



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

FEBRUARY 2006

Selected financial data

	In PLN '000		In EUR '000	
	Year to date period from 01/01/06 to 31/12/06	Year to date period from 01/01/05 to 31/12/05	Year to date period from 01/01/06 to 31/12/06	Year to date period from 01/01/05 to 31/12/05
<i>Data related to summary consolidated financial statements</i>				
Interest income	1,632,218	1,676,797	418,614	416,772
Fee and commission income	782,726	714,996	200,745	177,714
Profit before tax	832,278	796,278	213,454	197,917
Net profit	656,579	618,101	168,392	153,630
Increase of net cash	315,822	33,184	82,434	8,597
Total assets	36,284,273	32,877,564	9,470,733	8,517,945
Due to central bank	250,113	-	65,283	-
Financial liabilities valued at amortized cost	25,990,811	23,062,763	6,783,987	5,975,119
Shareholders' equity	5,417,326	5,248,599	1,414,002	1,359,811
Share capital	522,638	522,638	136,416	135,405
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	41.46	40.17	10.82	10.41
Capital adequacy ratio (%)	14,10	14,78	14,10	14,78
Capital adequacy ratio based on Tier 1 capital (%)	14,79	15,47	14,79	15,47
Earnings per ordinary share (PLN / EUR)	5.03	4.73	1.29	1.18
Diluted net profit per ordinary share (PLN / EUR)	5.03	4.73	1.29	1.18

Data related to summary financial statements of the Bank

Interest income	1,609,874	1,643,670	412,883	408,538
Fee and commission income	712,350	605,191	182,696	150,422
Profit before tax	800,818	748,645	205,385	186,077
Net profit	619,923	589,245	158,991	146,458
Increase of net cash	299,358	33,250	78,137	8,614
Total assets	35,389,249	32,669,425	9,237,119	8,464,020
Due to central bank	250,113	-	65,283	-
Financial liabilities valued at amortized cost	25,529,437	23,223,955	6,663,562	6,016,880
Shareholders' equity	5,304,095	5,171,494	1,384,447	1,339,835
Share capital	522,638	522,638	136,416	135,405
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	40.59	39.58	10.60	10.25
Capital adequacy ratio (%)	13.40	13,37	13,40	13,37
Capital adequacy ratio based on Tier 1 capital (%)	14,92	15,41	14,92	15,41
Earnings per ordinary share (PLN / EUR)	4.74	4.51	1.22	1.12
Diluted net profit per ordinary share (PLN / EUR)	4.74	4.51	1.22	1.12
Declared or distributed dividends per ordinary share (PLN / EUR)*	3.60	11.97	0.94	3.10

* 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.

CONTENTS

<i>Consolidated income statement</i>	4
<i>Consolidated balance sheet</i>	5
<i>Consolidated statement of changes in equity</i>	6
<i>Summary consolidated statement of cash flows</i>	7
<i>Supplementary notes to the consolidated financial statements</i>	7
1. General information about the Bank's Capital Group	7
2. Basis of preparation of the report	8
3. Segmental reporting	9
4. Financial highlights	13
5. Activities of the Group in the fourth quarter of 2006	15
6. Seasonality or cyclical nature of business activity	25
7. Issue, buyout and repayment of debt and equity securities	25
8. Paid or declared dividends	25
9. Changes in the Group's structure	25
10. Major events after the balance sheet date not included in the financial statements	26
11. Movements in off-balance sheet commitments	26
12. Achievement of 2006 forecast results	26
13. Information about shareholders	26
14. Ownership of issuer's shares by managing and supervising officers	27
15. Information on pending proceedings	27
16. Information about significant transactions with related entities	30
17. Information about guarantee agreements	30
18. Other material information	30
19. Description of Factors and Events that Might Affect the Group's Future Financial Performance	31
<i>Summary financial statements of the Bank – parent company</i>	32

