

INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE SA
FOR THE SECOND QUARTER 2007

AUGUST 2007

Selected financial data

	In PLN '000		In EUR '000***	
	Year to date period from 01/01/07 to 30/06/07	Year to date period from 01/01/06 to 30/06/06	Year to date period from 01/01/07 to 30/06/07	Year to date period from 01/01/06 to 30/06/06
Data related to summary consolidated financial statements				
Interest income	942,858	783,601	244,987	200,913
Fee and commission income	460,368	376,861	119,620	96,626
Profit before tax	549,617	444,500	142,810	113,969
Net profit	439,570	343,746	114,216	88,135
Increase of net cash	898,743	39,646	238,659	9,805
Total assets*	36,790,147	35,990,735	9,769,544	9,394,115
Due to central bank*	-	250,113	-	65,283
Financial liabilities valued at amortized cost	26,077,572	25,991,136	6,924,843	6,784,072
Shareholders' equity	5,216,797	4,980,432	1,385,309	1,231,744
Share capital	522,638	522,638	138,785	129,257
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	39.93	38.12	10.60	9.43
Capital adequacy ratio (%)*	13.18	14.10	13.18	14.10
Capital adequacy ratio based on Tier 1 capital (%)*	14.12	14.79	14.12	14.79
Earnings per ordinary share (PLN / EUR)	3.36	2.63	0.87	0.67
Diluted net profit per ordinary share (PLN / EUR)	3.36	2.63	0.87	0.67

Data related to summary financial statements of the Bank

Interest income	922,516	767,125	239,702	196,689
Fee and commission income	420,598	334,048	109,286	85,649
Profit before tax	549,420	434,947	142,758	111,519
Net profit	439,243	341,070	114,131	87,449
Increase of net cash	914,998	39 688	242,976	9 816
Total assets*	36,038,247	35,095,894	9,569,878	9,160,549
Due to central bank*	-	250,113	-	65,283
Financial liabilities valued at amortized cost*	25,830,740	25,529,437	6,859,297	6,663,562
Shareholders' equity	5,098,642	4,901,979	1,353,933	1,212,341
Share capital	522,638	522,638	138,785	132,794
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	39.02	37.52	10.36	9.28
Capital adequacy ratio (%)*	12.22	13.40	12.22	13.40
Capital adequacy ratio based on Tier 1 capital (%)*	14.07	14.92	14.07	14.92
Earnings per ordinary share (PLN / EUR)	3.36	2.61	0.87	0.67
Diluted net profit per ordinary share (PLN / EUR)	3.36	2.61	0.87	0.67
Declared or distributed dividends per ordinary share (PLN / EUR)**	4.10	3.60	1.09	0.91

* The comparable financial data as at 31 December 2006.

** The presented ratios are related to, respectively: dividends declared from the appropriation of the 2006 profit as well as dividends distributed in 2006 from the appropriation of the 2005 profit.

*** The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 30 June 2007 of PLN 3.7658 (as at 31 December 2006: PLN 3.8312); for the income statement - the arithmetic average of month - end NBP exchange rates in first and second quarter 2007 – PLN 3.8486 (in first and second quarter 2006: PLN 3.9002).

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Consolidated income statement

<i>In thousands of PLN</i>	Second quarter period from 01/04/07 to 30/06/07	Year to date period from 01/01/07 to 30/06/07	Second quarter period from 01/04/06 to 30/06/06	Year to date period from 01/01/06 to 30/06/06
Interest and similar income	482,034	942,858	402,778	783,601
Interest expense and similar charges	(188,806)	(360,015)	(140,573)	(275,469)
Net interest income	293,228	582,843	262,205	508,132
Fee and commission income	235,377	460,368	202,782	376,861
Fee and commission expense	(50,158)	(96,708)	(45,774)	(74,433)
Net fee and commission income	185,219	363,660	157,008	302,428
Dividend income	792	801	100	100
Net income on financial instruments and revaluation	136,907	242,025	68,868	178,865
Net gain on investment (deposit) securities	307	10,740	435	33,166
Net gain on investment (capital) instruments	37,328	43,993	-	-
Other operating income	28,507	53,400	30,408	59,246
Other operating expenses	(16,802)	(27,638)	(7,803)	(20,439)
Net other operating income	11,705	25,762	22,605	38,807
General administrative expenses	(355,075)	(701,281)	(343,422)	(681,796)
Depreciation expense	(27,128)	(55,485)	(33,063)	(66,407)
Profit / (loss) on sale of tangible fixed assets	258	(590)	944	117,289
Net impairment losses	25,481	45,663	8,138	11,262
Operating income	309,022	558,131	143,818	441,846
Share in profits / (losses) of undertakings accounted for under the equity method	(8,993)	(8,514)	(2,589)	2,654
Profit before tax	300,029	549,617	141,229	444,500
Income tax expense	(57,909)	(110,047)	(33,484)	(100,754)
Net profit	242,120	439,570	107,745	343,746
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		3.36		2.63
Diluted net profit per ordinary share (in PLN)		3.36		2.63

Consolidated balance sheet*In thousands of PLN*

	30/06/2007	31/12/2006
ASSETS		
Cash and balances with central bank	2,073,502	535,623
Financial assets held-for-trading	4,754,021	4,556,471
Debt securities available-for-sale	8,905,521	8,247,313
Equity investments valued at equity method	59,395	67,910
Other equity investments	28,611	54,618
Loans and advances	18,167,774	19,516,218
<i>to financial sector</i>	6,305,906	9,319,272
<i>to non-financial sector</i>	11,861,868	10,196,946
Property and equipment	622,147	638,246
<i>land, buildings and equipment</i>	606,797	628,860
<i>investment property</i>	15,350	9,386
Intangible assets	1,281,972	1,285,753
Deferred income tax assets	260,589	274,124
Other assets	632,436	801,920
Non-current assets held-for-sale	4,179	12,539
Total assets	36,790,147	35,990,735
LIABILITIES		
Due to central bank	-	250,113
Financial liabilities held-for-trading	3,692,286	3,316,847
Financial liabilities valued at amortized cost	26,077,572	25,991,136
<i>deposits from</i>	25,075,939	25,036,782
<i>financial sector</i>	6,515,932	6,156,605
<i>non-financial sector</i>	18,560,007	18,880,177
<i>other liabilities</i>	1,001,633	954,354
Provisions	48,292	44,378
Income tax liabilities	14,657	5,687
Other liabilities	1,740,543	964,771
Total liabilities	31,573,350	30,572,932
EQUITY		
Issued capital	522,638	522,638
Share premium	3,028,809	3,027,470
Revaluation reserve	(185,538)	(81,501)
Other reserves	1,446,371	1,407,081
Retained earnings	404,517	542,115
Total equity	5,216,797	5,417,803
Total liabilities and equity	36,790,147	35,990,735

Consolidated statement of changes in equity

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2006	522,638	3,010,452	(64,554)	1,196,052	584,011	5,248,599
Valuation of financial assets available-for-sale	-	-	(139,933)	-	-	(139,933)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(33,166)	-	-	(33,166)
Deferred income tax on valuation of financial assets available-for-sale	-	-	32,889	-	-	32,889
Foreign exchange gains and losses	-	-	-	2,083	(3,411)	(1,328)
Net profit	-	-	-	-	343,746	343,746
Dividends to be paid	-	-	-	-	(470,375)	(470,375)
Transfers to capital	-	17,018	-	212,835	(229,853)	-
Closing balance as at 30 June 2006	522,638	3,027,470	(204,764)	1,410,970	224,118	4,980,432

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2007	522,638	3,027,470	(81,501)	1,407,081	542,115	5,417,803
Valuation of financial assets available-for-sale	-	-	(115,950)	-	-	(115,950)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(13,763)	-	-	(13,763)
Deferred income tax on valuation of financial assets available-for-sale	-	-	25,676	-	-	25,676
Foreign exchange gains and losses	-	-	-	(577)	(258)	(835)
Net profit	-	-	-	-	439,570	439,570
Dividends to be paid	-	-	-	-	(535,704)	(535,704)
Transfers to capital	-	1,339	-	39,867	(41,206)	-
Closing balance as at 30 June 2007	522,638	3,028,809	(185,538)	1,446,371	404,517	5,216,797

