



INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE THIRD QUARTER 2006

NOVEMBER 2006

Selected financial data

	In PLN '000		In EUR '000	
	Year to date period from 01/01/06 to 30/09/06	Year to date period from 01/01/05 to 30/09/05	Year to date period from 01/01/06 to 30/09/06	Year to date period from 01/01/05 to 30/09/05
Data related to summary consolidated financial statements				
Interest income	1,209,999	1,272,705	308,902	313,605
Fee and commission income	566,762	528,422	144,689	130,208
Profit before tax	625,004	632,150	159,558	155,767
Net profit	484,919	496,897	123,795	122,440
Increase of net cash	(319,712)	(145,288)	(80,259)	(37,095)
Total assets*	36,358,858	32,915,502	9,127,365	8,527,774
Financial liabilities valued at amortized cost*	27,184,090	23,084,589	6,824,172	5,980,773
Shareholders' equity	5,199,440	5,178,801	1,305,244	1,322,270
Share capital	522,638	522,638	131,201	133,442
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	39.79	39.64	9.99	10.12
Capital adequacy ratio (%)*	15.07	14.63	15.07	14.63
Capital adequacy ratio based on Tier 1 capital (%)*	16.41	15.58	16.41	15.58
Earnings per ordinary share (PLN / EUR)	3.71	3.80	0.95	0.94
Diluted net profit per ordinary share (PLN / EUR)	3.71	3.80	0.95	0.94

Data related to summary financial statements of the Bank

Interest income	1,184,271	1,250,258	302,334	308,074
Fee and commission income	513,532	445,745	131,100	109,835
Profit before tax	609,816	585,518	155,680	144,277
Net profit	478,306	461,574	122,107	113,736
Increase of net cash	(319,676)	(145,260)	(80,250)	(37,088)
Total assets*	35,831,876	32,669,425	8,995,074	8,464,020
Financial liabilities valued at amortized cost*	27,006,538	23,223,955	6,779,600	6,016,880
Shareholders' equity	5,099,509	5,077,299	1,280,158	1,296,354
Share capital	522,638	522,638	131,201	133,442
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	39.03	38.86	9.80	9.92
Capital adequacy ratio (%)*	13.70	13.37	13.70	13.37
Capital adequacy ratio based on Tier 1 capital (%)*	15.91	15.41	15.91	15.41
Earnings per ordinary share (PLN / EUR)	3.66	3.53	0.93	0.87
Diluted net profit per ordinary share (PLN / EUR)	3.66	3.53	0.93	0.87
Declared or distributed dividends per ordinary share (PLN / EUR)**	3.60	11.97	0.90	3.06

* Comparable financial data is presented as at 31 December 2005

** The presented ratios are related to, respectively: dividends paid in 2006 from the appropriation of the 2005 profit as well as dividends distributed in 2005 from the appropriation of the 2004 profit and from retained earnings.

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Consolidated income statement*In thousands of PLN*

	Third quarter period from 01/07/06 to 30/09/06	Year to date period from 01/01/06 to 30/09/06	Third quarter period from 01/07/05 to 30/09/05	Year to date period from 01/01/05 to 30/09/05
Interest and similar income	426,398	1,209,999	396,694	1,272,705
Interest expense and similar charges	(162,557)	(438,087)	(149,865)	(503,618)
Net interest income	263,841	771,912	246,829	769,087
Fee and commission income	189,898	566,762	187,488	528,422
Fee and commission expense	(45,151)	(119,584)	(32,030)	(89,247)
Net fee and commission income	144,747	447,178	155,458	439,175
Dividend income	3,552	3,652	508	2,081
Net income on financial instruments valued at fair value through profit and loss account	5,325	11,262	68,921	83,983
Net gain on investment (deposit) securities	2,137	35,303	12,380	124,675
Net profit on foreign exchange	65,830	239,703	67,638	272,455
Other operating income	27,329	86,575	51,812	101,003
Other operating expenses	(5,024)	(25,463)	(13,481)	(47,459)
Net other operating income	22,305	61,112	38,331	53,544
General administrative expenses	(333,564)	(1,015,251)	(342,806)	(1,039,872)
Depreciation expense	(32,407)	(98,814)	(34,639)	(104,629)
Profit / (loss) on sale of tangible fixed assets	(91)	117,198	1,142	69
Net impairment losses	38,005	47,639	22,319	39,347
Operating income	179,680	620,894	236,081	639,915
Share in profits / (losses) of undertakings accounted for under the equity method	1,456	4,110	(5,281)	(7,765)
Profit before tax	181,136	625,004	230,800	632,150
Income tax expense	(39,311)	(140,085)	(52,152)	(135,253)
Net profit	141,825	484,919	178,648	496,897
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		3.71		3.80
Diluted net profit per ordinary share (in PLN)		3.71		3.80

Consolidated balance sheet*In thousands of PLN*

	30/09/2006	31/12/2005
ASSETS		
Cash and balances with central bank	640,792	922,649
Financial assets held-for-trading	4,606,134	5,883,358
Debt securities available -for-sale	12,156,646	7,171,157
Equity investments valued at equity method	64,242	61,884
Other equity investments	26,462	20,615
Loans and advances	16,095,723	16,074,250
<i>to financial sector</i>	5,825,931	6,467,157
<i>to non-financial sector</i>	10,269,792	9,607,093
Property and equipment	650,889	700,212
<i>land, buildings and equipment</i>	635,559	659,264
<i>investment property</i>	15,330	40,948
Intangible assets	1,292,367	1,313,799
Deferred income tax assets	288,216	299,290
Other assets	529,027	430,574
Non-current assets held -for-sale	8,360	37,714
Total assets	36,358,858	32,915,502
LIABILITIES		
Financial liabilities held-for-trading	2,788,867	3,420,219
Financial liabilities valued at amortized cost	27,184,090	23,084,589
<i>deposits from</i>	25,442,365	22,485,156
<i>financial sector</i>	7,555,782	5,223,503
<i>non-financial sector</i>	17,886,583	17,261,653
<i>other liabilities</i>	1,741,725	599,433
Provisions	46,744	56,251
Income tax liabilities	3,667	163,311
Other liabilities	1,136,050	918,991
Liabilities held-for-sale	-	7,329
Total liabilities	31,159,418	27,650,690
EQUITY		
Issued capital	522,638	522,638
Share premium	3,027,470	3,010,452
Revaluation reserve	(144,470)	(64,554)
Other reserves	1,336,878	1,128,860
Retained earnings	456,924	667,416
Total equity	5,199,440	5,264,812
Total liabilities and equity	36,358,858	32,915,502

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 2005	522,638	3,077,176	(9,371)	2,130,962	517,286	6,238,691
Effects of transition to IFRS*	-	-	2,479	-	28,915	31,394
Balance as at 1 January 2005- after restatement	522,638	3,077,176	(6,892)	2,130,962	546,201	6,270,085
Valuation of financial assets available-for-sale	-	-	94,816	-	-	94,816
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(124,675)	-	-	(124,675)
Deferred income tax on valuation of financial assets available-for-sale	-	-	5,673	-	-	5,673
Net profit	-	-	-	-	496,897	496,897
Dividends paid	-	(100,000)	-	(1,049,804)	(414,191)	(1,563,995)
Transfers to capital	-	26,961	-	47,702	(74,663)	-
Closing balance as at 30 September 2005	522,638	3,004,137	(31,078)	1,128,860	554,244	5,178,801