Consolidated income statement

<i>In thousands of PLN</i>	Fourth quarter period from 01/10/06 to 31/12/06	Year to date period from 01/01/06 to 31/12/06	Fourth quarter period from 01/10/05 to 31/12/05	Year to date period from 01/01/05 to 31/12/05
Interest and similar income	422,219	1,632,218	404,092	1,676,797
Interest expense and similar charges	(167,895)	(605,817)	(144,966)	(648,503)
Net interest income	254,324	1,026,401	259,126	1,028,294
Fee and commission income	216,006	782,726	186,579	714,996
Fee and commission expense	(45,250)	(164,834)	(29,428)	(118,675)
Net fee and commission income	170,756	617,892	157,151	596,321
Dividend income	7	3,659	14	2,095
Net income on financial instruments valued at fair value through profit and loss account	(12,464)	(1,202)	37,929	121,912
Net profit on foreign exchange	78,590	317,108	73,958	352,984
Net gain on investment (deposit) securities	1,268	36,571	56	121,841
Net gain on investment (capital) instruments	84,558	95,846	12,654	15,544
Other operating income	40,899	128,373	35,333	136,336
Other operating expenses	(13,255)	(39,617)	(13,787)	(61,246)
Net other operating income	27,644	88,756	21,546	75,090
General administrative expenses	(355,700)	(1,371,198)	(365,240)	(1,405,330)
Depreciation expense	(31,372)	(130,186)	(35,667)	(140,296)
Profit / (loss) on sale of tangible fixed assets	1,118	118,316	3,255	3,324
Net impairment losses	(18,016)	22,535	(5,941)	30,185
Operating income	200,713	824,498	158,841	801,964
Share in profits / (losses) of undertakings accounted for under the equity method	3,670	7,780	2,079	(5,686)
Profit before tax	204,383	832,278	160,920	796,278
Income tax expense	(36,585)	(175,699)	(41,817)	(178,177)
Net profit	167,798	656,579	119,103	618,101
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		5.03		4.73
Diluted net profit per ordinary share (in PLN)		5.03		4.73

Consolidated balance sheet*In thousands of PLN*

	31/12/2006	31/12/2005
ASSETS		
Cash and balances with central bank	535,623	922,649
Financial assets held-for-trading	4,853,861	5,883,358
Debt securities available-for-sale	8,247,313	7,171,157
Equity investments valued at equity method	67,910	61,884
Other equity investments	54,618	66,419
Loans and advances	19,516,208	16,006,146
<i>to financial sector</i>	9,363,765	6,467,157
<i>to non-financial sector</i>	10,152,443	9,538,989
Property and equipment	638,246	700,212
<i>land, buildings and equipment</i>	628,860	659,264
<i>investment property</i>	9,386	40,948
Intangible assets	1,285,753	1,313,799
Deferred income tax assets	273,849	283,044
Other assets	798,353	431,182
Non-current assets held-for-sale	12,539	37,714
Total assets	36,284,273	32,877,564
LIABILITIES		
Due to central bank	250,113	-
Financial liabilities held-for-trading	3,614,237	3,420,219
Financial liabilities valued at amortized cost	25,990,811	23,062,763
<i>deposits from</i>	25,036,782	22,463,330
<i>financial sector</i>	6,165,024	5,223,503
<i>non-financial sector</i>	18,871,758	17,239,827
<i>other liabilities</i>	954,029	599,433
Provisions	44,378	56,251
Income tax liabilities	5,878	163,311
Other liabilities	961,530	919,092
Liabilities held-for-sale	-	7,329
Total liabilities	30,866,947	27,628,965
EQUITY		
Issued capital	522,638	522,638
Share premium	3,027,470	3,010,452
Revaluation reserve	(81,501)	(64,554)
Other reserves	1,407,081	1,196,052
Retained earnings	541,638	584,011
Total equity	5,417,326	5,248,599
Total liabilities and equity	36,284,273	32,877,564

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 including IFRS	522,638	3,077,176	(6,892)	2,130,962	546,201	6,270,085
Impact of expanded consolidation scope				111,289	(126,375)	(15,086)
Balance as at 1 January 2005- after restatement	522,638	3,077,176	(6,892)	2,242,251	419,826	6,254,999
Valuation of financial assets available-for-sale	-	-	50,653	-	-	50,653
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(121,841)	-	-	(121,841)
Deferred income tax on valuation of financial assets available-for-sale	-	-	13,526	-	-	13,526
Foreign exchange gains and losses	-	-	-	(2,773)	(71)	(2,844)
Net profit	-	-	-	-	618,101	618,101
Dividends paid	-	(100,000)	-	(1,049,804)	(414,191)	(1,563,995)
Transfers to capital	-	33,276	-	6,378	(39,654)	-
Closing balance as at 31 December 2005	522,638	3,010,452	(64,554)	1,196,052	584,001	5,248,599

