to the increase in credit requirements related to, among others, Recommendation T implemented by the Polish Financial Supervision Authority in 2010. At the same time, the value of non-cash transactions in the second quarter of 2011 went up by 5.8% compared to the second quarter of 2010.

The Bank has a leading position on the credit card market in terms of transaction value – according to the data available as at the end of the first quarter of 2011, the Bank's share amounted to 22.3%. At the same time the Bank's share in the credit card market in terms of the number of the issued cards increased to 10.4% in the first quarter of 2011 from 9.8% as at the end of the first quarter of 2010, while its share in the credit card market in terms of the value of loans on credit cards went up from

16.3% as at the end of the first quarter of 2010 to 16.5% as at the end of the first quarter of 2011.

In the second quarter of 2011 the following changes were made in the range of the credit cards offered by the Bank:

- Citibank MasterCard World Signia Ultime – a new card launched in cooperation with LOT Polish Airlines and together with Miles & More loyalty program. It is the most elite product in MasterCard classification, offered to clients with the highest incomes. Ultime card offers a range of additional services: concierge service, assistance, insurance package, Miles&More program, Priority Pass card and A La Carte discount program.
- New functionality of credit cards in the form of contactless payments – MasterCard PayPass and Visa PayWave. The contactless payment functionality is available for new credit cards and it will be gradually implemented for the entire card portfolio.

### Bank accounts

- **Current accounts:** As at the end of the second quarter of 2011, the number of current accounts held by individual clients exceeded 628,000, including over 445,000 accounts denominated in the zloty and 183,000 accounts denominated in foreign currencies. The total balance in current accounts exceeded PLN 2 billion. Consequently, there was a significant growth compared to the corresponding period of the previous year as the total balance of current accounts as at the end of the second quarter of 2010 amounted to PLN 1.74 billion, and their number was 607,000 (including 408,000 accounts in PLN and 199,000 in foreign currencies).
- **Savings accounts:** The number of savings accounts totaled over 217,000. The total balance of funds in the savings accounts was approx. PLN 2.5 billion compared to 199,000 savings accounts with the total balance of PLN 2.64 billion in the corresponding period of 2010. In May 2011 the Bank raised premium interest rate on Savings Account. Clients who pay using the card to their account might have interest rate of 3.73%.
- **New products:** In May 2011 the Bank extended its range with another city payment card – this time it launched Citibank City Card in cooperation with Wrocław city and Mennica Polska S.A. Apart from the convenience of using one card (a card to an account integrated with Urbancard – Wrocław City Card), the passengers on public transport in Wrocław can take advantage of a special discount on tickets. Citibank City Card is the first such proposal on Wrocław market.

### Credit Products

#### Cash loan

From the beginning of April to mid May 2011 the Bank continued its marketing campaign – promotional interest rate of 9.99% per year was available to every client who took advantage of a new cash loan offered by the Bank.

#### Mortgage products

- As at the end of the second quarter of 2011, the total balance of the mortgage portfolio amounted to PLN 430.8 million, which means an increase by 19.7% compared to the balance as at the end of the first quarter of 2011.
- **Distribution channels:** As at the end of the second quarter of 2011 the Bank had over 1,400 agreements with external partners generating contacts to clients interested in mortgage products. In April 2011 the Bank concluded a cooperation agreement with Open Finance – the largest financial advisory firm in Poland. Furthermore, a unique “Partner Profit Program” for partners cooperating with the Bank was implemented.
- The sales of loans was supported by promotional activities, including a TV campaign and other marketing campaigns in which external partners participated.

## Insurance and Investment Products

- As at the end of the second quarter of 2011, the total value of assets under management in investment-linked products (including deposit certificates, dual currency investments, unit-linked deposits and insurance products) bought by clients through the Bank was higher by 0.5% compared to the corresponding period of 2010.
- The highest increase in terms of value of assets under management was recorded in mutual funds. The value of these assets totaled PLN 2.3 billion as at the end of the second quarter of 2011 compared to PLN 1.7 billion as at the end of the corresponding period of the previous year, which means an increase by 34.3%.
- The mutual funds range was expanded with 20 new local funds and 4 foreign funds. As at the end of the second quarter of 2011 the range offered by the Bank included 152 funds – managed by 7 local mutual funds corporations and 4 foreign investment firms.