Summary consolidated statement of cash flows

<i>In thousands of PLN</i>	Year to date period from 01/01/07 to 30/06/07	Year to date period from 01/01/06 to 30/06/06
Cash at the beginning of reporting period	1,321,162	1,005,340
Cash flows from operating activities	816,639	194,587
Cash flows from investing activities	(30,480)	151,451
Cash flows from financing activities	112,584	82,782
Cash at the end of reporting period	2,219,905	1,044,986
Increase / (decrease) in net cash	898,743	39,646

Supplementary notes to the consolidated financial statements

1. General information about the Bank's Capital Group

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

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

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

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

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

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

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

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.06.2007	31.12.2006
<i>Entities fully consolidated</i>			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy - Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxemburg	100.00	100.00
PPH Spomasz Sp. Z o.o. (under liquidation)	Warsaw	100.00	100.00
<i>Entities accounted for under the equity method</i>			
Handlowy Inwestycje Sp. Z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.A.r.l.	Luxembourg	100.00	100.00
Bank Rozwoju Cukrownictwa S.A.	Poznań	100.00	100.00

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

2. Basis of preparation of the report

The interim consolidated financial statements of the Group for the reporting period ending on 30 June 2007 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and in respect to matters that are not regulated by the above

standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

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

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

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2007 to 30 June 2007. Comparable financial data is presented for the period from 1 January 2006 to 30 June 2006 and for balance sheet as at 31 December 2006.

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

3. Segmental reporting

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

- Citi Markets and Banking

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

- Consumer Bank

Within the Consumer Bank segment (currently presented including CitiFinancial segment) the Group provides products and financial services to individuals and also to micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from maintaining bank accounts and providing an extensive lending and deposit offer, it also offers cash loans, mortgage loans and credit cards, as well as provides asset management services and acts as agent in the sale of investment and insurance products. Customers of the Consumer Bank have the branch network, ATMs, telephone services, and electronic banking services at their disposal and a network of financial agents offering products of this segment. The valuation of segment assets and liabilities, income and segment results is based on the Group's accounting policies.

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

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

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Net interest income	259,102	323,741	582,843
Net fee and commission income	155,175	208,485	363,660
Dividend income	784	17	801
Net income on traded financial instruments and revaluation	225,602	16,423	242,025
Net gain on investment (deposit) securities	10,740	-	10,740
Net gain on investment (capital) instruments	40,204	3,789	43,993
Net other operating income	33,332	(7,570)	25,762
General administrative expenses	(327,292)	(373,989)	(701,281)
Depreciation expense	(39,348)	(16,137)	(55,485)
Profit / (loss) on sale of tangible fixed assets	(616)	26	(590)
Net impairment losses	52,169	(6,506)	45,663
Operating income	409,852	148,279	558,131
Share in profits / (losses) of undertakings accounted for under the equity method	(8,514)	-	(8,514)
Profit before tax	401,338	148,279	549,617
Income tax expense			(110,047)
Net profit			439,570

Assets and liabilities of the Group by business segment as at 30 June 2007

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Assets including:	32,526,828	4,263,319	36,790,147
<i>Non-current assets held-for-sale</i>	4,179	-	4,179
Liabilities	31,244,691	5,545,456	36,790,147

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

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Net interest income	129,552	163,676	293,228
Net fee and commission income	78,192	107,027	185,219
Dividend income	784	8	792
Net income on traded financial instruments and revaluation	128,022	8,885	136,907
Net gain on investment (deposit) securities	307	-	307
Net gain on investment (capital) instruments	33,539	3,789	37,328
Net other operating income	21,373	(9,668)	11,705
General administrative expenses	(167,496)	(187,579)	(355,075)

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Depreciation expense	(19,217)	(7,911)	(27,128)
Profit / (loss) on sale of tangible fixed assets	249	9	258
Net impairment losses	27,572	(2,091)	25,481
Operating income	232,877	76,145	309,022
Share in profits / (losses) of undertakings accounted for under the equity method	(8,993)	-	(8,993)
Profit before tax	223,884	76,145	300,029
Income tax expense			(57,909)
Net profit			242,120

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

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Net interest income	229,053	279,079	508,132
Net fee and commission income	153,183	149,245	302,428
Dividend income	100	-	100
Net income on traded financial instruments and	159,688	19,177	178,865
Net gain on investment (deposit) securities	33,166	-	33,166
Net other operating income	28,457	10,350	38,807
General administrative expenses	(337,369)	(344,427)	(681,796)
Depreciation expense	(48,538)	(17,869)	(66,407)
Profit / (loss) on sale of tangible fixed assets	104,421	12,868	117,289
Net impairment losses	24,678	(13,416)	11,262
Operating income	346,839	95,007	441,846
Share in profits / (losses) of undertakings	2,654	-	2,654
Profit before tax	349,493	95,007	444,500
Income tax expense			(100,754)
Net profit			343,746

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

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

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

	Corporate and Investment Bank	Consumer Bank	Total
<i>In thousands of PLN</i>			
Net interest income	122,359	139,846	262,205
Net fee and commission income	77,532	79,476	157,008
Dividend income	100	-	100
Net income on traded financial instruments and revaluation	59,413	9,455	68,868
Net gain on investment (deposit) securities	435	-	435
Net other operating income	13,682	8,923	22,605
General administrative expenses	(172,748)	(170,674)	(343,422)
Depreciation expense on fixed and intangible assets	(24,213)	(8,850)	(33,063)
Profit (loss) on sale of fixed assets	1,041	(97)	944
Net impairment charges	27,020	(18,882)	8,138
Operating income	104,621	39,197	143,818
Share in profits / (losses) of undertakings accounted for under the equity method	(2,589)	-	(2,589)
Profit before tax	102,032	39,197	141,229
Income tax expense			(33,484)
Net profit			107,745

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

In the first half of 2007, the Group reported income before tax of PLN 550 million, which is by PLN 105 million (i.e. 24%) higher as compared to the first half of the previous year.

The consolidated net income in the same period amounted to PLN 440 million and grew by PLN 96 million (i.e. 28%) comparing to the corresponding period of the previous year.

The financial results for the first half of 2006, as well as the results for the first half of 2007 contain profits from one-off transactions. In the first quarter of 2006 total gain on sale of shares of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego w Warszawie S.A., Handlowy Zarządzanie Aktywami S.A., equities of the associated undertaking Handlowy Heller S.A. and the organized part of the Bank's enterprise including card's transactions settlements within the Consumer Bank amounted to PLN 114 million. Additionally, in the first half of 2006 the income amounting to PLN 6 million related to shares granted by MasterCard was also recorded. The net results for the first half of 2007 contain profit of PLN 44 million from the sale of minority shares of NFI Empik Media & Fashion by Handlowy Investments S.A., subordinate entity of the Bank, the sale of shares of MasterCard and Stalexport S.A. In the first half of 2007 the provision of PLN 10 million related to penalty imposed by Office of Competition and Consumer Protection was recorded in the books due to the proceeding related to "interchange" fees in the banking sector.

Provided above stated transactions are excluded the growth of the profit before tax for the first half of 2007 compared to the first half of 2006 amounted to PLN 191 million (i.e. 59%), whereas growth of the net profit was PLN 162 million (i.e. 65%).

An increase of operating income reported by the Group in the first half of 2007 as compared to the first half of 2006 amounted to PLN 208 million, i.e. 20%. The operating income included net interest and

commission income, dividend income, net gain on investment deposit securities, net gain on investment capital instruments and net other operating result. General administrative expenses, overhead and depreciation expenses for the same period increased only by slightly more than 1%, which reflects a positive trend of the Group's operating activity development.