*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)	1,196,052	584,011	5,248,599
Valuation of financial assets available-for-sale	-	-	15,649	-	-	15,649
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(36,571)	-	-	(36,571)
Deferred income tax on valuation of financial assets available-for-sale	-	-	3,975	-	-	3,975
Foreign exchange gains and losses	-	-	-	(881)	351	(530)
Net profit	-	-	-	-	656,579	656,579
Dividends paid	-	-	-	-	(470,375)	(470,375)
Transfers to capital	-	17,018	-	211,910	(228,928)	-
Closing balance as at 31 December 2006	522,638	3,027,470	(81,501)	1,407,081	541,638	5,417,326

Summary consolidated statement of cash flows*In thousands of PLN*

	Year to date period from 01/01/06 to 31/12/06	Year to date period from 01/01/05 to 31/12/05
Cash at the beginning of reporting period	1,005,340	972,156
Cash flows from operating activities	439,326	2,164,112
Cash flows from investing activities	236,765	(68,000)
Cash flows from financing activities	(630,269)	(2,062,928)
Cash at the end of reporting period	1,321,162	1,005,340
Increase / (decrease) in net cash	315,822	33,184

Supplementary notes to the consolidated financial statements**1. General information about the Bank's Capital Group**

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

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

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

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

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.12.2006	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
Handlowy Investments S.A.	Luxemburg	100,00	100,00
Citileasing Sp. z o.o.	Warsaw	-	100,00
Handlowy Zarządzanie 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 II S.a.r.l.	Luxembourg	100,00	100,00
Bank Rozwoju Cukrownictwa S.A.	Poznań	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	
		31.12.2006	31.12.2005
<i>Associates accounted for under the equity method</i>			
Handlowy-Heller S.A.	Warszawa	-	50,00

In the fourth 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 31 December 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 fourth 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, apart from introduced changes to the scope of consolidation. As at 1 January 2005 the Group has changed the scope of fully consolidated entities by adding Handlowy Investments S.A. – (HISA). 2006 financial results of HISA are material from the point of view of consolidated financial statements of the Group. Until now HISA was accounted for under equity method, due to insignificant impact of the company's financial data on the Group's results.

Impact of the change of the consolidation scope on shareholder's equity and net profit is presented in the tables below:

Consolidated financial data	01.01.2006	31.12.2005	01.01.2005
Shareholders' equity			
Before changes	5,264,812	5,264,812	6,270,085
Impact of expanding consolidation	(16,213)	(16,213)	(15,086)
Shareholders' capital-after	5,248,599	5,248,599	6,254,999
Net profit			
Before changes		616,384	
Effect of changes		1,717	
Net profit after changes		618,101	

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2006 to 31 December 2006. Comparable financial data is presented for the period from 1 January 2005 to 31 December 2005.

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

Selected financial data presented in the introduction 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 3,8312 as at 31 December 2006, PLN 3.8598 as on 31 December 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 fourth quarter of 2006, was PLN 3.8991; in relation to the fourth quarter of 2005 was PLN 4.0233.

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.