## 2.4. Development of distribution channels

### Mobile Banking

As at the end of the second quarter of 2011, more than 44,000 clients used the Citi mobile system (the browser version and the application version), including over 9,000 who logged to Citi Mobile for the first time in the second quarter of 2011. The Citi Mobile application was down-loaded over 14,000 times as at the end of this period.

### Internet banking

In the second quarter of 2011 the following changes were introduced in Electronic Banking:

- Citibank Online internet platform was enriched with the so-called “virtual advisor” that is an interactive system of answering the most difficult questions posed by users.
- The Bank expanded the “I pay with Citi Handlowy” functionality by adding another large Partner – BluePay S.A. The cooperation with the new partner resulted in the increase in the number of “I pay with CitiHandlowy” transactions by over 40% in the period from December 2010 to May 2011.

### Indirect and Direct Customer Acquisition

- As at the end of the second quarter of 2011, the network of direct sales units comprised 67 sales outlets, including stands located in shopping centers (26), Plus showrooms (14), BP fuel stations (12), units selling city cards (13), a stand at Okęcie airport in Warsaw and in Arkady in Sopot.
- The number of sales outlets in shopping centers increased by 50%. Sales outlets were opened in shopping centers in new cities: Toruń, Gliwice, Częstochowa, Szczecin and Lublin. Furthermore, as a part of the “Follow the Customer” initiative, an additional outlet was opened in Sopot in order to sell Citibank MasterCard World Credit Card, which will operate until the end of August 2011.
- In the second quarter of 2011 the cooperation with the network of agents and sub-agents of Polkomtel was ended. The withdrawal from this channel of distribution did not result in any additional costs.

## 2 Branch network

As at the end of the second quarter of 2011, the branch network of the Bank comprised 152 outlets and included the L type outlets (formerly the Corporate Bank, the CitiGold Wealth Management outlets and the Investment Centre), the M type outlets (former multifunctional outlets) and the S type outlets (former CitiFinancial branches).

## The number of branches

	Q2 2011	Q1 2011	Q2 2010	Change QoQ	Change YoY
Number of outlets:	152	153	158	(1)	(6)
L type	43	43	43	-	-
M type	89	89	90	-	(1)
S type	20	21	25	(1)	(5)
Other sales / customer service outlets:					
Polkomtel sales points	-	156	61	(156)	(61)
Plus outlets	14	15	10	(1)	4
Outlets of financial brokers (Open Finance, Expander)	123	-	-	123	123
Airports	1	1	5	-	(4)
BP petrol stations	12	16	5	(4)	7
Shopping centres	26	17	7	9	19
ZTM points	13	16	-	(3)	13
Number of own ATMs	133	137	154	(4)	(21)
Euronet ATMs with logo of 'Citi Handlowy'	900	905	789	(5)	111
Unikasa	383	427	425	(44)	(42)

## 9 Rating

The Bank has a full rating of Moody's Investors Service (Moody's), an international rating agency. In the second quarter of 2011 the rating did not change. The last rating change was made on 18 June 2009.

At the end of the second quarter of 2011 the Bank had the following ratings awarded by Moody's:

Rating for long term deposits in the domestic currency	Baa1
Rating for long term deposits in foreign currencies	Baa1
Rating for short term deposits in the domestic currency	Prime-2
Rating for short term deposits in foreign currencies	Prime-2
Financial condition	D+
<i>Financial strength rating outlook</i>	<i>Negative outlook</i>
<i>Long term deposits in the domestic currency rating</i>	<i>Negative outlook</i>

## 10 Financial instruments disclosure

The increase of fair value of financial instruments classified as held-for-trading was connected with high price variability of oil, liquid fuel, gas and precious metals in the first half of 2011. The increase of fair value of financial instruments classified as available-for-sale (AFS) was influenced by investing the money gained as a result of profitable deposits' interest in monetary bonds (PLN 1,3 billion) as well as in commercial papers, in connection with Bank's expectations regarding economic conditions' changes.