Net income for the second quarter of 2007 amounted to PLN 242 million, while in the corresponding period of the previous year it was PLN 108 million of net income (growth of PLN 134 million, i.e. 125%). The Group's profit before tax amounted to PLN 300 million and increased by 112% comparing to PLN 141 million recorded for the corresponding period of the previous year.

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

- The net interest and commission income amounting to PLN 478 million in comparison with PLN 419 million noted in the second quarter of 2006, which was mostly an effect of the increase of PLN 31 million (i.e. 12%) in the net interest income, resulting mainly from the growth in gains from securities available for sale due to the increase in the portfolio of these securities, and the rise in interest income from both consumer and corporate loans, credit cards, as well as an increase of fee and commission income by PLN 28 million (i.e. 18%) resulting primarily from fees and commissions on insurance and investment products brought by the Consumer Bank,
- Net gain on financial instruments held for trading and revaluation amounting to PLN 137 million as compared to PLN 69 million for the second quarter of 2006. Such significant growth was achieved primarily through effective management of the Bank's own portfolio, but also due to proactive sale of products for customers,
- Net result on investment equity instruments amounting to PLN 37 million from profit on the sale of minority shares of NFI Empik Media & Fashion by Handlowy Investments S.A., subordinate entity of the Bank, and the sale of MasterCard shares,
- Net result on other operating incomes and expenses of PLN 12 million in comparison with PLN 23 million for the second quarter of 2006. The decrease in net gain is mostly an effect of recording the provision of PLN 10 million related to penalty imposed by the Office of Competition and Consumer Protection due to the proceeding regarding "interchange" fees in the banking sector.
- An increase in general administrative expenses, overheads and the depreciation expense of PLN 6 million (i.e. 2%), primarily due to higher headcount within sale and marketing areas in the Consumer Bank, with the concurrent decrease in general administrative expenses within the Citi Markets and Banking segment.
- An improvement of the result from net impairment losses by PLN 17 million, mainly an effect of repayment of corporate loans.

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

1. Citi Markets and Banking

- *Summary of Results*

In the second quarter of 2007, the Citi Markets and Banking (CMB) segment reported PLN 224 million of profit before tax, which was by PLN 122 million (i.e. 120%) higher than result achieved in the second quarter of 2006.

The net interest income brought by the Segment in the second quarter of 2007 reached PLN 130 million, i.e. 6% growth comparing to the second quarter of 2006, mainly as an effect of an increase in income from securities available for sale due to a growth in the portfolio of these instruments and also as a result of an increase in income from loans which is owed to a rise in the loan portfolio by PLN 877 million, i.e. 12%,

Net fee and commission income received by the CMB amounted to PLN 78 million, this result remains to be at the similar level as in the second quarter of 2006. Higher commission incomes from cash products' sales were offset by lower incomes within the corporate finance area and lower gains on brokerage activity.

In the second quarter of 2007 the Segment achieved PLN 128 million from treasury activity, compared to PLN 60 million in the second quarter of 2006. The significant growth is attributed to the proactive sales of products to the clients and effective management of the Bank's own portfolio.

In the second quarter of 2007 the Segment reported an income of PLN 34 million on investment capital instruments due to the sale of minority shares of NFI Empik Media & Fashion company by subordinate entity of the Bank, Handlowy Investments S.A.

Net result on other operating income and expenses in the second quarter of 2007 amounted to PLN 21 million and grew by PLN 8 million as compared to the second quarter of 2006. This growth results from time shift between the first and the second quarter of 2007 in recording incomes from data processing for associated entities, which in fact remained at the same level.

The Citi Markets and Banking expenses in the second quarter of 2007 amounted to PLN 187 million, what represents a decline of 5% in comparison with the corresponding period of 2006. The Segment's costs were continuously optimized, among the others, within the telecommunications and technology areas, building maintenance and rent, outsourcing fees as well as through the enhanced control of other staff expenses.

In the second quarter of 2007 the Segment reported a PLN 28 million positive impact on the financial result from net impairment losses (net recoveries) due to the loans' repayments by the customers. In the corresponding period of 2006 the Segment recorded a PLN 27 million of net impairment losses.

a) Global Transaction Services

- Payments and Receivables

The Unikasa purchase payment network was singled out for the prestigious Europrodukt award. The honour crowns the five years of the product's presence on the market. Unikasa was the first payment network in Poland to provide the option of payment of bills in selected service points (outside bank and post office outlets). In addition to its dynamic growth in Poland, Unikasa now has opportunities for expansion into new markets in Europe and Asia (Greece, Turkey, Pakistan).

In May a campaign promoting Unikasa on the Polish market was launched. Its main goal was to disseminate information on the system's new functionality – payments for purchases made in internet shops. The number of hits on Unikasa's website is expected to rise up to as many as 3.7 million.

Settlements in non-standard currencies were launched in the second quarter of 2007. The offer was addressed to clients whose business involves trade relations with partners in countries of Eastern Europe (Bulgaria, Croatia, Ukraine), Asia (Singapore, South Korea, India), America (Mexico) or Africa (Egypt, Morocco). The solution is unique in market terms as it facilitates previously inaccessible cross boarder settlement functionalities.

Compared to the second quarter of 2006, the volume of international payments the Bank serviced increased in the second quarter of 2007 by 20%, and that of domestic payments rose by over 6%.

- Liquidity and Cash Management Products

In the second quarter of 2007, the Bank implemented for one of its key clients the International Accounts Consolidation product in three currencies: EUR, USD and PLN. Programs of that type enable consolidation of funds (debit and credit balances) in a single Consolidation Centre, within which balances in the abovementioned currencies participate in liquidity management structures, referred to as Multicurrency Cash Pooling, thus eliminating the need for translation of these currencies into EUR or another currency prior to performance of an operation and their subsequent reverse translation at return of the funds to local accounts.

The described solution delivers tangible interest benefits for multinational capital groups operating in numerous countries.

In the second quarter of 2007, the Bank launched another new product, that of subrogation, in other words, physical cash pool. The solution enables actual consolidation of balances on accounts of clients forming part of capital groups. Inclusion of this product in the Bank's offer strengthens its position on the market, particularly in the field of innovative solutions which support liquidity management.

- Electronic Banking

The Bank continues to increase quality of service through further automation of its processes. In the second quarter of 2007, it registered further increase in the number of electronically delivered bank statements. By the end of the period, the share of thus transferred the bank statements increased to 85%.

The number of clients taking advantage of Citidirect, the Bank's electronic banking platform likewise grew in a consistent way: as at the end of June 2007 a total of around 44,000 users representing about 7,000 of the Bank's clients used that service channel.

- Card Products

As at 30 June 2007, the number of business cards issued by the Bank reached 15,500 whereas the number of prepaid cards issued to that date stood at 234,000.

The Bank has been active in stimulating the development of the prepaid payment cards market. Its cooperation with public sector institutions, which chose to dispense social transfers with the use of prepaid cards, has been the key source of the growth there. The joint projects developed with public sector institutions have strengthened the Bank's position of leadership within that market segment.

Also, in the second quarter of 2007, the Bank entered into an agreement with Poland's leading ATM network operator. As a result of that agreement the Bank expanded the network of ATMs that holders of the cards issued by the Transaction Banking Division can now freely use.

- Account Services

It was with its commercial banking segment clients in mind that the Bank developed the Consolidated Bank Account Agreement, which facilitates activation of electronic banking, the Online Trading platform and of debit cards in parallel to opening of a regular bank account. The new streamlined procedure materially reduces the number of documents a client needs to sign, leading to increased customer satisfaction in co-operation with the Bank.