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 four quarters of 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	447,055	408,802	170,554	1,026,401
Net fee and commission income	298,306	301,422	18,164	617,892
Dividend income	3,659	-	-	3,659
Net income on financial instruments valued at fair value through profit and loss account	(4,889)	3,687	-	(1,202)
Net profit on foreign exchange	285,075	32,033	-	317,108
Net gain on investment (deposit) securities	36,571	-	-	36,571
Net gain on investment (capital) instruments	95,846	-	-	95,846
Net other operating income	71,483	16,296	977	88,756
General administrative expenses	(674,978)	(560,745)	(135,475)	(1,371,198)
Depreciation expense	(95,300)	(33,562)	(1,324)	(130,186)
Profit/ (loss) on sale of tangible fixed assets	105,236	13,080	-	118,316
Net impairment losses	61,066	(4,075)	(34,456)	22,535
Operating income	629,130	176,938	18,430	824,498
Share in profits / (losses) of undertakings	7,780	-	-	7,780
Profit before tax	636,910	176,938	18,430	832,278
Income tax expense				(175,699)
Net profit				656,579

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	CitiFinancial	Total
Assets including:	32,455,385	2,975,304	853,584	33,284,273
<i>Non-current assets held-for-sale</i>	12,539	-	-	12,539
Liabilities	30,118,468	5,831,660	334,145	36,284,273

Consolidated income statement by business segment for fourth quarter 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	100,532	106,988	46,804	254,324
Net fee and commission income	76,810	88,726	5,220	170,756
Dividend income	7	-	-	7
Net income on financial instruments valued at fair value through profit and loss account	(12,464)	-	-	(12,464)
Net profit on foreign exchange	71,025	7,565	-	78,590
Net gain on investment (deposit) securities	1,268	-	-	1,268
Net gain on investment (capital) instruments	84,558	-	-	84,558
Net other operating income	24,395	2,382	867	27,644
General administrative expenses	(177,499)	(141,135)	(37,066)	(355,700)
Depreciation expense	(23,116)	(7,840)	(416)	(31,372)
Profit/ (loss) on sale of tangible fixed assets	956	162	-	1,118
Net impairment losses	(4,550)	(4,149)	(9,317)	(18,016)
Operating income	141,922	52,699	6,092	200,713
Share in profits / (losses) of undertakings	3,670	-	-	3,670
Profit before tax	145,592	52,699	6,092	204,383
Income tax expense				(36,585)
Net profit				167,798

Consolidated income statement by business segment for four quarters of 2005

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	471,080	444,590	112,624	1,028,294
Net fee and commission income	352,380	235,586	8,355	596,321
Dividend income	2,095	-	-	2,095
Net income on financial instruments valued at fair value through profit and loss account	116,911	5,001	-	121,912
Net profit on foreign exchange	315,879	37,105	-	352,984
Net gain on investment (deposit) securities	121,841	-	-	121,841
Net gain on investment (capital) instruments	15,544	-	-	15,544
Net other operating income	73,753	1,323	14	75,090
General administrative expenses	(729,818)	(578,463)	(97,049)	(1,405,330)
Depreciation expense	(100,234)	(38,808)	(1,254)	(140,296)
Profit/ (loss) on sale of tangible fixed assets	4,475	(1,151)	-	3,324
Net impairment losses	75,553	(24,253)	(21,115)	30,185
Operating income	719,459	80,930	1,575	801,964
Share in profits / (losses) of undertakings	(5,686)	-	-	(5,686)
Profit before tax	713,773	80,930	1,575	796,278
Income tax expense				(178,177)
Net profit				618,101

Assets and liabilities of the Group by business segment as at 31 December 2005

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Assets including:	29,877,389	2,368,597	631,578	32,877,564
<i>Non-current assets held-for-sale</i>	27,858	9,856	-	37,714
Liabilities including:	26,848,346	5,910,094	119,124	32,877,564
<i>Liabilities related to non-current assets held-for-sale</i>	2,959	4,370	-	7,329

Consolidated income statement by business segment for fourth quarter 2005

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	118,973	103,713	36,440	259,126
Net fee and commission income	91,961	61,851	3,339	157,151
Dividend income	14	-	-	14
Net income on financial instruments valued at fair value through profit and loss account	37,797	132	-	37,929
Net profit on foreign exchange	63,682	10,276	-	73,958
Net gain on investment (deposit) securities	56	-	-	56
Net gain on investment (capital) instruments	12,654	-	-	12,654
Net other operating income	21,076	456	14	21,546
General administrative expenses	(195,562)	(141,164)	(28,514)	(365,240)
Depreciation expense	(26,242)	(9,115)	(310)	(35,667)
Profit/ (loss) on sale of tangible fixed assets	3,274	(19)	-	3,255
Net impairment losses	11,032	(8,745)	(8,228)	(5,941)
Operating income	138,715	17,385	2,741	158,841
Share in profits / (losses) of undertakings	2,079	-	-	2,079
Profit before tax	140,794	17,385	2,741	160,920
Income tax expense				(41,817)
Net profit				119,103