In the first half of 2011 the Group effected the transfer of part of financial assets and liabilities held-for-trading from the categories valued using crucial parameters not originating from the market to the category of market-originating parameters valuation, the value of which amounted respectively to PLN 26,304 thousand and PLN 4,113 thousand. The change of category concerns derivative instruments and results from cessation of one of non-banking clients' influence on valuation of an important credit risk element, which was taken into consideration in valuation as at 31 December 2010.

In the first six months of 2011 the Group did not make any changes in financial assets classification that may result from asset's purpose or usage change.

## 11 Seasonality or periodicity of business activity

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

## 12 Issue, redemption and repayment of debt and equity securities

Within the Debt Security of the Bank Issue Program, Bank effects the issue of certificates of deposit ('BPW'), total value of which was PLN 40,934 thousand as at 30 June 2011.

*PLN '000*

Type of debt securities issued	Nominal value	Issuance date	Maturity date
Certificate of deposit	673	02.07.2010	06.01.2012
Certificate of deposit	24,134	31.01.2011	01.08.2011
Certificate of deposit	13,821	28.02.2011	31.08.2011
Certificate of deposit	2,275	04.05.2011	30.10.2012
	<b>40,903</b>		

In the second quarter of 2011 the Bank paid the BPWs off in the amount of PLN 10,856 thousand, whose maturity dates fell respectively on 28 April 2011 and 30 May 2011.

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

## 13 Paid or declared dividends

### Dividends paid

In accordance with General Meeting of Shareholders' Resolution No 29/2011 of 1 June 2011, 2010 profit has been distributed, the resolution of dividend pay-out was adopted as well as dividend date and pay-out date were determined. From 2010 net profit PLN 747,372,912.00 was assigned for the pay-out, which means the pay-out for a single share was PLN 5.72. The number of shares subjected to dividend equals 130,659,600.

The date of determination the right to dividend was set on 16 June 2011. The dividend was paid out on 29 July 2011.

## 14 Changes in Group's structure

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

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

As at 30 June 2011 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

## 16 Changes in off-balance-sheet commitments

The detailed specification of off-balance-sheet commitments as at 30 June 2011 and changes in comparison with the end of 2010 are as follows:

PLN '000	State as at		Change	
	30.06.2011	31.12.2010	PLN '000	%
<b>Contingent liabilities</b>				
<b>Granted liabilities</b>				
financial	10,643,862	10,839,248	(295,116)	(2.7)
Import letters of credit issued	126,052	145,665	(19,613)	(13.5)
Credit lines granted	9,967,930	10,333,933	(366,003)	(3.5)
Subscription of securities granted to other issuers	450,150	359,650	90,500	25.2
Other	99,730	-	99,730	-
guarantees	1,813,486	1,787,149	26,337	1.5
Guarantees granted	1,797,982	1,771,282	26,700	1.5
Export letters of credit confirmed	5,374	1,647	3,727	226.3
Other	10,130	14,220	(4,090)	(28.8)
	<b>12,457,348</b>	<b>12,626,397</b>	<b>(169,049)</b>	<b>(1.3)</b>
<b>Liabilities received</b>				
financial (deposits to receive)	-	318,701	(318,701)	(100.0)
guarantees (guarantees received)	3,016,443	2,769,825	246,618	8.9
	<b>3,016,443</b>	<b>3,088,526</b>	<b>(72,083)</b>	<b>(2.3)</b>
Current off-balance-sheet transactions*	1,539,270	1,604,829	(65,559)	(4.1)
Forward off-balance-sheet transactions**	288,173,717	209,802,627	78,371,090	37.4
	<b>305,186,778</b>	<b>227,122,379</b>	<b>78,064,399</b>	<b>34.4</b>

\*Foreign exchange and securities transactions with current value date

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

## 17 Achievement of 2011 forecast results

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

## 18 Information about shareholders

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

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

In the period between publishing the interim consolidated financial statements for the first quarter 2011 and publishing this report for the second quarter 2011 the structure of major shareholdings has not undergone any changes.