- Trade Finance Products

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

- The Bank's factoring finance related turnover rose by 50% compared to the equivalent period of the year 2006 and totalled PLN 151.7 million.
- The Bank has become the leading provider of finance for the Polish construction sector suppliers, the expression of which is the growing number of programs the Bank underwrites and the value of financing provided within them. The successes demonstrated in the initial three months of the year led another leading construction company to choose to take advantage of the Bank's services in the second quarter.
- Implementation of new trade receivables financing programs, both domestic and international with limited recourse, for two chemical sector players.

b) Capital Markets and Corporate and Investment Bank

- Treasury Products

The effective management of the strategy of providing FX transactions to non-bank clients continued over the second quarter of 2007. Compared to the first quarter of 2007, the Bank maintained the volumes in this field while increasing its revenue by 20%, whereas compared to the second quarter of 2006 it increased the volumes by 16%.

In the case of the market-linked deposits, trading volumes in this product group continued to follow the upward trend (19% growth compared to the second quarter of 2006) accompanied by revenue growth of 35% compared to the first quarter of 2007.

In the case of FX options, the second quarter of 2007 was a period of unabated customer interest in the product. The minor EUR/PLN exchange rate fluctuations yielded a 10% growth in trading volumes compared to the first quarter of 2007, which was a 170% growth compared to the second quarter of 2006. The trading volume growth was accompanied by proportionate revenue growth, which meant retention of the product margin in spite of the highly competitive conditions in the sector.

The internet based FX transaction platform enjoyed a steadily growing interest amongst the clients, which enabled the Bank to maintain the high, over 20% market share in that product. The success of that internet transaction platform confirmed that it is indeed an excellent tool for acquisition of new clients interested in access to attractive FX transaction prices and in the FX risk exposure hedging products.

In the case of T-bond trading with financial institution counterparties, the trading volume in the second quarter of 2007 increased by 47% compared to the equivalent period in 2006. The transaction volumes in the months of May and June exceeded the Bank's average monthly transaction volumes in a material way.

In the interbank market, the second quarter of 2007 was a particularly successful period compared to the first quarter of 2007, revenue grew by 38%, chiefly in the derivatives transactions. The robust results in the FX product were maintained as a result of increased turnover in the client field.

- *Corporate and Investment Bank*

In the corporate banking business, the Bank delivers comprehensive financial services to over 130 of the largest Polish and international corporates, which, in addition to the needs served through the core product range, require financial engineering advisory. In that area, the Bank provides coordination of treasury and cash management products, and prepares loan offers involving diverse forms of financing. The innovativeness and competitiveness of the novel financing structures on offer comes from a combination of local expertise and experience and cooperation within the global Citigroup structure.

In the second quarter of 2007, the Bank continued to extend active support to its clients' domestic and international growth and expansion as it provided stand-alone financing, participated in the largest syndicated loan facilities and provided the necessary research and advisory. In addition to collaboration with its existing clients, the Bank actively developed business cooperation with new dynamic Polish companies, leaders in their respective sectors.

The most important corporate banking transactions in the second quarter of 2007 included closing of a 3-year working capital facility agreement with PKP Polskie Linie Kolejowe S.A. The total transaction value stands at PLN 500 million and involves two banks. Bank Handlowy w Warszawie S.A. acted as the facility arranger and agent. The Bank won this transactions in a public tender for financing of PKP PLK S.A. settled in May 2007.

In the second quarter of 2007 Bank Handlowy w Warszawie S.A. retained its position of the leading bank in Poland in distribution of short-term debt securities (up to one year), in terms of issue value, with a market share of approximately 15% and that of the leading organiser of bank debt securities issues (above one year), with a market share of approximately 28% (data after the 31 May 2007 Fitch Ratings bulletin).

- *Commercial Bank*

In the commercial banking business, the Bank serves clients with annual revenue of PLN 8 million to PLN 1 billion.

As at the end of the second quarter of 2007, the Commercial Bank serviced accounts of approximately 6.5 thousand clients, as compared to approximately 23 thousand entities operating in the entire Polish market that meet the abovementioned criterion.

At the same time, as a result of adoption of a revised approach to acquisition of new clients combined with a successful and efficient execution of a number of dedicated client acquisition campaigns addressed to pre-selected client groups, in the second quarter of 2007 the Commercial Bank acquired over 400 new clients, which constitutes a 143% growth on the year earlier equivalent period.

The solid result of the acquisition effort was further supported through the launch of a new loan program and introduction of certain innovative FX product solutions (the internet based FX transaction platform).

As at the end of the second quarter of 2007, the Commercial Bank registered a 13% asset base growth on the year earlier equivalent period end, with the growth in the small and medium enterprise segment (SMEs defined as clients with annual sales of PLN 8 million to PLN 75 million) reaching 48%. In the same period, deposits of the Commercial Bank clients grew by 7%.

Because the SME segment clients are the main beneficiaries of the grant funding awarded by the EU within the new budgeting period, EU advisory services are being offered to these clients through the EU

Office operating in the Bank. The clients can take advantage of these services at every stage of their grant application process: research of the available funding sources, grant application development, to project cost reconciliation and settlement.

With the new distribution channel for the FX transactions (the Online Trading platform) in place in the second quarter of 2007, the Commercial Bank registered a 55% growth in the value of the FX transactions effected by its clients as compared to the second quarter of 2006.

The offer addressed to the Public Sector includes an attractive long term investment loan co-financed by the Kreditanstalt für Wiederaufbau bank in collaboration with the European Commission; available within the framework of the Municipal Finance Facility investment project financing programme.

Another solution broadly offered to the Public Sector in the second quarter of 2007 were the prepaid bank cards. Organisation of a targeted acquisition campaign together with a number of central and regional conferences resulted in closing of a number of new agreements with Municipal Social Assistance Centres, under which we issued over 30,000 such cards.

The Bank also offered the Public Sector the Mikrowpłaty service, which is a new tool for management of third part cash deposits (e.g. bid bonds, security deposits).

- *Dom Maklerski Banku Handlowego S.A. („DM BH”) – subsidiary*

In the second quarter of 2007, the structure of the Polish equity market trading changed, and specifically, the activity of retail investors increased in a substantial way. As consequence of those changes, DMBH's share in equity market trading in the second quarter of 2007 declined slightly and reached 8% at the end of the period. The value of transactions cleared through DMBH amounted to PLN 9,948 million in the same period. The number of futures contracts cleared through DMBH grew by 16% compared to the second quarter of 2006.

Also, as at the end of the second quarter of 2007, DMBH acted as the Market Maker for 42 companies, which represents 14% of all the companies listed on the Warsaw Stock Exchange (WSE). It performed the same function for the WIG20 index futures contracts and the Mw20 index units. Worth noting is that the companies DMBH serves as the Market Maker include foreign companies with parallel listing on their markets of origin. This subgroups of companies was joined in the second quarter of 2007 by ORCO Property Group.

On the MTS-CTO, DMBH acted as the Organiser for the CitiBond US Dollar Mixed Investment Fund investment certificates.

In May 2007 ZT Kruszwica S.A. new issue share were floated on the WSE, with DMBH acting as the intermediary in the process of their admission to regulated trading. The issue was valued at PLN 277 million.

In June 2007 DMBH was involved in a share issue valued at PLN 652 million for Orco Property Group. In value terms, that issue represented 5% of the equity IPOs floated on the WSE in the second quarter of 2007.

The share of DMBH in the initial and the secondary public offerings (IPOs and SPOs) in the second quarter of 2007 reached nearly 7%.

- *Handlowy-Leasing Sp. z o.o. („Handlowy-Leasing”) – subsidiary*

The second quarter of 2007 was a period of intensive activities within the framework of the newly implemented Product and Credit Strategy aimed at supporting growth of the Company's sales. Material increase in the value of newly concluded leasing agreements occurred, of the order of 161% (value of the assets leased in the second quarter of 2007 reached PLN 205.1 million, while it stood at PLN 78.6 million in the equivalent period a year earlier). Compared to the equivalent period of a year earlier, the strongest growth in the assets leased in the second quarter of 2007 was exhibited by the industrial machinery and plant segment, with growth of 327%; in the second quarter of 2007, the leasing contracts encompassed machinery valued at PLN 79.5 million while in the second quarter of 2006 this was PLN 18.6 million. A positive growth trend has been maintained in the truck lease financing segment. Total net value of the leasing portfolio registered in the Company balance sheet as at 30 June 2007 stood at PLN 845.3 million compared to PLN 688.2 million, as at 30 June 2006.