*in respect of IAS 32 and IAS 39

<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)	1,128,860	667,416	5,264,812
Valuation of financial assets available-for-sale	-	-	(63,359)	-	-	(63,359)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(35,303)	-	-	(35,303)
Deferred income tax on valuation of financial assets available-for-sale	-	-	18,746	-	-	18,746
Net profit	-	-	-	-	484,919	484,919
Dividends paid	-	-	-	-	(470,375)	(470,375)
Transfers to capital	-	17,018	-	208,018	(225,036)	-
Closing balance as at 30 September 2006	522,638	3,027,470	(144,470)	1,336,878	456,924	5,199,440

Summary consolidated statement of cash flows

<i>In thousands of PLN</i>	Year to date period from 01/01/06 to 30/09/06	Year to date period from 01/01/05 to 30/09/05
Cash at the beginning of reporting period	1,005,340	972,156
Cash flows from operating activities	(72,273)	726,786
Cash flows from investing activities	110,478	(88,528)
Cash flows from financing activities	(357,917)	(783,546)
Cash at the end of reporting period	685,628	826,868
Increase / (decrease) in net cash	(319,712)	(145,288)

Supplementary notes to the consolidated financial statements

1. General information about the Bank's Capital Group

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

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

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

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

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2006	31.12.2005
<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
Citileasing Sp. z o.o.	Warsaw	-	100,00
Handlowy Zarzadzanie Aktywami S.A.	Warsaw	-	100,00
Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A.	Warsaw	-	100,00
PPH Spomasz Sp. z o.o. (in 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 S.A.	Luxembourg	100,00	100,00
Handlowy Investments II S.a.r.l.	Luxembourg	100,00	100,00
Bank Rozwoju Cukrownictwa S.A.	Poznan	100,00	100,00

* Until 10 January 2006, before the merger of Citileasing sp. z o.o. and Handlowy – Leasing sp. z o.o., under the name of Handlowy Leasing S.A.

Associates	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2006	31.12.2005
<i>Associates accounted for under the equity method</i>			
Handlowy-Heller S.A.	Warszawa	-	50.00

In the third quarter of 2006 there were no changes in the holding of shares in subordinated and associated entities.

2. Basis of preparation of the report

The interim consolidated financial statements of the Group for the reporting period ending on 30 September 2006 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 third quarter 2006 have been prepared in accordance with accounting principles adopted and summarized in the semi-annual consolidated financial statements of the Group for the period from 1 January 2006 to 30 June 2006.

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2006 to 30 September 2006. Comparable financial data is presented for the period from 1 January 2005 to 30 September 2005, while for the balance sheet data is presented as at 31 December 2005.

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

Selected financial data presented at the beginning of the consolidated quarterly report has been quoted in two currencies – in PLN and EUR. The principles of translating PLN into euro are as follows:

1. Individual items of balance sheet assets and liabilities are translated into euro based on the average exchange rate on the balance sheet date, as announced by the National Bank of Poland, at PLN 3.9835 as at 30 September 2006, PLN 3.8598 as on 31 December 2005 and PLN 3.9166 as at 30 September 2005;
2. Individual items of the income statement are translated into euro according to the exchange rate representing the arithmetic mean of average exchange rates announced by the National Bank of Poland, on the last day of each completed month of the periods covered by the quarterly report which, in relation to the third quarter of 2006, was PLN 3.9171; in relation to the third quarter of 2005 was PLN 4.0583.

3. Segmental reporting

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

- Corporate and Investment Bank

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

- Consumer Bank

Within the Consumer Bank segment the Group provides products and financial services to individuals and also to micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from maintaining bank accounts and providing an extensive lending and deposit offer, it also offers credit cards to customers, 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.

- CitiFinancial

Within the CitiFinancial segment the Group offers cash loans consolidated loans to customers and mortgage loans. The segment products are offered via the dynamically developing network of small outlets conveniently located next to housing estates and shopping centers as well as financial agents.

The valuation of segment assets and liabilities, income and segment results is based on the Group's accounting policies.

Transactions between individual segments of the Group are concluded on an arm's length basis.

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 three quarters of 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	337,254	315,227	119,431	771,912
Net fee and commission income	232,781	201,454	12,943	447,178
Dividend income	3,652	-	-	3,652
Net income on financial instruments valued at fair value through profit and loss	7,575	3,687	-	11,262
Net gain on investment (deposit) securities	35,303	-	-	35,303
Net profit on foreign exchange	215,367	24,336	-	239,703
Net other operating income	50,999	10,003	110	61,112
General administrative expenses	(498,069)	(418,840)	(98,342)	(1,015,251)
Depreciation expense	(72,184)	(25,723)	(907)	(98,814)
Profit/ (loss) on sale of tangible fixed	105,155	12,043	-	117,198
Net impairment losses	72,704	73	(25,138)	47,639
Operating income	490,537	122,260	8,097	620,894
Share in profits / (losses) of undertakings	4,110	-	-	4 110
Profit before tax	494,647	122,260	8,097	625,004
Income tax expense				(140,085)
Net profit				484,919

Assets and liabilities of the Group by business segment as at 30 September 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Assets including:	32,768,370	2,764,615	825,873	36,358,858
<i>Non-current assets held-for-sale</i>	8,360	-	-	8,360
Liabilities	29,899,693	6,193,741	265,424	36,358,858

Consolidated income statement by business segment for third quarter 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	115,778	105,101	42,962	263,841
Net fee and commission income	71,893	67,475	5,379	144,747
Dividend income	3,552	-	-	3,552
Net income on financial instruments valued at fair value through profit and	4,347	978	-	5,325
Net gain on investment (deposit)	2,137	-	-	2,137
Net profit on foreign exchange	57,841	7,989	-	65,830
Net other operating income	20,194	2,103	8	22,305
General administrative expenses	(161,753)	(135,347)	(36,464)	(333,564)
Depreciation expense	(23,647)	(8,491)	(269)	(32,407)

In thousands of PLN

	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Profit/ (loss) on sale of tangible fixed	(140)	49	-	(91)
Net impairment losses	49,653	(3,111)	(8,537)	38,005
Operating income	139,855	36,746	3,079	179,680
Share in profits / (losses) of undertakings	1,456	-	-	1,456
Profit before tax	141,311	36,746	3,079	181,136
Income tax expense				(39,311)
Net profit				141,825

Assets and liabilities of the Group by business segment for three quarters of 2005*In thousands of PLN*

	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	352,026	340,877	76,184	769,087
Net fee and commission income	260,423	173,735	5,017	439,175
Dividend income	2,081	-	-	2,081
Net income on financial instruments valued at fair value through profit and loss account	79,113	4,870	-	83,983
Net gain on investment (deposit) securities	124,675	-	-	124,675
Net profit on foreign exchange	245,626	26,829	-	272,455
Net other operating income	52,676	868	-	53,544
General administrative expenses	(534,038)	(437,299)	(68,535)	(1,039,872)
Depreciation expense	(73,993)	(29,693)	(943)	(104,629)
Profit/ (loss) on sale of tangible fixed assets	1,201	(1,132)	-	69
Net impairment losses	67,742	(15,508)	(12,887)	39,347
Operating income	577,532	63,547	(1,164)	639,915
Share in profits / (losses) of undertakings	(7,765)	-	-	(7,765)
Profit before tax	569,767	63,547	(1,164)	632,150
Income tax expense				(135,253)
Net profit				496,897