4. Financial highlights

In 2006 the Group reported a profit before tax of PLN 832 million, which was up by PLN 36 million (i.e. 4.5%) as compared to the previous year while the Group's profit before tax for the fourth quarter of 2006 amounted to PLN 204 million, which was up by PLN 43 million (i.e. 27.0%) as compared to the corresponding period of the previous year.

The Group's net profit for 2006 amounted to PLN 657 million, up by PLN 38 million (i.e. 6.2%) as compared to the previous year, whereas the net profit for the fourth quarter of 2006 amounted to PLN 168 million and increased by PLN 49 million (i.e. 40.9%) as compared to the net profit for the fourth quarter of 2005.

In 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 14 million (i.e. 0.6%) as compared to the previous year. The income was accompanied by a decrease in expenses of PLN 44 million (i.e. 2.9%).

In the fourth quarter of 2006 the Group's operating income increased by PLN 40 million (i.e. 7.1%) as compared to the corresponding period of the previous year, while the operating expenses decreased by PLN 14 million (i.e. 3.4%).

Additionally, the following factors influenced the Group's operating result for the fourth quarter of 2006 compared to the corresponding period of 2005:

- an increase in net interest and commission income by PLN 9 million (i.e. 2.1%), which was due to an increase of PLN 14 million (i.e. 8.7%) in commission income mainly on investment and insurance products in the Consumer Bank and CitiFinancial, despite the lack of commission income from HanZA and TFI BH, which were sold in the first quarter of 2006. A decrease in

net interest income by PLN 5 million (or 1.8%) in the Corporate and Investment Bank caused by a lower profit on loans to the non-financial sector and higher interest expense on bank deposits, was mainly offset by an increase in interest income on debt instruments available for sale as a result of a significant increase in the portfolio of these securities as well as a higher interest income in Consumer Bank and CitiFinancial:

- an increase in net income of financial instruments (derivatives, debt securities and investment instruments) and net profit on foreign exchange by PLN 27,4 million (i.e. 21.9%). This increase was a result of achieving PLN 72 million higher income on investment securities, as a result of sale of shares by the Bank's subsidiary, Handlowy Investments S.A.
- a decrease in general administrative expenses, overhead and the depreciation expense of PLN 14 million (i.e. 3.4%), primarily due to lower general administrative expenses in the Corporate and Investment Bank, even with the dynamically developing CitiFinancial network including, at the end of 2006, 99 branches and 12 points of sale, compared to 61 branches as at the end of 2005. The decreased level of costs was achieved despite higher costs of compensation and incentives programs in comparison with the corresponding period of 2005;
- an increase in net impairment losses by PLN 12 million, mainly in the Corporate and Investment Bank. In the fourth quarter the Bank improved the system used to calculate impairment losses taking into account additional factors while forecasting cash flows. Additionally, an annual review of ratios for individual risk groups was performed and a more detailed breakdown of homogeneous portfolios was introduced. The implemented changes affected the net impairment losses in the Corporate and Investment Bank and the Consumer Bank. In CitiFinancial net impairment losses were at a similar level due to the increase in the loan portfolio.

The net profit of the Group for the fourth quarter 2006 includes the refund from the Tax Office of the excessive tax payment for the previous years in the amount PLN 8,354 thousand, which decreases current tax expense. The refund resulted from the tax proceedings undertaken by the Bank's subsidiary and the decision of the Municipal Administration Court coming into force, which revised originally adverse tax decision.

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

1. Corporate and Investment Banking

- *Summary of Results*

In the fourth quarter of 2006 the Corporate and Investment Bank (CIB) reported profit before tax of PLN 146 million as compared to PLN 141 million in the corresponding period of 2005.