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

According to the best knowledge of the Bank – the dominant entity, the number of Bank's shares held by managing and supervising officers is presented below:

Name and surname	Function	Number of shares on day of publishing the Interim Financial Statement for the second quarter 2011	Number of shares on day of publishing the previous Interim Financial Statement for the first quarter 2011
Iwona Dudzińska	Member of the Managing Board	600	600
Andrzej Olechowski	Vice-chairman of Supervisory Board	1,200	1,200
<b>Total</b>		<b>1,800</b>	<b>1,800</b>

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

## 20 Information on pending proceedings

In the second quarter of 2011 there was no single proceeding regarding receivables and liabilities of the Bank or its subsidiary pending in court, public administration authority or an arbitration authority, the value of which would equal at least 10% of Bank's equity

The total value of all legal proceedings regarding receivables, with the participation of the Bank and its subsidiaries, decreased in the second quarter 2011 and did not exceed 10% of the Bank's equity.

Decreased value of legal proceedings regarding Bank's receivables is a result of the reduction of legal proceedings concerning Bank's applications for an enforcement of the executory formula of Bank's enforceable title. Major part of such proceedings is closed both in individual and corporate clients' area. As far as consumer banking is concerned, more than 2,500 cases regarding an enforcement of the executory formula of Bank's enforceable title are closed. The decrease in quantity and value of legal proceedings concerning Bank's applications for an enforcement of the executory formula of Bank's enforceable title is also caused by the improvement of Bank's consumer credit portfolio, thus contributing to the lower number of cases in vindication process. As for corporate clients' insolvency proceedings, part of them is closed, including one with the sale of receivables to another entity.

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

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

In the second quarter 2011 the total value of all Bank's and its subsidiaries' commitments due to legal proceedings did not exceed 10% of the Bank's equity capital.

In case of legal proceedings involving the risk of cash outflow as a result of meeting Group's commitments, the appropriate provisions are created.

## 21 Information about significant transactions with related entities dealt on other than market terms

In the second quarter of 2011, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

## 22 Information about guarantee agreements

At the end of the second quarter of 2011, the total value of sureties and guarantees given by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's shareholders' equity.

## 23 Other important information

### Personal changes in the Bank

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

On 1 June 2011 Mr Marc Luet was assigned to the post of a Member of Bank's Supervisory Board.

On 6 July 2011 Mr Wiesław Smulski resigned from the position of a Member of Bank's Supervisory Board.

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

On the financial markets there is still uncertainty regarding public finances of some Eurozone countries, including especially Greece and Portugal. Exacerbation of the debt crisis in the Eurozone and possible restructuring of Greece's debt may lead to higher premium for risk and to a drop of prices of Polish assets.

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

Fiscal policy tightening planned by the Polish government will constrain the economic growth rate in 2011 and 2012. Furthermore, if the global decline in economic activity indicators noted in the second quarter turned out to be permanent, it could damage the ambitious plans of the government for reducing the fiscal deficit.

The global shock on the oil and food markets gives rise to the risk of further inflation growth in the country. Possible dynamic price increase may lead to a decrease in the real income of households and reduce consumption, at the same time making the Monetary Policy Council raise interest rates.