Assets and liabilities of the Group by business segment as at 31 December 2005*In thousands of PLN*

	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Assets including:	29,915,327	2,368,597	631,578	32,915,502
<i>Non-current assets held-for-sale</i>	27,858	9,856	-	37,714
Liabilities including:	26,886,284	5,910,094	119,124	32,915,502
<i>Liabilities related to non-current assets held-for-sale</i>	2,959	4,370	-	7,329

Consolidated income statement by business segment for third quarter 2005

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	107,835	108,064	30,930	246,829
Net fee and commission income	90,800	62,430	2,228	155,458
Dividend income	508	-	-	508
Net income on financial instruments valued at fair value through profit and loss	66,000	2,921	-	68,921
Net gain on investment (deposit) securities	12,380	-	-	12,380
Net profit on foreign exchange	60,025	7,613	-	67,638
Net other operating income	37,602	-	-	38,331
General administrative expenses	(167,943)	(152,993)	(21,870)	(342,806)
Depreciation expense	(24, 469)	(9,846)	(324)	(34,639)
Profit/ (loss) on sale of tangible fixed	803	339	-	1,142
Net impairment losses	33 867	(6,486)	(5,062)	22,319
Operating income	217,408	12,771	5,902	236,081
Share in profits / (losses) of undertakings	(5,281)	-	-	(5,281)
Profit before tax	212,127	12,771	5,902	230,800
Income tax expense				(52,152)
Net profit				178,648

4. Financial highlights

For the three quarters of 2006, the Group reported a profit before tax of PLN 625 million, compared to PLN 632 million in the corresponding period of 2005. At the same time profit before tax in the third quarter of 2006 amounted to PLN 181 million in comparison with PLN 231 million in the same period last year.

Consolidated net profit year to date, i.e. for the period from January 2006 to September 2006, amounted to PLN 485 million, compared to PLN 497 million in the corresponding period of 2005, whereas the net profit in the third quarter of 2006 amounted to PLN 142 million, compared to PLN 179 million of net profit in the same period in the previous year.

During the three quarters of 2006, the Group's operating income, including net interest and commission income, net dividend income, net income on financial instruments, net profit on foreign exchange, net other operating income and profit or loss on sale of tangible fixed assets, decreased by PLN 58 million, i.e. 3.3%, in comparison with the three quarters of 2005. The income was accompanied by a decrease in expenses of PLN 30 million (i.e. 2.7%).

In the third quarter of 2006, the Group's operating income decreased by PLN 84 million (i.e. 14.1%) in comparison with corresponding period of 2005, at the same time the operating expenses decreased by PLN 11 million (i.e. 3%).

Additionally, the following factors influenced the Group's operating result for the current period compared to the third quarter of 2005:

- net interest and commission income of PLN 409 million compared to PLN 402 million in the third quarter 2005, which was due to an increase of PLN 17 million (i.e. 6.9%) in interest income mainly on financial debt instruments held-for-trading and CitiFinancial interest income. The deterioration of the fee and commission income by PLN 11 million, i.e. 6.9%, was caused by the lack of commission income from subsidiaries that were sold in the first quarter of 2006 (HanZA and TFI)

- as well as lower commission income on brokerage and insurance services, and credit cards in the Consumer Bank and CitiFinancial.
- net income on financial instruments (derivatives and debt securities) and net profit on foreign exchange totaled PLN 73 million compared to PLN 149 million generated in the third quarter of 2005, mainly as a result of a significant drop in the performance of derivatives, whereas in the corresponding period last year, this item constituted a significant component of the net profit;
 - a decrease in other net operating income of PLN 16 million, as a result of higher income on the sale of investment real estate and debts.
 - a decrease in general administrative expenses, overhead and the depreciation expense of PLN 11 million (i.e. 3.0%), primarily due to lower general administrative expenses in the Corporate and Investment Bank and lower employment costs in the Consumer Bank as a result of restructuring employment and aligning the branch network, even with the dynamically developing CitiFinancial network including 95 branches and 11 points of sale, compared to 56 branches at the end of September 2005. The decreased level of costs was achieved despite incurring significantly higher costs for the incentives programs in comparison with the corresponding period in 2005;
 - reduction of net impairment losses by PLN 16 million, mainly in relation to repayments of loans at risk in the Corporate and Investment Bank.

5. Activities of the Group in the third quarter of 2006

1. Corporate and Investment Banking

- *Summary of Results*

In the third quarter of 2006, the Corporate and Investment Bank (CIB) reported profit before tax of PLN 141 million as compared to PLN 212 million in the corresponding period of 2005. The difference was mainly due to the high income on the sale of treasury products in the third quarter of 2005.

CIB net interest income in the third quarter of 2006 amounted to PLN 116 million, representing a 7% increase in relation to the third quarter of 2005. This change was the outcome of higher market interest rates on the AFS portfolio following a significant growth of this portfolio.

CIB reported net fee and commission income of PLN 72 million in the third quarter of 2006, compared to PLN 91 million in the corresponding period of 2005. The lower net fee and commission income was mainly a consequence of the lack of revenues generated by subsidiaries that were sold in the first quarter of 2006 (HanZA and TFI BH) and a drop in brokerage income. Both declines were partly neutralized by higher fee and commission income on cash management and custody services.

In the third quarter of 2006, net income in treasury products amounted to PLN 64 million as compared to PLN 138 million in the third quarter of 2005 and remained at the similar level as in the second quarter of 2006. This result includes net profit on foreign exchange, net income on financial instruments held-for-trading (derivatives and selected debt securities) and net income on investment debt securities. In the third quarter of 2005, the Bank generated a high income on financial instruments held-for-trading, which was possible due to a material interest rate volatility in that time. In the third quarter of 2006, there were no significant movements in interest rates, thus, leading to a lower income on the trading portfolio. In addition, the general market conditions, reflected in the companies' limited interest in hedging against the foreign exchange and interest rate risks, was translated into a sales drop in this business.

Other net operating income and costs in the third quarter of 2006 amounted to PLN 20 million and decreased from PLN 38 million posted in the third quarter of 2005. The better performance in the third quarter of 2005 was due to the income of PLN 15 million on the sale of investment real estate, whereas in the third quarter of 2006, the income on this item reached only PLN 1 million. Also, in the third quarter of 2005, the Bank obtained PLN 8 million of collection income.

CIB costs in the third quarter of 2006 amounted to PLN 162 million, which is a decrease by PLN 6 million i.e.4% as compared to the corresponding period in 2005. Although salaries increased and higher costs of incentive programs, CIB costs were further optimized, among others in the technology and telecommunication costs, as well as a result of more stringent controls of staff costs. The decrease in CIB costs was additionally effected by lower costs of subsidiaries as a result of the sale of HanZA and TFI .

In the third quarter of 2006, CIB posted a reduction in its net provisions for loan losses in the amount of PLN 50 million, mostly due to repayments of loans at risk. In the corresponding period of 2005, CIB posted a reduction in its net provisions by PLN 34 million.