CIB net interest income in the fourth quarter of 2006 amounted to PLN 101 million, i.e. 15% less than in the fourth quarter of 2005. The drop was caused mainly by the lower interest income on facilities extended to the non-financial sector. At the same time, in the fourth quarter of 2006 income on the AFS securities portfolio increased due to a material growth of this portfolio.

CIB net fee and commission income in the fourth quarter of 2006 amounted to PLN 77 million, compared to PLN 92 million in the corresponding period of 2005. Lower fee and commission income was, to a large extent, the outcome of the lack of revenues generated by the subsidiaries HanZA and TFI BH, sold in the first quarter of 2006, as well as a drop in brokerage income. These drops were partly compensated by an increase of fee and commission income in corporate finance, as well as increase of fee and commission income in cash management products.

In the fourth quarter of 2006, CIB result on instruments held for trading and revaluation amounted to PLN 59 million, compared to PLN 101 million in the fourth quarter of 2005. The drop in interest rates in the fourth quarter of 2006 contributed to the loss on financial instruments held for trading as a result of the deteriorated valuation of interest rates derivatives hedging available for sale debt securities.

In the fourth quarter of 2006 CIB result on investment securities amounted PLN 85 million, compared to PLN 13 million in the corresponding period of 2005. This increase was a result of sale of shares in NFI Empik Media & Fashion and Eastbridge B.V. by the Bank's subsidiary, Handlowy Investments S.A.

Additionally, sale of treasury bonds in the fourth quarter impacted positively result on investment securities.

The CIB costs in the fourth quarter of 2006 amounted to PLN 177 million, which is a decrease by PLN 18 million, i.e. 9%, as compared to the corresponding period of 2005. Notwithstanding the rise of salaries and higher costs of the incentive programs, the CIB costs improved even more, e.g. in the telecommunications and technology areas, outsourcing fees, real estate charges as well as enhanced control of staff expenses. The CIB cost reduction was also impacted by the lower subsidiary costs due to the sale of HanZA and TFI BH.

In the fourth quarter of 2006 CIB booked PLN 5 million of net impairment losses. In the corresponding period 2005 CIB reduced net impairment losses by PLN 11 million. Increase results from implementing of enhancements to the system used to calculate impairment losses (taking into account additional factors in cash flow forecast). Additionally, an annual review of ratios for individual risk groups was performed and a more detailed breakdown of homogeneous portfolios was introduced. The implemented changes had negative impact on the interest income, which was adjusted by PLN 16 million.

a) Global Transaction Services

- Trade Finance Products

The key tasks in trade finance implemented in the fourth quarter of 2006 include:

- a) Enhancing the functionality of the electronic data transmission system, the so-called electronic platform for, among other things, maintenance of customer applications, facilitating the negotiation of guarantee wording and conditions;
- b) Introducing further options in trade financing programs for receivables documented by invoices, among other things, enabling the customers to submit applications for FX trade receivables through the electronic transmission systems;
- c) Modification of the credit approach with respect to channel finance programs;
- d) Facilitating the internal implementation process for supplier finance programs.

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

- A number of new trade finance programs for receivables insured by Korporacja Ubezpieczeń Kredytów Eksportowych S.A.;
- Implementation of an innovative tool based on adopting the global Citigroup program for the discount of receivables with limited recourse to the assignor for an IT company.

- Cash Management Products

The Bank strengthened its leading position in cash management services provided to hypermarkets and manufacturing and trading companies, as well as in the mass payment identification market by implementing a new functionality for cash payments and reconciliation of transactions. Until now the automatic reconciliation of mass payments had been applied to repetitive transactions, mainly with respect to telephone bills as well as gas and electricity bills. The new solution for automatic reconciliation of payments has now been introduced for cash payments, allowing for the identification of persons depositing cash takings. Additionally, electronic reports forwarded to customers enable us to generate savings by the automation of processes for reconciliation of cash payments.

The Bank also enhanced cash conveying services for customers. In order to provide the convoy lists to customers in a faster and more effective way, we introduced the electronic convoy list with the help of CitiDirect. This resulted in a quicker and easier implementation of the service for the customer.

- Electronic Banking

In the fourth quarter of 2006, as part of process improvements related to the implementation of transaction services, the implementation time of the internet system CitiDirect was cut from 5 to 2 days. This led to the simplification of the process and enabled new customers to use bank services sooner.