In the second quarter of 2007, the Company focused its efforts on systematising and expansion of the new distribution channels. As a priority, it has sought to increase cross-selling with the Bank and to develop co-operation with selected suppliers. The Company participated in various trade fairs organised by the sectors it considers of key importance. It co-organised meetings between suppliers and their most important clients, and participated in a number of events in the transport sector and a few in the machinery sector, including construction machinery, machinery for metalworking and woodworking, and manufacturing of plastic products.

Together with the Bank, the Company was involved in a number of campaigns aimed at acquisition of new clients and increasing the quality of service offered to existing clients, such as the Friends of Success organised with participation of Lewiatan (employers' association) and Microsoft.

The Company has sought to increase recognition of the Handlowy-Leasing brand in its selected market segments, which it has supported with relevant strategic actions. Ultimately, the Company aims at achieving a marked increase of its share in the leasing services market.

2. Consumer Bank

- *Summary of Results*

In the second quarter of 2007, the Consumer Bank reported profit before tax of PLN 76 million, what represents 94% increase over the second quarter of 2006.

This result was achieved with concurrent income growth of PLN 36 million (i.e. 15%), whereas excluding provision of PLN 10 million, created in the second quarter of 2007 and related to penalty imposed by the Office of Competition and Consumer Protection, due to court proceeding regarding "interchange" charges in the bank sector and excluding also impact of transactions with shares of MasterCard, which took place in the second quarter of 2006 and the second quarter of 2007, incomes' growth amounted to PLN 48 million (i.e. 21%). In the same time operating costs of the Group within the Consumer Bank increased by PLN 16 million, i.e. 9%. This favorable difference between the growth of incomes and expenses reflects the increase in effectiveness of the Segment's business activity.

2007 second quarter net interest income of the Segment amounted to PLN 164 million and was 17% higher than in the second quarter of 2006. The increase is mainly a result of volume growth in the credit card and installment loan portfolios, which has been partially offset by a reduction in the interest rates charged.

Fee and commission income of the Segment in the second quarter of 2007 amounted to PLN 107

million, representing 35% growth compared to the corresponding period of 2006. This is primarily a result of a significant increase in sales of insurance and investment products.

Net other operating income in the second quarter of 2007 was negative and amounted to PLN 10 million. The reason for the negative result for this item is recording in books the provision of PLN 10 million owing to penalty imposed by the Office of Competition and Consumer Protection due to court proceeding regarding “interchange” charges in the bank sector. Additionally, in the second quarter of 2006 income of PLN 6 million from granting shares by MasterCard was included in this position.

General and administrative expenses of the segment amounted to PLN 195 million and were higher than in the second quarter of 2006 by 9%. The main reason was an increase in staff level within the sale and distribution areas connected with business growth and expansion of the distribution network, as well as increased marketing activities, primarily within CitiFinancial.

In the second quarter of 2007, net impairment losses amounted to PLN 2 million compared to positive (net recoveries) of PLN 19 million in the second quarter of the prior year.

a) Credit Cards

As at 30 June 2007, the number of issued credit cards reached nearly 730,000, which represented an increase by 19% compared to the status as at 30 June 2006. In the second quarter of 2007, the Bank acquired over 52,000 new cards and that was the best trimester in the Bank’s history in terms of the number of newly acquired credit cards.

As at 30 June 2007, the number of the Citibank-BP credit cards in our portfolio exceeded 134,000 (including primary and supplementary cards). Thus, the Citibank-BP card strengthened its position of the best co-branded card on the Polish market.

In May of this year 10 years have passed since the Bank began offering the Citibank Credit Card, the pioneering credit card product on the Polish market. At the same time this constituted the first 10 years of presence of credit cards in Poland. In conjunction with that round anniversary, the Bank decided to honour 14,000 of its clients who were the first to have a Citibank Credit Card issued in 1997 (the so-called “Founder Members”).

Also in May the Bank launched a new offer addressed to holders of the Citibank Credit Cards: the Citibank Credit Card Proxy. Within that offer, the clients can award a user special additional rights for handling the primary card. With that offer, the functionality of a supplementary card is substantially expanded and made nearly equivalent to the functionality of the primary card. A solution such as that is particularly useful in situations where the main user is a holder of a supplementary card.

In June 2007, the Bank expanded its product offer to include two new co-branded cards: Citibank-LOT and Citibank-Plus. With issuance of these two new cards, the Bank entered a new phase in development of the credit card business.

The Citibank-LOT Credit Card was issued in collaboration with LOT Polish Airlines. The card combines the credit card functionality with the benefits accruing from participation in the Miles&More loyalty program. Co-operation with LOT Polish Airlines, which serve over 4 million passengers a year, will contribute to further rapid development of Citibank’s card portfolio, particularly in the more affluent clients segment.

The Citibank-Plus Credit Card combines the credit card functionality with certain additional benefits prepared with the Polkomtel S.A. clients in mind. Each transaction effected with the Citibank-Plus

Credit Card earns the client points with the 5 Plus Program, which can then be swapped into attractive prizes. The Citibank-Plus card offer will be addressed directly to the 4 million individual clients within the Polkomtel S.A. customers base, via the Credit Card Telemarketing Division office. The first mailing of the offer made to 20,000 clients of the Polkomtel S.A. mobile network took place in June 2007.

In the second quarter of 2007 the student credit card product continued to meet with unabating interest on university campuses throughout Poland, with over 6,000 students now holding the Citibank Credit Card in their wallets.

b) Other Consumer Bank Products

- *Bank Accounts*

In the second quarter of 2007 the Bank added Citibank Savings Account to its offer, a product designed to support acquisition of new customers and to ensure growth of the Bank's deposit base. At the point of the market launch of the Citibank Savings Account the promotional interest on new funds deposited to these accounts stood at 4.5% and was the highest interest rate on offer on the market. As a result, the Citibank Savings Account met with very high interest of customers.

The Bank continued the intensive acquisition of personal accounts, with focus on the medium-wealth consumer segment. To support this acquisition effort, it launched promotional offers of the internet account (addressed to students of selected universities) and a special offer of the CitiKonto account, which had the objecting of encouraging the customers to have their pay transferred to the Bank. The offer campaigns carried out in the second quarter of 2007 were successful in expanding the medium-wealth consumer base.

- *Credit Products*

In the second quarter of 2007 the Bank introduced new longer repayment periods for its Citibank Loan product. Previously, 60 months was the longest available lending period. Changes in the product made possible granting of loans for periods of 72 and 84 months. The longer lending periods can be offered to customers meeting predetermined borrowing capacity criteria.

In April 2007 the Bank launched a new product defined as Credit Line Secured on Investment Portfolio. The product is primarily addressed to the CitiGold clients, who are now able to finance their additional funding needs with the Credit Line, without the need of cashing their investment portfolios. Also, in May 2007 the Bank – acting in response to customer expectations – reduced interest and commissions charged on that product.

The Bank continued to promote its Citibank Credit Line by offering waiver of the annual fee in the first year of use of the Citibank Credit Line product and decided to extend this promotion until the end of September 2007. This campaign contributed to a substantial growth in sales of the Citibank Credit Line product as compared to the performance in the previous months of the year.

As concerns the mortgage product offer, in the second quarter of 2007 the Bank continued to hone its sales and credit review processes employed in granting loans against mortgage of property. At present, the Bank's loan offer engages in market competition with much success as evidenced by the growth in sales: between April and June 2007 loan product sales have more than doubled.