In the third quarter of 2006, CIB performance improved also due to the income on shares in companies valued in the equity method as a result of value growth of one of the companies.

a) Global Transaction Services

- *Trade Finance Products*

The material transactions and programs completed or implemented in the third quarter of 2006 include:

- Granting a two-year advance repayment guarantee for the total amount of PLN 111 million for one of the key companies involved in constructing the rail and tram infrastructure in Poland;
- Granting a repayment guarantee of about PLN 84 million for one of the biggest power plants in the country;
- Granting a payment guarantee of about USD 82 million for one of the largest domestic plants processing liquid fuel;
- Granting a customs guarantee of about USD 6.5 million for one of the key international producers of electronic equipment operating in Poland;
- Further development of the supplier finance program based on the discount of receivables without recourse – for one of the domestic leaders in the construction industry;
- Establishing a supplier finance program for a customer operating in the fish processing and trading industry, for about PLN 3 million.

The main focus in the third quarter of 2006, as regards trade finance products, was the setting of modified lending terms for companies using receivables financing.

The Bank's guarantee offer was extended as a result of concluding a cooperation agreement with the National Environmental Protection and Water Management Fund regarding the Fund's acceptance of collateral in the form of a bank guarantee securing the financing of collection, processing, recovery, including recycling, and neutralizing of outdated electrical and electronic equipment.

- *Payments and Transfers*

In the third quarter of 2006, the income on foreign payments grew by more than 24% in relation to the corresponding period last year. Additionally, as a result of the Bank's promotion campaigns and changes in the receivables market, in the third quarter of 2006 the number of direct debit transactions increased by over 21% in relation to the corresponding period last year. As a result of price pressure the new price models, which meet customers' expectation were implemented.

- *Cash Management Products*

In the third quarter of 2006, the Bank was running an acquisition campaign targeted at 1,500 customers. The comprehensive product offer consists of the following three main pillars: competitive credit offer, treasury and cash management products.

Micro-payments (Mikrowplaty) and Comprehensive Cash Services (Kompleksowa Obsługa Gotówkowa) were awarded in the 10th edition of the Europrodukt contest organized by the Polish Trading Society, honoring companies which offer innovative customer service solutions.

- *Card Products*

By September 30, 2006, the number of issued business cards reached 15,300, i.e. 14% more than the number of cards issued by September 30, 2005.

The number of prepaid cards issued by the end of the third quarter 2006 was 47% higher than the number of prepaid cards issued by the end of the third quarter 2005, and amounted to more than 200,000 cards. In the third quarter of 2006 the Bank also noted a 21% growth of the number of issued prepaid cards against the number of cards issued at the end of the second quarter 2006.

In the third quarter of 2006, eleven new agreements on the issuance of prepaid cards were concluded with the Social Assistance Centers. By means of the prepaid cards, the Centers pay various benefits. In this period, the Bank issued over 20,000 prepaid cards to the Social Assistance Centers.

- *EU Products*

In September 2006, there was a meeting of the representatives of the Union of Polish Metropolises (treasurers, presidents of the 12 biggest Polish cities) and the Bank. Various bank products were presented in the meeting, in particular prepaid cards, revenue bonds and the EU advisory services. The meeting also served as an opportunity to discuss the Bank's support for financing investments in these cities.

In the third quarter of 2006, the Bank prepared an offer for the County Employment Centers regarding the payment of unemployment benefits.

Additionally a marketing campaign for the EU advisory services was running in the CitiBusiness segment.

In August 2006, the investment loan for small and medium enterprises, refinanced by Kreditanstalt für Wiederaufbau in cooperation with the European Commission, was awarded the Europrodukt title, granted by the Polish Trading Society with the patronage of the Ministry of Economy and the Polish Agency for Enterprise Development.

b) Capital Markets and Corporate and Investment Bank

- *Treasury Products*

The beginning of the third quarter of 2006 brought about a clear change of trends in the domestic FX market. After the two months of decline, the Polish currency started strengthening considerably due to the general improvement of the attitude to the emerging markets and the renewed willingness to take risks by foreign investors. Having experienced the dramatic sale and major revaluation of domestic bonds in June, the treasury market stabilized in July. Notwithstanding the strengthening of the domestic currency and the improvement of the international debt markets, Polish debt securities managed to recover only part of the losses incurred in previous months.

The situation changed in mid-August. The temporary higher aversion to risk in the international markets, on the one hand, contributed to the weakening of the Polish currency. On the other hand, the strong GDP growth data in the second quarter of 2006 scared bond investors and reinforced their conviction that in view of the growing economic activity, the escalation of inflationary pressures is just a question of time.

However, the sale of domestic bonds turned out to be temporary due to the positive trends in the international debt markets and reassuring comments of the Polish Monetary Policy Council.

As a result of the situation in the financial markets, the valuation of the Bank's T-bonds portfolio was fluctuating, improving eventually by 25% (third quarter 2006 vs. second quarter 2006). Concurrently, the trading portfolio of the Polish T-bonds was reduced following the strategy to adjust the risk position to the unstable political and economic condition of the Polish market. Simultaneously the accrual book, built mainly on Treasury securities, grew by PLN 7 billion, amounting to PLN 14 billion as at the end of September 30, 2006, which is a result of execution of long-term strategy of balance sheet interest rate risk management.

In the third quarter of 2006, the Bank's position in FX derivatives continued to strengthen. The turnover of FX options for non-bank customers was maintained at the second quarter level.

The Bank played also an active role in FX transactions concluded with non-bank customers. The turnover in this segment increased by 13% quarter on quarter, and the margins remained unchanged.

In the complex derivatives market, the Bank maintained its position. The general market conditions, reflected in a limited interest of companies to hedge the FX and interest rate risks, were mirrored in a drop of sales and profits in this market segment.

In the complex structured instruments, the Bank extended its offer by structured bonds with inherent credit risk. They were welcomed by Polish investors as an inventive product in the local market.

The internet platform, launched in the second quarter of 2006 as an additional offer for customers using the Bank's FX transaction services, was evaluated very positively by our customers. The Bank will continue developing this product.

In the case of T-bond deals with financial institutions, the turnover in the third quarter of 2006 reflected the situation in the Polish market. As a result of a lower foreign investors' interest in Polish treasury securities, the domestic market turnover slumped, also with respect to Polish financial institutions. The Bank managed to maintain its market share in this segment.

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

In the third quarter of 2006, the total value of equity turnover realized through DMBH amounted to PLN 5.32 billion, (the fifth place on the brokerage houses ranking) and the market share has increased during the third quarter of 2006 from 7.3% in July to 8.9% in September. In the third quarter of 2006 the turnover in equities at the Warsaw Stock Exchange reached PLN 65.2 billion (+27% YoY). The value of turnover generated by DMBH on the bond market totaled PLN 18.2 million, which accounted for 1.8% of the total market turnover. The DMBH share in the futures market, measured by the value of forward contracts, was 2.1%.

c) Corporate Finance

In the Commercial Bank, the third quarter of 2006 brought about the finalization of two key processes: change of the Credit Program and reorganization of the relationship model.

The present SME Credit Program of the Commercial Bank is dedicated to customers with annual sales of PLN 8 – 75 million, and its update improved significantly the competitiveness of the Bank's credit offer with respect to flexibility and processing time by adjusting the CP requirements to the customer expectations and facilitating some selected elements of the credit process.