- Payments and Transfers

With respect to the mass payment maintenance facilities, the Bank started cooperating with domestic banks on the improvement of settlements quality and acceleration of the payment cycle. The introduced initiatives are reflected in a growing satisfaction of the Bank's strategic customers using the mass payment maintenance facilities.

In the fourth quarter of 2006, work was also commenced on the Bank's preparation for the implementation

of the SEPA (Single Euro Payments Area) payment instruments in the coming years. The activities refer to four product areas: payments, direct debits, payment cards and cash settlements.

- Unikasa

Working on the facilitation of maintaining the Consumer Bank customers, the Bank introduced the service Unikasa in the Bank's consumer branches. At the end of the year, the Bank started working on the enhancement of payment transactions based on debit cards and payment acceptance for internet purchases in the Unikasa system.

- Card Products

In the fourth quarter of 2006, the number of business cards issued by the Bank grew by 20% vs. the number of cards in the fourth quarter of 2005. In total, the Bank issued over 1200 new business cards in that period.

The number of prepaid cards issued by the end of the fourth quarter of 2006 was 48% higher than the number of prepaid cards issued by the end of the fourth quarter of 2005, and amounted to more than 226,000 cards. In the fourth quarter of 2006, the Bank issued 43,000 new prepaid cards, which constitutes a 43% growth against the number of cards issued at the end of the third quarter of 2006. This increase was caused by the dynamic developments in the Allowance Cards and Electronic Christmas Vouchers for employees.

- EU Office

In October 2006, there was a conference attended by the representatives of local job centers. During the conference, the Bank presented its products, in particular the advisory offer of the EU Office and prepaid cards.

In November 2006, based on the cooperation agreements with Kreditanstalt für Wiederaufbau, the Bank received a subsidy to refinance SME and public sector loans in the amount of EUR 1.1 million.

In November 2006, the Polish Agency for Enterprise Development started accepting applications for Action 2.2.1 Support for investing enterprises. Therefore, in November and December the EU Office was conducting an information campaign about this Action and prepared customer applications.

In November, a conference was held in Kołobrzeg for the treasurers and mayors of boroughs in the Zachodniopomorskie and Pomorskie Regions. In the meeting, the Bank presented prepaid cards, revenue bonds and the advisory services of the EU Office.

b) Capital Markets and Corporate and Investment Bank

- *Treasury Products*

The fourth quarter of 2006 was record-high with respect to FX transactions with non-bank customers. The Bank experienced an over 50% growth of this business compared to the fourth quarter of 2005.

In the fourth quarter of 2006, market-linked deposits attracted a lot of interest. Appropriately designed market structures, giving customers the required return rates, resulted in an increased interest in this product, which was reflected in a 130% growth of the transaction volume, compared to the corresponding period in 2005. The higher volume was accompanied by a significant rise of revenues, although the margins had to be dropped slightly due to the strong competition for this product in the Polish market.

In the case of FX options, the end of the year was not a time of enhanced customer interest in hedging their exposure. However, the fall of turnover and revenues in the fourth quarter of 2006 compared to the third quarter of 2006 was of seasonal nature, as indicated by a significant growth – compared to the corresponding period in 2005 – of turnover by 10% and revenues by 28%.

The internet platform introduced in the second quarter of 2006, for customers using the Bank's FX services turned out to be an instrument highly praised by the Bank's customers. The Bank intends to continue the strategy of development for the product.

In the case of T-bond deals with financial institutions, the turnover in the fourth quarter of 2006 grew by 27% compared to the third quarter of 2006. This was caused by higher interest of foreign investors in Polish treasury securities, which was reflected directly in the market turnover. Such a material increase of transaction volumes signifies the Bank's high market share in this segment. In the interbank market, the fourth quarter of 2006 continued with the bullish conditions for FX transactions, especially due to higher customer revenues.

In the fourth quarter of 2006, there was a growing interest of American investment funds in Polish debt securities, which led to a significant rise of liquidity, turnover and, thus, price volatility of these instruments.