- *Investment Products*

In the second quarter of 2007 there were organized eight subscriptions for structured bonds denominated in several currencies (PLN, USD and EUR) issued by high rating investment banks. Four of these were structures tailored specifically for the Investment Center clients. In addition to the structures linked to European and Japanese real estate market indices, the Bank enhanced its offer with structures linked to renewable energy indices and baskets of luxury goods sector equities.

The Bank's offer expanded at addition of a new ING sub-fund in May 2007 – Central Europe Financial Sector Subfund Plus – and of two new BlackRock Merrill Lynch funds in June 2007 – MLIIF New Energy Fund and MLIIF World Gold.

In addition, in the second quarter of 2007 there were held five seminars with participation of BlackRock Merrill Lynch equity market specialists, which focused on the topics of investing in the Asian markets and commodity market, and included a debate on whether investing in Europe was still a viable strategy.

- *Insurance Products*

In the second quarter of 2007 the Bank intensified sales of its Safe Way ("Bezpieczna Droga") insurance product dedicated to selected holders of Citibank Credit Cards. As a result, over 25% of the clients who were presented with the offer took out that insurance policy.

In May 2007 choice of funds available under the Investment Portfolio and the Life Insurance Linked Investment Program was expanded through addition of ING Central Europe Financial Sector Subfund Plus. Currently, the Bank's customers allocating their insurance premium into the Investment Portfolio have 32 investment funds to choose from.

- *Electronic Banking*

In the second quarter of 2007 the Bank continued to popularize its Citibank Online (CBOL) internet platform and registered growth in its usage. The number of users who accessed the platform at least once rose to over 522,000, which corresponds to a 32% growth compared to the end of the second quarter of 2006. The number of transactions effected via Citibank Online constituted over 83% of total financial transactions initiated by the individual customers of the Consumer Bank.

The Bank promoted actively its Online Account Statement ("Wyciąg Online") service registering the resultant stable growth in the number of its users, which generates considerable savings. Online Account Statement is the electronic version of the account statements from the Citibank Personal Account and the Citibank Credit Card products, which the customers can choose instead of the paper based account statement. As at 30 June 2007, the number of customers using that service exceeded 96,000, which represents more than twofold growth on y-o-y basis.

The number of users of the CitiAlerts service at the end of June 2007 reached over 87,000 and rose by 31% compared to the number of the CitiAlerts users at the end of June 2006.

c) CitiBusiness Micro-Company Banking

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

As a result of development of the CitiBusiness dedicated sales teams, the number of new accounts in the second quarter of 2007 grew by 179% compared to the balance registered in the second quarter of 2006 and by 22% compared to that of the first quarter of 2007.

Many of the newly acquired clients take advantage of the FX Package ("Pakiet Wymiana"), which has distinguished itself as currently the best offer on the market for the SMEs with extensive international trade operations, and which has translated into improved treasury results of the CitiBusiness segment. May 2007 was a record month in terms of the transaction volumes realised over the past two years. In June the Bank offered its first CitiBusiness clients access to FX options.

Through co-operation within the Bank Capital Group, beginning with April 2007, the CitiBusiness advisers have been able to present to their clients the leasing products offered by Handlowy-Leasing Sp. z o.o.

Also, in June 2007 the Bank launched a new Loan Program dedicated to the SME segment, thus adjusting its loan products offer to the growing needs of its clients.

d) CitiFinancial

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

In the second quarter of 2007 the Bank rolled out its seasonal loan offer, which it launched at the beginning of the year and which creates the possibility for drawing a loan with minimum documentation required, in fact limited to the personal ID card. In June 2007, in parallel to commencement of its television campaign supporting sales of the CitiFinancial Cash Loan, the Bank also launched its CitiFinancial dedicated call centre project. The toll-free number is served by a team of professional advisers on 24 hours a day and 7 days a week basis. By calling the toll-free number, customers can obtain information on the product offer and submit a loan application.

In April 2007, the Bank launched a new and attractive promotional offer of the CitiFinancial Cash Loan. All customers taking advantage of loan in the minimum net amount of PLN 10,000 within the promotion validity period had the loan origination fee waived. The campaign was provided with strong media support, including the press (until 11 June 2007), radio and television (starting from 11 June 2007) and was very popular with the customers.

Additionally, at the end of the second quarter of 2007, a customer relationship management system (CRM) was implemented in the CitiFinancial branch network and its authorised outlets, one that has been in use by the Bank's other organisational units. The purpose for implementing the CRM system in the CitiFinancial outlets it to increase effectiveness of marketing campaigns in this specific distribution channel.

In the second quarter of 2007 the Bank also continued to sell credit cards through its CitiFinancial outlets. The adjustments made to that process, which took into consideration the specific needs of the target group, generated considerable interest in the product: nearly 8,000 new credit cards were issued to the CitiFinancial customers.

At the same time, the business concentrated on further improving the customer service standards in the authorised outlets marketing its products.

3. Restructuring the branch network

In the second quarter of 2007 the Bank continued its branch network restructuring project with the aim of optimizing costs and accessibility to the retail and corporate clients. The Bank's branch network (including CitiFinancial) did not change during the discussed period compared to the fourth quarter of 2006 and at the end of June 2007 constituted 236 outlets, which included:

- 111 CitiFinancial outlets, including 99 branches and 12 points of sale being partner outlets operating under the CitiFinancial logo;
- 86 Customer Bank branches, including 1 Investment Center, 13 outlets dedicated to the CitiGold Wealth Management customers and 72 multi-functional outlets. 82 of the Customer Bank branches also serve the Corporate Bank clients;
- 39 branches and sub-branches of the Corporate Bank, 30 of which also serve retail customers.

In summary, the corporate clients are currently served through 121 outlets, the retail customers through 116 outlets and the CitiFinancial customers through 111 outlets.

In order to deepen its business relations with the companies taking advantage of the "Citi at Work" Comprehensive Financial Program, the Bank continued its program of installing ATMs and organising Information Points (Minibranches) on premises of its corporate clients. The installations were done in conjunction with eCard S.A. As at 30 June 2007, 4 service points of this kind operated within the Bank's branch network.

6. Seasonality or cyclical nature of business activity

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

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

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

8. Paid or declared dividends

Declared dividends

In accordance with Resolution No. 18 of the Ordinary General Meeting of the Bank of 21 June 2007 on the distribution of 2006 profit and dividend payment, the profit for 2006 was allocated, a resolution for the payment of dividends was adopted, the dividend date and the date of dividend payment were determined. The Bank will pay out PLN 535,704,360 as dividend (in 2006 dividend was paid out from 2005 profit in amount of PLN 470,374,560). This means that the dividend per one ordinary share amounts to PLN 4.10 (in 2006 appropriately: PLN 3.60).

The date of determination of the right to the dividend was designated as 5 July 2007 and the date of dividend payment as 31 August 2007.

9. Changes in the Group's structure

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

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

As at 30 June 2007 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

11. Movements in off-balance sheet commitments

As at 30 June 2007 there were no significant changes in granted and received contingent liabilities compared to the end of 2006.

The movements in off-balance positions compared to the end of 2006 resulted from purchase/sale transactions, i.e. increase in transaction with future value volume – FRA and IRS.

The off-balance sheet commitments are as follows:

<i>In thousand of PLN</i>	30/06/2007	31/12/2006
Contingent liabilities		
Granted liabilities		
a) financial	10,220,426	9,574,732
<i>Import letters of credit issued</i>	218,238	155,296
<i>Lines of credit granted</i>	9,710,188	9,177,576
<i>Deposits to be distributed</i>	30,000	24,860
<i>Subscription of securities granted to other issuers</i>	262,000	217,000
b) guarantees	2,414,895	2,819,688
<i>Guarantees granted</i>	2,383,878	2,779,418
<i>Export letters of credit confirmed</i>	31,017	40,270
	12,635,321	12,394,420
 Received guarantees	 2,152,449	 2,019,070
Current off-balance sheet transactions*	4,819,986	6,462,803
Forward off-balance sheet transactions**	503,628,564	375,540,009
	523,236,320	396,416,302

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

** Derivatives: FX, interest rate transactions and options

12. Achievement of 2007 forecast results

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

13. Information about shareholders

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

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

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

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

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

15. Information on pending proceedings

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

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Bank's equity and equaled PLN 1219 million.