The main assumption of the new relationship model is to improve the quality of services provided by relationship managers to SME customers. Having implemented the new model, all customers, irrespective

of their business scale and relationship depth with the Bank, have the same access to the full Commercial Bank offer.

Both of these changes should lead to an increased activity of the Bank in the small and medium enterprises market, the first sign of which is acquiring over 190 new customers in the holiday period.

As at September 30, 2006 (Fitch Ratings Bulletin), Bank Handlowy w Warszawie S.A. was ranked second in Poland in the distribution of short-term debt securities (i.e. up to one year) and the Bank's share accounted for about 17%. In that time the Bank serviced 26 issue programs, 2 of which were public bond issue programs.

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

In the third quarter of 2006, the company implemented the Assets Based Finance program for the Corporate Bank and Global Transaction Services customers. Leasing principles were changed in the case of Commercial Bank customers. Also, intensive acquisition work was aimed to enhance cross-sell to the Commercial Bank.

The third quarter of 2006 was a time of concentrated sales and considerable growth in the value of new contracts. The net value of assets leased in the third quarter of 2006 amounted to PLN 148.3 million. The company concluded agreements for the total amount of PLN 310.6 million in the nine months to September 30, 2006. The net value of assets leased was 60% higher than in the corresponding quarter of 2005. In the third quarter of 2006, 72% of leased assets constituted road transport vehicles (PLN 107.1 million), while industrial machines and equipment accounted for 28% (PLN 41.2 million).

2. Consumer Bank

- *Summary of Results*

In the third quarter of 2006, the Consumer Bank reported profit before tax of PLN 37 million, which represents a 188% increase compared to the third quarter of 2005.

2006 third quarter net interest income of the Segment amounted to PLN 105 million, which is 3% lower than in the in 2005. The decrease is primarily the result of a reduction in the interest rates charged within the credit card portfolio, which has been in large part mitigated by volume growth.

Commission income in the third quarter of 2006 amounted to PLN 67 million representing 8% growth compared to the corresponding period in 2005. This is a result of an increase in sales of insurance and investment products, which was achieved despite the market volatility that impacted the early part of the quarter, as well as credit cards portfolio growth.

Net other operating income within the Segment in third quarter of 2006 totaled over PLN 2 million.

General and administrative expenses of the segment amounted to PLN 135 million, representing over 11% decrease compared to the corresponding period of 2005. This is a result of costs structure rationalization in the Segment at the turn of 2005 and 2006.

In the third quarter of 2006, there was an increase in provisions for loan losses of PLN 3 million.

a) Credit Cards

In the third quarter of 2006, the Bank exceeded significantly the PLN 1 billion threshold of the customers' credit card outstandings. At the end of the third quarter of 2006 receivables increased by 32% in

comparison with the third quarter of 2005. Additionally it is necessary to emphasize, that the Bank maintained its position as one of the few leaders of credit card issuers although the competition in this market segment continued to grow.

At September 30, 2006, the number of issued credit cards reached almost 637,000, which was 13% more than in the corresponding period last year.

In the recent quarter the customers also showed a keen interest in the Citibank ELLE Credit Card, designed for women. The card was offered along with the free subscription of the ELLE monthly magazine. The number of Citibank ELLE Credit Card amounted to 59,000 at the end of the third quarter of 2006.

In the third quarter of 2006, there was an increase in the value of transactions under the "Komfort" Installment Repayment Plan. The total receivables of Citibank Credit Cards' customers, related to the "Komfort" Installment Repayment Plan, exceeded PLN 250 million in the third quarter of 2006. The very good sales result of the product was also affected by the successful offer of the Bank which featured an increase of the credit limit for one-off cash transactions in the card account and introducing an installment plan for the repayment of outstandings – the so-called credit card cash loan. The customers' receivables of this plan reached PLN 100 million at the end of the third quarter of 2006. It is necessary to emphasize that this new functionality was implemented in April 2006.

b) Other Consumer Bank products

- *Bank Accounts*

In the third quarter of 2006, the Bank conducted a number of marketing activities for the purpose of acquiring and keeping the customers' deposits. One of such actions was a promotional deposit offer connected with investment products, which was special because of the high interest on the deposit portion (up to 7.5%) and a wide range of investment instruments.

The Bank also worked on developing the direct debit service. For the most popular payment receivers, the customers may apply for the service on the phone or in the internet. In the third quarter of 2006, STOEN S.A. joined this group of payment receivers.

As part of the micromarketing actions, the Bank promoted the CitiGold offer, usually at important events with prospective CitiGold customers. These actions had positive effects on both brand recognition and acquisition of customers.

- *Credit Products*

In the third quarter of 2006, the sales of the Citibank Credit continued to grow, the major part of the acquisition came from the cross-sell to the existing customers of the Bank and increased limits of granted credits. In July and August, the Bank ran a country-wide media campaign, supporting the Citibank Credit, in the press, radio, internet and billboards with the slogan "To the rescue of holidays". Acquisition continued to be supported via the internet by reducing commission on the Citibank Credit and cooperating with NYKREDIT Bank Hipoteczny S.A.

- *Investment Products*

In the third quarter of 2006, 20 subscriptions for structured bonds were organized in various currencies (PLN, USD, EUR, and GBP), related to diverse market variables such as stock exchange indices (DJ Eurostoxx 50, Nikkei 225, S&P 500), the S&P and Citigroup Index - Rising Stars, commodity prices (oil, copper, nickel and zinc) as well as FX rates (EUR/USD).

In August, the local investment fund offer was supplemented by the ING Fund Parasol SFIO and Fundusz Małych i Średnich Spółek ING TFI S.A.

Additionally, cross-sell actions were organized and targeted at almost 16,000 investors. Finally, investment seminars were arranged for the existing and prospective customers of CitiGold and CitiBlue.

- *Insurance Products*

In July 2006, within the Offshore Funds Portfolio, the offer of insurance capital funds was enhanced by seven Merrill Lynch International Investment Funds.

In September 2006, the investment fund offer under the Investment Portfolio (“Portfel Inwestycyjny”) insurance of AEGON was changed. The funds DWS Polska SFIO Euroobligacji and DWS Polska FIO Top 50 Europa were withdrawn. They were replaced by the following funds: DWS Polska FIO Zabezpieczenia Emerytalnego and DWS Polska FIO Zrównowazony.

Also in September the investment fund offer under the Life Insurance Program (“Program Inwestycyjny z Ubezpieczeniem na Zycie”) was amended. The list of funds was reconciled against funds in the Investment Portfolio. All forms and marketing materials were replaced by new ones due to the final change of the company name from Nationwide to AEGON.

- *Electronic Banking*

The number of customers who used Citibank Online at least once exceeded 416,000 at the end of the third quarter of 2006 and increased by 35% in relation to the corresponding period last year. In September 2006, the number of transactions concluded via Citibank Online accounted for over 80% of all financial transactions of the Consumer Bank. The activation of this distribution channel is supported by a respective pricing policy and special offers, also with respect to the Bank’s retail products.

The Bank also promotes actively the service called Wyciąg Online (Online Account Statement) and registers more and more users of the service, which allows for considerable savings. At the end of the third quarter of 2006, the number of users exceeded 52,000, i.e. increased by 60% in comparison to the third quarter of 2005.

c) CitiBusiness Micro-Company Banking

The target market of CitiBusiness are business entities, regardless of their legal status, residing in Poland, with annual sales turnover not exceeding PLN 8 million, and whose business type has not been excluded from the Bank’s target market.