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

## Condensed interim financial statements of the Bank for the second quarter 2011

### Condensed income statement

<i>PLN '000</i>	Second quarter period from 01.04.2011 to 30.06.2011	Second quarter accruals period from 01.01.11 to 30.06.11	Second quarter period from 01.04.2010 to 30.06.2010	Second quarter accruals period from 01.01.10 to 30.06.10
Interest and similar income	462,579	913,606	485,291	973,917
Interest expense and similar charges	(121,950)	(233,662)	(119,258)	(243,109)
<b>Net interest income</b>	<b>340,629</b>	<b>679,944</b>	<b>366,033</b>	<b>730,808</b>
Fee and commission income	165,754	332,741	169,589	323,774
Fee and commission expense	(17,298)	(33,915)	(16,803)	(34,760)
<b>Net fee and commission income</b>	<b>148,456</b>	<b>298,826</b>	<b>152,786</b>	<b>289,014</b>
Dividend income	26,271	26,271	12,498	12,509
Net income on trade financial instruments and revaluation	47,486	135,501	104,494	157,868
Net gain on debt investment securities	10,090	11,334	35,732	57,692
Net gain on capital investment instruments	-	-	-	2,516
Other operating income	9,246	20,350	19,987	39,270
Other operating expenses	(8,759)	(18,364)	(7,807)	(31,235)
<b>Net other operating income</b>	<b>487</b>	<b>1,986</b>	<b>12,180</b>	<b>8,035</b>
General administrative expenses	(342,535)	(664,945)	(325,467)	(624,972)
Depreciation expense	(12,913)	(25,763)	(14,281)	(30,091)
Profit/(loss) on sale of tangible fixed assets	65	2,276	(81)	(203)
Net impairment losses	(12,758)	(54,654)	(88,925)	(163,779)
<b>Profit before tax</b>	<b>205,278</b>	<b>410,776</b>	<b>254,969</b>	<b>439,397</b>
Income tax expense	(39,206)	(79,569)	(50,580)	(93,696)
<b>Net profit</b>	<b>166,072</b>	<b>331,207</b>	<b>204,389</b>	<b>345,701</b>
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net earnings per share (in PLN)		2.53		2.65
Diluted net earnings per share (in PLN)		2.53		2.65

### Condensed statement of comprehensive income

<i>PLN '000</i>	Second quarter period from 01.04.2011 to 30.06.2011	Second quarter accruals period from 01.01.11 to 30.06.11	Second quarter period from 01.04.2010 to 30.06.2010	Second quarter accruals period from 01.01.10 to 30.06.10
<b>Net income</b>	<b>166,072</b>	<b>331,207</b>	<b>204,389</b>	<b>345,701</b>
<b>Other comprehensive income:</b>				
Valuation of financial assets available-for-sale (net)	44,203	20,249	(53,627)	78,094
<b>Total comprehensive income</b>	<b>210,275</b>	<b>351,456</b>	<b>150,762</b>	<b>423,795</b>

## Condensed balance sheet

<i>PLN '000</i>	State as at	30.06.2011	31.12.2010
<b>ASSETS</b>			
Cash and balances with the Central Bank		1,221,450	3,206,554
Financial assets held-for-trading		4,147,404	3,995,217
Debt securities available-for-sale		16,642,195	13,029,254
Capital investments		305,434	303,165
Loans, advances and other receivables		13,802,794	13,938,510
from financial sector		2,314,983	3,164,818
from non-financial sector		11,487,811	10,773,692
Tangible fixed assets		431,468	431,366
property and equipment		413,160	413,058
investment property		18,308	18,308
Intangible assets		1,284,490	1,283,134
Income tax assets		356,074	305,253
current		145,659	67,171
deferred		210,415	238,082
Other assets		235,737	199,319
Fixed assets held-for-sale		9,901	9,901
<b>Total assets</b>		<b>38,436,947</b>	<b>36,701,673</b>
<b>LIABILITIES</b>			
Financial liabilities held-for-trading		3,060,151	2,804,437
Financial liabilities valued at amortized cost		27,941,560	26,943,235
deposits		25,294,967	26,544,190
from financial sector		7,555,719	6,138,803
from non-financial sector		17,739,248	20,405,387
own issue liabilities		40,934	11,533
other liabilities		2,605,659	387,512
Provisions		37,831	32,227
Other liabilities		1,374,019	499,682
<b>Total liabilities</b>		<b>32,413,561</b>	<b>30,279,581</b>
<b>EQUITY</b>			
Share capital		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		(24,599)	(44,848)
Other reserves		2,249,555	2,251,691
Retained earnings		331,207	748,026
<b>Total equity</b>		<b>6,023,386</b>	<b>6,422,092</b>
<b>Total liabilities and equity</b>		<b>38,436,947</b>	<b>36,701,673</b>