The amount of debts of the Bank and its subsidiaries decreased in relation to the end of the first quarter 2007 as a result of closing some cases with the participation of the Bank as the claimant or the applicant for assigning the court enforcement clause to bank collection title and bankruptcy proceedings. The amount of debts of the Bank and subsidiaries results mainly from voluntary arrangement proceedings and bankruptcy proceedings in which the Bank or its subsidiaries participate as creditors. It should be emphasized that the court proceedings, especially bankruptcy and voluntary arrangement proceedings, are long-lasting and protracted. Due to the lengthiness of proceedings, only a few voluntary arrangement and bankruptcy proceedings result in a final and legally valid court decision within a period shorter than two years (and a majority of them last for a period of four and more years). The report includes some proceedings that started several years ago.

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

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

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

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	65,947	In 2000, the court declared the borrower bankrupt.	Within the framework of the pending proceedings, the Bank submitted a receivable. The Bank's receivable may remain unpaid.
Creditor: Bank Handlowy w Warszawie S.A.	47,054	On 22 June 2001, the court declared the debtor bankrupt.	The Bank submitted its receivables to the proceedings. Case pending.
Creditor: Bank Handlowy w Warszawie S.A.	30,953	The court declared the debtor bankrupt in March 2004.	The Bank submitted the receivable to repay it from the bankrupt's assets for arrangement. Case pending.

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

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities exceeded 10% of the Bank's equity and equaled PLN 689 million.

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

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	149,202	5 October 2005	The plaintiff takes exception that the Bank abused the law by notice of the termination of the contract that resulted in the paralysis of the business activity of the plaintiff. The damage was an effect and resulted in significant loss of profits. On 19 December 2006 the court of first instance disallowed the complaint entirely. The plaintiff lodged an appeal. On 9 May 2007 the appeal court disallowed the appeal. The plaintiff has the right to lodge a counter appeal. Case pending.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie	42,306 with interest from 1 March 2002	23 May 2003	The suit concerns the irregularities of the Bank's activity during the restructuring of its client's debt – the plaintiff who bears a loss. On 3 February 2005 the court suspended the proceedings owing to proceedings of

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
S.A.			bankruptcy. The court resumed the suspended proceeding and on 20 June 2007 disallowed the complaint. The court decision is not legally valid. Case pending.
Plaintiff: Administrative Receiver of the Bank's clients (borrowers) Defendant: Bank Handlowy w Warszawie S.A.	29,215	5 May 2005	The plaintiff claims for the compensation due to the unjustified cancellation of credit agreement and selling of goods being the subject of repossession at the glaring underrated price, interrupting plaintiff's basic activity and loosing of possibilities to conclude an agreement and as a consequence bringing to plaintiff's bankruptcy (including statutory interests since the day of delivery of claim to the compensation payment day). Case pending.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	24,661	6 February 2006	The claimant requested the payment of PLN 233,000 plus statutory interest for a period from 3 November 1999 to the payment date and the amount of PLN 24,428,000 plus statutory interest from the date of filing a statement of claim (28 October 2005) to the payment date. The first amount refers to the claim for contractual damages and equals the difference between the amount of debts deducted by the claimant, arising from a letter of credit confirmed by the Bank and the loan granted to the claimant. The claim for PLN 24,428,000 is based on the Bank's liability in tort. Until now, the claimant did not present sufficient evidence, confirming that his claims are reasonable. On 8 December 2006 the court of first instance disallowed the complaint entirely. The plaintiff lodged an appeal. Case pending.
Plaintiff: Entrepreneur Defendant: Bank Handlowy w Warszawie S.A.	387,400	11 April 2006	The claimant requests the payment of compensation. The petitioner claims that the Bank violated copyright law by applying a strategy in a marketing campaign, to which the claimant was entitled. The court has not set the date of the first trial yet.
Administrative proceedings			
Participants of Administrative	10,200	20 April 2001	Accusation of applying practices

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Process: Polska Organizacja Handlu Dystrybucji, Visa CEMEA International w Warszawie, Europa International S.A. w Warszawie and banks including Bank Handlowy w Warszawie S.A.			restraining market competition throughout pricing agreement and association with settling of the level of “interchange” charges, coordination of activity to restrict access to market for entrepreneurs who do not belong to issuer market. On 12 January 2007 the Bank received Decision by President of Office of Fair Trading. According to his decision the Bank has to pay 10,200,000 PLN. Bank has the decision to appeal again.

16. Information about significant transactions with related entities

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

On 19 April 2007 the Bank signed with Citibank N.A., the sole shareholder of Citibank Overseas Investment Corporation, which owns the majority stake of the Bank’s shares, agreement concerning rendering services at the following terms:

- Subject of the agreement is rendering by Citibank N.A., as service provider, for the Bank, as the customer, services involving utilization by the Bank or its clients of a wide range of computer systems supporting the Bank’s business activities.
- Net fees for services in 2005, including license fees, amount to USD 607,387.69.
- Agreement was signed for an unspecified period of time and there is a possibility to cancel contract at any time for both parties if they mutually agree or for one party with a 6 months notice.

17. Information about guarantee agreements

At the end of the second quarter of 2007, the total value of sureties and guarantees extended by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank’s consolidated shareholders’ equity.

18. Other material information

On 15 June 2007 Management Board officially announced a new logo of the Bank **Citi Handlowy**. The main reason for launching in the world the new common brand Citi is to bring together all the parts of the global organization and to take advantage of well-known brand Citi and widely recognizable symbol

– Citi with a red arch. As a result of introducing the new brand Customers will be served better by the coherent and effective organization. “Citi” in the Bank’s new logo reflects the global strategy of the brand, „Handlowy” indicates Polish tradition and legacy of Bank Handlowy w Warszawie S.A. Logo expresses also the values common for the whole Group – strong devotion to Customers and local communities. The nearest months will be the period of gradual introducing new brand to all aspects of the Bank’s communication.

Personnel changes in the Bank in second quarter of 2007

In accordance with resolutions of the Ordinary General Meeting of the Bank from 21 June 2007, Mr Michael Schlein was appointed as a Member of the Bank’s Supervisory Board for 3-year term, and Susan Blaikie (the previous last name Dean) and Aneta Polk (the previous last name Popławska) were reappointed as Members of Supervisory Board of the Bank. The Supervisory Board Member mandate of Stephen Long expired on this day.

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

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

- The continuing improvement of the conditions prevailing in the labor market, which translates into growth in the disposable income of households. This is likely to stimulate interest in investment as well as credit products (driven by growth in consumption spending);
- The dynamic growth in investment, which can contribute to increased demand for corporate credit;
- Tightening of the monetary policy as followed to date and announced by the Monetary Policy Council, which can cause the market rates to increase;
- The rising labour costs, which can contribute to deterioration of competitive position of some of the companies operating on the international market;
- The continuing uncertainties relating to the political situation and the possible change in the market sentiment on global scale. Such trends can contribute to the PLN exchange rate volatility and thus stimulate interest on the part of the clients in products that can provide a hedge against unfavorable FX market developments;
- Possibility of reversal of trend on the domestic capital market and the international capital markets causing increased volatility or decline in prices. This can have a detrimental effect on the brokerage business results and the revenue from sale of investment products.