The CitiBusiness offer is intended to improve the Bank’s image as an attractive partner for entrepreneurs and sole proprietors.

The Bank’s experience, knowledge of financial services and modern technologies translate into a comprehensible and customer-friendly offer in the form of Packages, available through various channels. The CitiBusiness offering should be perceived as competitive in terms of price and identified with all known advantages of the Bank: high quality, modern services and professionalism.

In the third quarter of 2006 the promotion campaigns of credit products and FX transactions, initiated in the second quarter of 2006 were continued and developed by a number of new initiatives, creating a basis for a continued dynamic growth of the business.

3. CitiFinancial

- Summary of Results

In the third quarter of 2006, CitiFinancial recorded a profit before tax of PLN 3 million compared to profit before tax of PLN 6 million in the third quarter of 2005.

Net interest income of PLN 43 million represented an increase of 39% compared to the third quarter of 2005 despite the significant influence of changes in the pricing structure following from the amendment of the Civil Code and other acts to limit maximum interest rates on 7 July 2005, which took effect on 14 February 2006. The increase in net interest income derives from the increase in the loan portfolio by 57% in the same period.

Net fee income, including also the fee income from insurance in the third quarter of 2006 amounted to PLN 5 million, which represented a 158% increase in comparison with the corresponding period of 2005.

In the analyzed period, CitiFinancial's costs increased by 67% to PLN 36 million due to the dynamic development of the distribution network. The number of branches has increased since September 2005 by 38 to 95 branches of which 9 were opened in the third quarter of 2006.

CitiFinancial is in the process of developing its branch network through the launch of points of sale, which are smaller and cheaper branches, located in smaller towns. This would improve the availability of CitiFinancial products for customers living outside big residential areas. As at 30 September 2006, 11 such points of sale have been opened.

Net write-offs for the credit risk in the third quarter of 2006 amounted to PLN 9 million while in the corresponding period in 2005 such write-offs amounted to PLN 5 million. The increase in write-offs results from the growth of CitiFinancial's loan portfolio, caused by considerable development of business.

- Marketing

The third quarter of 2006 was another period of growing CitiFinancial sales in cash loans.

In June, CitiFinancial conducted a summer campaign with the motto "Pozyczka Gotówkowa na udane lato" (Cash Loan for a Happy Summer), supporting the sales of the cash loan for all purposes. During the campaign, CitiFinancial promoted its products in the local and regional mass media (i.e. press, radio) and the internet (with an on-line application). Additionally, in some locations the marketing materials were distributed by hostesses and post, and accompanied by external advertising. In the third quarter of 2006 CitiFinancial was a very active supporter of local communities by sponsoring and co-organizing numerous events such as city days or theme picnics.

In the third quarter of 2006, CitiFinancial introduced a special credit offer for freelancers (Cash Loan without salary confirmation), promoted in the specialist press and the internet. The success of the special offer constitutes a good basis for a further development of the CitiFinancial product portfolio in order to improve its response to the needs and expectations of the specific customer segments.

4. Restructuring of the Branch Network

In the third quarter of 2006, the Bank continued to develop and restructure its branch network in order to optimize costs and accessibility to retail and corporate customers. An additional 10 branches as compared to the second quarter of 2006 extended the Bank's network (211 branches and 9 CitiFinancial points of sale), and at the end of September 2006 it covered 230 branches, including:

- 39 branches and sub-branches of the Corporate Bank, 22 of which service retail consumers.

- 85 branches of the Consumer Bank, including 1 Investment Centre, 12 outlets dedicated to CitiGold Wealth Management customers and 72 multi-functional outlets. 13 branches of the Consumer Bank service Corporate Bank customers.
- 106 branches of CitiFinancial, including 95 branches and 11 points of sale, running the business under the CitiFinancial logo.

The number of corporate outlets fell in the third quarter of 2006 to 39 (by 1 outlet) after the closure of an unprofitable sub-branch. The number of retail outlets that service corporate customers did not change in the analyzed period and amounts to 13. Corporate customers are currently serviced in 52 outlets.

The Consumer Bank's branch network remained unchanged in the third quarter of 2006 and as of the end of September 2006 comprised 85 branches.

In the third quarter of 2006, the CitiFinancial network continued to be developed at a rapid pace. At the end of September 2006, there was a total of 106 outlets (including the addition of 11 outlets as compared to the end of the second quarter of 2006). In that period 9 new branches and 2 points of sale with the CitiFinancial logo were opened.

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 third quarter of 2006.

8. Paid or declared dividends

In accordance with Resolution No. 10 of the Ordinary General Meeting of the Bank of 22 June 2006 on the distribution of 2005 profit and dividend payment, the profit for 2005 was allocated, a resolution for the payment of dividends was adopted, the dividend date and the date of dividend payment were determined. The Bank proposed to pay out PLN 470,375 thousand as a dividend (in 2005 dividend was paid out from 2004 profit: PLN 414,191 thousand and retained earnings: PLN 1,149,804 thousand). This means that the dividend per one ordinary share amounts to PLN 3.60 (in 2005 appropriately: PLN 3.17 and PLN 8.80).

The date of determination of the right to the dividend was designated as 5 July 2006. The dividend was paid as at 31 August 2006.

The Bank has not issued preference shares.

9. Changes in the Group's structure

In the third quarter of 2006 an organized part of the Bank's enterprise, consisting of holiday resort in Leba, was sold.

Out of the other assets (groups of assets) classified as at 31 December 2005 to "Non-current assets held-for-sale", the holiday resorts in Rowy and Wisla remained unsold. However the sale process of these centers is advanced. The Extraordinary General Meeting agreed on the sale of the organized part of the Bank's enterprise, mentioned above in a resolution dated 22 December 2005. These assets are presented 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

Under a public offer of the shares in Narodowy Fundusz Inwestycyjny Empik Media & Fashion SA, following the conditions of the Information Memorandum, on October 25, 2006 the sale transactions concluded on October 23, 2006 were settled. Thus, the Bank's subsidiary, Handlowy Investments S.A., a company under the Luxembourgian law, sold 10,179,175 shares of Narodowy Fundusz Inwestycyjny Empik Media & Fashion SA, constituting 9.96% of equity in Narodowy Fundusz Inwestycyjny Empik Media & Fashion SA, entitling to the same number of voting rights in the company's general meeting of shareholders, at PLN 10.50 per share. Following the transaction, Handlowy Investments S.A. does not hold any shares of Narodowy Fundusz Inwestycyjny Empik Media & Fashion SA.

11. Movements in off-balance sheet commitments

As at 30 September 2006 there were no material changes in respect of off-balance sheet contingent liabilities compared to the end of 2005.

Changes in off-balance sheet items in comparison with the end of 2005 were associated especially with liabilities related to the execution of purchase/sale operations i.e. the growth in the volume of term transactions relating to FRAs and IRS and the increase in volume of current FX swaps.