### Condensed statement of changes in equity

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2011	522,638	2,944,585	(44,848)	2,251,691	748,026	6,422,092
Total comprehensive income	-	-	20,249	-	331,207	351,456
Valuation of capital rewards program, including:	-	-	-	(2,789)	-	(2,789)
valuation change	-	-	-	(5,900)	-	(5,900)
deferred income tax	-	-	-	3,111	-	3,111
Dividends to be paid	-	-	-	-	(747,373)	(747,373)
Transfer to capital	-	-	-	653	(653)	-
<b>Balance as at 30 June 2011</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(24,599)</b>	<b>2,249,555</b>	<b>331,207</b>	<b>6,023,386</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2010	522,638	2,944,585	(81,026)	2,223,274	525,152	6,134,623
Total comprehensive income	-	-	78,094	-	345,701	423,795
Valuation of capital rewards program, including:	-	-	-	(2,444)	-	(2,444)
valuation change	-	-	-	(1,666)	-	(1,666)
deferred income tax	-	-	-	(778)	-	(778)
Dividends to be paid	-	-	-	-	(492,587)	(492,587)
Transfer to capital	-	-	-	32,565	(32,565)	-
<b>Balance as at 30 June 2010</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(2,932)</b>	<b>2,253,395</b>	<b>345,701</b>	<b>6,063,387</b>

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

## Condensed summary statement of cash flows

<i>PLN '000</i>	Second quarter accruals period from 01.01.11 to 30.06.11	Second quarter accruals period from 01.01.10 to 30.06.10
Cash at the beginning of the reporting period	3,301,549	4,133,389
Cash flows from operating activities	(2,023,953)	(2,090,574)
Cash flows from investing activities	(26,590)	(4,203)
Cash flows from financing activities	(11,430)	(23,418))
Cash at the end of the reporting period	1,239,576	2,015,194
Increase / Decrease in net cash	(2,061,973)	(2,118,195)

## Condensed additional information

### 1. Declaration of conformity

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

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes) the Bank publishes its financial results for the six-month period ended 30 June 2011 which is deemed to be the current interim financial reporting period.

### 2. Significant accounting policies

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

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

Other information and explanations concerning these condensed interim consolidated financial statements for the second quarter 2011 contain also all information and explanatory data essential for these condensed interim financial statements.

The summary of Bank's financial results for the second quarter of 2011 is presented below.

### Bank's financial results

During the first two quarters of 2011 the Bank has generated profit before tax of PLN 411 million, comparing to PLN 439 million in the corresponding period of 2010. Profit before tax in the second quarter 2011 reached PLN 205 million, while in the second quarter 2010 it was PLN 255 million.

Accrued net income (for the period from January to June 2011) amounted to PLN 331 million, which means it decreased by PLN 14 million in comparison with the corresponding period of 2010. Net income in the second quarter 2011 totaled PLN 166 million comparing to PLN 204 million in the second quarter 2010.

The following factors had a significant influence on Bank's net income in the second quarter 2011: net write-downs for impairment of financial assets loss lower by PLN 76 million (85.6%), decrease of income on financial instruments (trade financial instruments and revaluation, debt securities, investment capital instruments) by total amount of PLN 82 million (58.9%), fall in interest and commission income by PLN 30 million (5.7%), rise in banking activity costs and general administrative costs by PLN 16 million (4.6%), decrease of financial result on other operating income and expenses as well as income on sale of fixed assets by PLN 12 million total, dividend income's growth by PLN 14 million, income tax burden lower by PLN 11 million.

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

Signature of the Vice Director of  
Financial Reporting and Control Department

Signature of the Vice President of  
Management Board

Date and signature

Date and signature

08.08.2011  
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