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

<i>In thousands of PLN</i>	II quarter period from 01/04/07 to 30/06/07	Year to date period from 01/01/07 to 30/06/07	II quarter period from 01/04/06 to 30/06/06	Year to date period from 01/01/06 to 30/06/06
Interest and similar income	472,021	922,516	392,744	767,125
Interest expense and similar charges	(188,235)	(358,633)	(139,776)	(276,283)
Net interest income	283,786	563,883	252,968	490,842
Fee and commission income	214,620	420,598	180,822	334,048
Fee and commission expense	(41,466)	(79,680)	(37,929)	(61,090)
Net fee and commission income	173,154	340,918	142,893	272,958
Dividend income	22,892	22,901	29,061	29,061
Net income on financial instruments and revaluation	134,701	239,038	69,238	178,295
Net gain on investment (deposit) securities	307	10,740	435	33,166
Net gain on investment (capital) instruments	3,789	10,454	-	-
Other operating income	27,122	51,894	31,047	57,811
Other operating expenses	(15,518)	(24,930)	(6,163)	(16,736)
Net other operating income	11,604	26,964	24,884	41,075
General administrative expenses	(342,761)	(680,190)	(334,655)	(664,465)
Depreciation expense	(26,808)	(54,892)	(32,815)	(65,913)
Profit / (loss) on sale of tangible fixed assets	268	(580)	944	115,037
Net impairment losses	53,238	70,184	1,398	4,891
Profit before tax	314,170	549,420	154,351	434,947
Income tax expense	(61,924)	(110,177)	(30,216)	(93,877)
Net profit	252,246	439,243	124,135	341,070
Weighted average number of ordinary shares	130,659,600		130,659,600	
Net profit per ordinary share (in PLN)	3.36		2.61	
Diluted net profit per ordinary share (in PLN)	3.36		2.61	

Balance sheet of the Bank – parent company*In thousands of PLN***30/06/2007 31/12/2006****ASSETS**

Cash and balances with central bank	2,073,502	535,623
Financial assets held for trading	4,747,044	4,551,094
Debt securities available-for-sale	8,905,521	8,247,313
Equity investments	307,275	300,534
Loans and advances	17,577,776	19,030,974
<i>to financial sector</i>	6,565,760	9,562,908
<i>to non-financial sector</i>	11,012,016	9,468,066
Property and equipment	610,479	626,481
<i>land, buildings and equipment</i>	595,129	617,095
<i>investment property</i>	15,350	9,386
Intangible assets	1,281,041	1,284,883
Income tax liabilities	254,193	273,216
Other assets	277,237	233,237
Non-current assets held-for-sale	4,179	12,539
Total assets	36,038,247	35,095,894

LIABILITIES

Due to central bank	-	250,113
Financial liabilities held for trading	3,692,286	3,316,847
Financial liabilities valued at amortized cost	25,830,740	25,529,437
<i>deposits from</i>	25,222,752	24,843,591
<i>financial sector</i>	6,766,249	6,481,772
<i>non-financial sector</i>	18,456,503	18,361,819
<i>other liabilities</i>	607,988	685,846
Provisions	51,283	47,023
Income tax liabilities	4,878	-
Other liabilities	1,360,418	647,910
Total liabilities	30,939,605	29,791,330

EQUITY

Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(190,962)	(81,501)
Other reserves	1,382,238	1,297,175
Retained earnings	440,143	621,667
Total equity	5,098,642	5,304,564

Total liabilities and equity**36,038,247 35,095,894**

Statement of changes in equity of the Bank – parent company

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2006	522,638	2,944,585	(64,554)	1,101,418	667,407	5,171,494
Valuation of financial assets available-for-sale	-	-	(139,933)	-	-	(139,933)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(33,166)	-	-	(33,166)
Deferred income tax on valuation of financial assets available-for-sale	-	-	32,889	-	-	32,889
Net profit	-	-	-	-	341,070	341,070
Dividends to be paid	-	-	-	-	(470,375)	(470,375)
Transfers to capital	-	-	-	195,757	(195,757)	-
Closing balance as at 30 June 2006	522,638	2,944,585	(204,764)	1,297,175	342,345	4,901,979
	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2007	522,638	2,944,585	(81,501)	1,297,175	621,667	5,304,564
Valuation of financial assets available-for-sale	-	-	(121,374)	-	-	(121,374)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(13,763)	-	-	(13,763)
Deferred income tax on valuation of financial assets available-for-sale	-	-	25,676	-	-	25,676
Net profit	-	-	-	-	439,243	439,243
Dividends to be paid	-	-	-	-	(535,704)	(535,704)
Transfers to capital	-	-	-	85,063	(85,063)	-
Closing balance as at 30 June 2007	522,638	2,944,585	(190,962)	1,382,238	440,143	5,098,642

Summary statement of cash flows of the Bank – parent company

<i>In thousands of PLN</i>	Year to date	Year to date
	Period from 01/01/07 to 30/06/07	Period from 01/01/06 to 30/06/06
Cash at the beginning of reporting period	1,304,621	1,005,263
Cash flows from operating activities	962,607	(93,882)
Cash flows from investing activities	(29,914)	151,396
Cash flows from financing activities	(17,695)	(17,826)
Cash at the end of reporting period	2,219,619	1,044,951

Increase / Decrease in net cash

914,998

39,688

Notes to the Abbreviated Financial Statements of Bank Handlowy w Warszawie S.A. ("the Bank") for the second quarter of 2007

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

The notes to these interim consolidated financial statements for the second quarter of 2007 contain all material information and explanatory data also relevant to the Bank's abbreviated interim financial statements.

A summary of the Bank's financial results for the second quarter of 2007 is presented below.

The Bank's financial results

In the first half of 2007 the Bank generated profit before tax of PLN 549 million, growth of PLN 114 million (i.e. 26.3%) compared to the first half of the previous year. The net profit for the same period amounted to PLN 439 million, growth of PLN 98 million (i.e. 28.8%) as compared to the corresponding period of the previous year.

The net results for the first half of 2006, as well as the net incomes for the first half of 2007 contained profits from one-off transactions. In the first quarter of 2006 the total gain on the sale of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. and Handlowy Zarządzanie Aktywami S.A., shares in the associated entity Handlowy Heller S.A. and the organized part of the Bank's enterprise consisting of card's transactions settlements within the Consumer Banking Sector amounted to PLN 114 million. Additionally, in the first half of 2006 the income in amount of PLN 6 million related to shares granted by MasterCard was also recorded. The net results for the first half of 2007 include PLN 10 million from the sale of minority shares of MasterCard and shares of Stalexport S.A. Furthermore, in the first half of 2007 the provision of PLN 10 million related to penalty imposed by Office of Fair Trading was recorded in the books due to court proceeding regarding "interchange" charges in the bank sector.

Provided above stated transactions are excluded growth of the profit before tax for the first half of 2007 compared to the first half of 2006 amounted to PLN 234 million (i.e. 74.4%) and growth of the net profit was PLN 192 million (i.e. 77.7%).

The Bank for the first half of 2007 reported operating incomes' growth of PLN 170 million, i.e. 16.2% compared to the first half of the previous year. These incomes involved the interest and commission income, dividend income, net result on traded financial instruments and FX revaluation, net result on investment debt securities, net result on investment equity instruments and other operating incomes and expenses. General administrative expenses, overhead and the depreciation expenses for the same period increased only by 0.6%, what reflects favorable trend of the Group's operating activity.

The net profit of the Bank for the second quarter of 2007 amounted to PLN 252 million compared to PLN 124 million of the net profit in the same period of the previous year (increase of PLN 128 million, i.e. 103.2%). The Bank's profit before tax amounted to PLN 314 million compared to PLN 154 million for the corresponding period of the previous year, what represents the 103.5% growth.

The Bank's net profit for the second quarter of 2007 was influenced by the increase in net interest and commission income of PLN 61 million (i.e. 15.4%), the increase in result on financial instruments (financial instruments held for trading and FX revaluation and investment equity instruments) of PLN 69 million, the increase in general administrative expenses, overhead and the depreciation expenses of PLN 2 million (i.e. 0.6%) and the reduction of net impairment losses of financial assets by PLN 52 million.

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

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

08.08.2007

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

08.08.2007

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