The off-balance sheet commitments are as follows:

<i>In thousand of PLN</i>	30.09.2006	31.12.2005
Contingent liabilities		
Granted liabilities		
a) financial	8,965,889	8,868,606
<i>Import letters of credit issued</i>	131,001	132,216
<i>Lines of credit granted</i>	8,804,271	8,720,951
<i>Deposits to be distributed</i>	30,617	15,439
b) guarantees	2,800,288	2,796,063
<i>Guarantees granted</i>	2,782,947	2,778,598
<i>Export letters of credit confirmed</i>	17,341	17,465
	11,766,177	11,664,669
Received liabilities		
a) financial	2,010,000	-
<i>Deposits to be received</i>	2,010,000	-
b) guarantees	2,402,952	2,341,400
<i>Guarantess received</i>	2,402,952	2,341,400
	4,412,952	2,341,400
Current off-balance sheet transactions	6,896,000	782,183
Term of balance sheet transactions	366,616,907	275,918,731
	389,692,036	290,706,983

12. Achievement of 2006 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2006.

13. Information about shareholders

As at the submission date of this consolidated quarterly report, the following shareholders of the Bank held, directly or indirectly through subsidiaries, a minimum of 5% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A.:

1) Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., held 97,994,700 shares, i.e. 75% of the authorized share capital of the Bank and 97,994,700 votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A., i.e. 75% of the votes.

2) International Finance Associates (IFA), a subsidiary of COIC, held 12,075,713 shares, i.e. 9.24% of the authorized share capital of the Bank and 12,075,713 votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A., i.e. 9.24% of the votes.

The structure of major shareholdings has altered since the submission of the previous quarterly report. The change was due to the decrease of IFA's ownership. Previously IFA held 11.8% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. and 15,415,009 votes, i.e. 11.8% of the authorized share capital of the Bank.

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 Member of the Supervisory Board, held 1,200 shares of the Bank. Other managing persons did not declare ownership of Bank's shares.

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

15. Information on pending proceedings

In the third quarter 2006 there were no proceedings regarding debts of the Bank or a subsidiary of the Bank pending before court, public administration authority or an arbitration authority, the value of which would equal at least 10% of the Bank's equity.

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Bank's equity and equaled PLN 1,326 million.

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

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

At the same time, as a rule, as a result of closed bankruptcy proceedings and proceedings for granting the

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

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	158,534	8 August 1996 – declaration of bankruptcy.	Case pending. The Bank submitted the receivable to obtain repayment from the bankrupt's assets for arrangement on 14 October 1996. The Bank realized all the collateral. The Bank will probably not receive its receivables. The official receiver expects to complete the bankruptcy proceeding by the end of 2006. The Bank expects to receive a resolution on completion of the bankruptcy proceeding.
Creditor: Bank Handlowy w Warszawie S.A.	65,947	In 2000, the court declared the borrower bankrupt.	Within the framework of the pending proceedings, the Bank submitted a receivable. The Bank's receivable may remain unpaid.
Creditor: Bank Handlowy w Warszawie S.A.	47,054	On 22 June 2001, the court declared the debtor bankrupt.	Case pending. The Bank submitted its receivables to the proceedings.
Creditor: Bank Handlowy w Warszawie S.A.	30,953	The court declared the debtor bankrupt in March 2004.	The Bank submitted the receivable to repay it from the bankrupt's assets for arrangement. Case pending.

In the third quarter 2006, 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 979 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: shareholder of company – the client of the Bank Defendant: Bank Handlowy w Warszawie S.A.	276,508 with interest from the date of the suit	8 April 2003	The plaintiff submitted a suit as a majority shareholder of the company for which the Bank organized an issue of bonds. The claim is that the Bank violated the agreement from 20 June 1999 for the issue of bonds. On 15 February 2005 the court of first instance disallowed the complaint entirely. On 2 June 2006 the court disallowed the plaintiff's appeal. The claimant petitioned for annulment.
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. Case pending.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	42,306 with interest from 1 March 2002	23 May 2003	The suit concerns the irregularities of the Bank's activity during the restructuring of its client's debt – the plaintiff who bears a loss. On 3 February the court suspended the proceedings owing to proceedings of bankruptcy.
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. The court has set the date of the trial on November 2006.

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
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.

16. Information about significant transactions with related entities

In the third quarter of 2006, 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.

17. Information about guarantee agreements

At the end of the third quarter of 2006, the total value of sureties and guarantees extended by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's consolidated shareholders' equity.

18. Other material information

Personnel changes in the Bank

On 13 September 2006 Mr. Todd Gravino resigned from the position of a Member of the Supervisory Board of Bank Handlowy w Warszawie SA.

On 21 September 2006 Mr. Sanjeeb Chaudhuri the Vice-president of the Bank's Management Board resigned from his position.

On 1 October 2006 Mrs. Sonia Wedrychowicz-Horbatowska was appointed as a Member of Bank's Management Board.

On 1 October 2006 Mr. Sanjeeb Chaudhuri was appointed as a Member of the Supervisory Board of Bank Handlowy w Warszawie SA.

On 2 October 2006 Mr. Jaroslaw Myjak resigned from the position of a Member of the Supervisory Board of Bank Handlowy w Warszawie SA.

As at the submission date of the consolidated quarterly report the Bank's Management Board and the Supervisory Board of Bank Handlowy w Warszawie SA. were comprised of the following members:

The composition of the Bank's Management Board

Slawomir S. Sikora	President of the Management Board,
Edward Wess	Vice-president of the Management Board,
Sonia Wedrychowicz-Horbatowska	Vice-president of the Management Board,
Witold Zielinski	Vice-president of the Management Board,

Lidia Jablonowska-Luba	Member of the Management Board,
Michał H. Mrozek	Member of the Management Board.

The composition of the Supervisory Board of Bank Handlowy w Warszawie SA.

Stanisław Soltysinski	Chairman of the Supervisory Board,
Shirish Apte	Vice-chairman of the Supervisory Board,
Andrzej Olechowski	Vice-chairman of the Supervisory Board,
Sanjeeb Chaudhuri	Member of the Supervisory Board,
Göran Collert	Member of the Supervisory Board,
Susan Helena Dean	Member of the Supervisory Board,
Mirosław Gryszka	Member of the Supervisory Board,
Rupert Hubbard	Member of the Supervisory Board,
Stephen H. Long	Member of the Supervisory Board,
Krzysztof L. Opolski	Member of the Supervisory Board,
Aneta Popławska	Member of the Supervisory Board.

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 financial performance in the future are as follows:

- Significant growth of the economy based more than ever on the domestic demand. As a result of the growing investments and private consumption, the strong growth trend in the demand for credit facilities will be maintained in the coming months. The concurrent improvement of the labor market, reflected in a faster growth of wages and employment numbers, will support an increase of household incomes and deposits;
- A growth of food prices will cause this year's inflation rate to go up at a quicker pace than expected. Since the faster price dynamics will be caused mostly by one-off events, the monetary regulators are likely to refrain from changing the interest rates this year;
- As in the previous months, the major risk factor for the Polish economy remains the continued uncertainty as to the future political situation in Poland. The lack of a clear information about the profile of the government's fiscal policy in the future may lead to a volatility on the FX market. These tendencies should generate customer interest in products that protect them against adverse changes in the foreign exchange market;
- An improvement of the domestic demand should have a positive impact on the growth of imports in the coming months. At the same time, Polish companies will most probably maintain their strong competitive position in the international markets, which will provide for a continuation of the positive export trends.

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

<i>In thousands of PLN</i>	Third quarter period from 01/07/06 to 30/09/06	Year to date period from 01/01/06 to 30/09/06	Third quarter period from 01/07/05 to 30/09/05	Year to date period from 01/01/05 to 30/09/05
Interest and similar income	417,146	1,184,271	391,665	1,250,258
Interest expense and similar charges	(161,791)	(438,074)	(152,021)	(509,284)
Net interest income	255,355	746,197	239,644	740,974
Fee and commission income	179,484	513,532	155,830	445,745
Fee and commission expense	(41,236)	(102,326)	(25,904)	(70,701)
Net fee and commission income	138,248	411,206	129,926	375,044
Dividend income	5,141	34,202	18,948	21,094
Net income on financial instruments valued at fair value through profit and loss account	5,092	9,964	68,686	83,145
Net gain on investment (deposit) securities	2,137	35,303	12,380	124,675
Net profit on foreign exchange	64,277	237,700	63,179	265,558
Other operating income	26,317	84,128	47,921	95,185
Other operating expenses	(5,261)	(21,997)	(11,054)	(41,923)
Net other operating income	21,056	62,131	36,867	53,262
General administrative expenses	(324,977)	(989,442)	(329,311)	(1,002,836)
Depreciation expense	(32,154)	(98,067)	(34,432)	(104,069)
Profit / (loss) on sale of tangible fixed assets	(91)	114,946	1,015	(257)
Net impairment losses	40,785	45,676	17,788	28,928
Profit before tax	174,869	609,816	224,690	585,518
Income tax expense	(37,633)	(131,510)	(44,582)	(123,944)
Net profit	137,236	478,306	180,108	461,574
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		3.66		3.53
Diluted net profit per ordinary share (in PLN)		3.66		3.53

Balance sheet of the Bank – parent company*In thousands of PLN***30/09/2006 31/12/2005****ASSETS**

Cash and balances with central bank	640,792	922,649
Financial assets held for trading	4,602,643	5,878,624
Debt securities available -for-sale	12,156,646	7,171,157
Equity investments	289,677	284,304
Loans and advances	15,611,003	15,839,648
<i>to financial sector</i>	6,070,426	6,898,665
<i>to non-financial sector</i>	9,540,577	8,940,983
Property and equipment	639,092	687,894
<i>land, buildings and equipment</i>	623,762	646,946
<i>investment property</i>	15,330	40,948
Intangible assets	1,292,054	1,313,418
Income tax liabilities	289,372	300,162
Other assets	302,237	199,221
Non-current assets held-for-sale	8,360	72,348
Total assets	35,831,876	32,669,425

LIABILITIES

Financial liabilities held for trading	2,788,867	3,420,219
Financial liabilities valued at amortized cost	27,006,538	23,223,955
<i>deposits from</i>	25,543,928	22,768,006
<i>financial sector</i>	7,804,706	5,808,791
<i>non-financial sector</i>	17,739,222	16,959,215
<i>other liabilities</i>	1,462,610	455,949
Provisions	45,896	57,245
Income tax liabilities	-	162,788
Other liabilities	891,066	629,354
Liabilities held-for-sale	-	4,370
Total liabilities	30,732,367	27,497,931

EQUITY

Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(144,470)	(64,554)
Other reserves	1,297,175	1,101,418
Retained earnings	479,581	667,407
Total equity	5,099,509	5,171,494

Total liabilities and equity	35,831,876	32,669,425
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Statement of changes in equity of the Bank – parent company*In thousands of PLN*

	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2005	522,638	3,044,585	(9,371)	2,116,063	468,069	6,141,984
Effects of transition to IFRS*	-	-	2,479	-	59,443	61,922
Balance as at 1 January 2005- after restatement	522,638	3,044,585	(6,892)	2,116,063	527,512	6,203,906
Valuation of financial assets available -for-sale	-	-	94,816	-	-	94,816
Transfer of valuation of sold financial assets available-for- sale to profit and loss account	-	-	(124 675)	-	-	(124,675)
Deferred income tax on valuation of financial assets available -for-sale	-	-	5 673	-	-	5 673
Net profit	-	-	-	-	461 574	461 574
Dividends paid	-	(100,000)	-	(1,049,804)	(414,191)	(1,563,995)
Transfers to capital	-	-	-	35,159	(35,159)	-
Closing balance as at 30 September 2005	522,638	2,944,585	(31,078)	1,101,418	539,736	5,077,299

* in respect of IAS 32 and IAS 39

	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	-	-	(63,359)	-	-	(63,359)
Transfer of valuation of sold financial assets available-for- sale to profit and loss account	-	-	(35,303)	-	-	(35,303)
Deferred income tax on valuation of financial assets available -for-sale	-	-	18,746	-	-	18,746
Net profit	-	-	-	-	478,306	478,306
Dividends paid	-	-	-	-	(470,375)	(470,375)
Transfers to capital	-	-	-	195,757	(195,757)	-
Closing balance as at 30 September 2006	522,638	2,944,585	(144,470)	1,297,175	479,581	5,099,509

Summary statement of cash flows of the Bank – parent company*In thousands of PLN*

	Year to date Period from 01/01/06 to 30/09/06	Year to date Period from 01/01/05 to 30/09/05
Cash at the beginning of reporting period	1,005,263	972,013
Cash flows from operating activities	284	562,341
Cash flows from investing activities	139,437	(69,789)
Cash flows from financing activities	(459,397)	(637,812)
Cash at the end of reporting period	685,587	826,753
Increase / Decrease in net cash	(319,676)	(145,260)

Notes to the Abbreviated Financial Statements of Bank Handlowy w Warszawie S.A (“the Bank”) for the third quarter of 2006

The abbreviated interim financial statements of the Bank for the third quarter of 2006 have been prepared in accordance with accounting principles adopted and summarized in the abbreviated interim financial statements of the Bank for the reporting period ending on 30 June 2006.

The notes to these interim consolidated financial statements for the third quarter of 2006 contain all material information and explanatory data also relevant to the Bank’s abbreviated interim financial statements.

Below is presented in supplement a summary of the Bank’s financial results for the third quarter of 2006.

The Bank’s financial results

For the three quarters of 2006, the Bank reported a profit before tax of PLN 610 million, which is an increase of PLN 24 million (i.e. 4.2%) compared to the three quarters of 2005. At the same time, the profit before tax in the third quarter of 2006 amounted to PLN 175 million in comparison with PLN 225 million in the corresponding period of 2005.

Net profit year to date (i.e. for the period from January 2006 to September 2006) amounted to PLN 478 million, which is an increase of PLN 17 million (i.e. 3.6%) compared to the corresponding period of the previous year, whereas the net profit in the third quarter of 2006 amounted to PLN 137 million in relation to PLN 180 million of net profit in the corresponding period of 2005.

An increase in net interest and commission income of PLN 24 million (6.5%), a decrease in other operating revenues and costs net of PLN 16 million, a drop in operating costs as well as general and administrative expenses and depreciation of PLN 7 million (1.8%), a decrease in net income on financial instruments (derivatives and debt securities) and net income on exchange positions of PLN 73 million in total, plus an increase in net impairment provisions on financial assets of PLN 23 million, all had a significant impact on the Bank’s net profit in the third quarter of 2006.

The consolidated quarterly report for the third quarter of 2006 will be made available on the website of Bank Handlowy w Warszawie S.A. at www.citibankhandlowy.pl

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

10.11.2006

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

10.11.2006