The size of the T-bonds portfolio did not change materially compared to the third quarter of 2006. In comparison to the end of 2005, we can observe a growth of the bank portfolio, and the decrease of the trading portfolio volume was caused by a change in the bond management strategy at the end of the year.

Also a better than predicted performance of the planned budget deficit and, therefore, the potentially reduced debt supply in 2007 pushed foreign capital into local markets. Based on these premises and in view of the moderate risk exposure in the trading portfolio, the Bank's Treasury managed risk skillfully and generated financial results in the trading and banking portfolio, as well as in customer revenues, exceeding the third quarter 2006 performance.

- *Corporate and Investment Bank and Commercial Bank*

In the corporate banking business, in the fourth quarter of 2006, the Bank focused not only on enhancing cooperation with the existing customers but also developed relationships with new, dynamically growing companies, both in the domestic as well as international markets. In supporting those businesses, the Bank provided financing on its own or arranged and participated in the biggest syndicate deals as well as was involved in key transactions in the Polish financial market.

The most important transactions in the fourth quarter of 2006 included:

- Financing organized for PKN Orlen enabling it to take over the Lithuanian refinery AB Mazeikiu Nafta. The financing, in the form of two credit facilities for the total amount of EUR 1.6 billion, was provided by a syndicate of eight Polish and foreign banks, with Bank Handlowy w Warszawie S.A. The financing consists of a 5-year revolving loan of EUR 800 million and a 6-month bridge loan of EUR 800 million, thus constituting the largest financing program in the history of the corporation and the biggest one-off financing organized for a Polish enterprise;
- Financing organized for Ciech S.A. for the acquisition of a chemical company, Organika Sarzyna S.A. The total amount of the 8-year facility is PLN 216 million, out of which Bank, as the lead co-arranger, contributed PLN 65 million;
- Transaction with Korporacja Ubezpieczeń Kredytów Eksportowych SA (KUKE) and one of Russian shipowners relating to 90% KUKE guaranteed financing of production and delivery of four container ships.
- Issue of a revenue bond second tranche for the water system and sewage maintenance company (Miejskie Wodociągi i Kanalizacja) in Bydgoszcz, totaling PLN 50 million. The bonds are due in 2024, thus carrying the longest tenor among debt securities denominated in PLN and issued in Poland. The investors, attracted by the construction of the revenue bonds and because of the bonds' investment grade assigned by Fitch Ratings, wished to purchase three times more bonds than offered. The success of this issue shows the huge potential of financing Polish companies by investment grade bonds. Bank Handlowy w Warszawie S.A. was the lead co-arranger of this bond issue;

It should be stressed that the Structured Financing Team in the Treasury conducted a number of hedging transactions to secure against the interest rate and the FX risk carried by long-term exposures of the biggest corporate customers. At the same time, it continued and developed its business and relationships with companies in risk management on the commodities markets, among other things, the energy resources and metals.

Bank Handlowy w Warszawie S.A. was the lead bank in Poland by the issue value of short-term debt securities (i.e. up to one year), with a market share of about 16% (data by the Fitch Ratings bulletin of December 29, 2006). The Bank maintained at that time 28 issue programs.

Due to the high quality of offered financial products and services and their innovativeness, the Bank maintains its leading position, supporting customers to accomplish their plans of development using the newest structures and financial instruments in the ever more competitive and demanding Polish banking market as well as participates in financial transactions of key importance to the customers and the Polish economy.

In the fourth quarter of 2006, the Commercial Bank evidenced an exceptionally good result in the acquisition of new customers. The number of new customers was growing systematically, reaching in December 163, and in the entire fourth quarter 363 new customers. This result was achieved thanks to the remodeling of customer service and acquisition as well as targeted marketing campaigns.

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

In the fourth quarter of 2006, Dom Maklerski Banku Handlowego S.A. was involved in 9% of transactions in the secondary market. In that time, the total value of equity turnover on the Warsaw Stock Exchange (WSE) realized through DMBH amounted to PLN 8,892 million (drop by 0.2% compared to the fourth quarter of 2005), whereas the WSE turnover increased by 76.6 % in that time.

The most important internal factor, which affected the position of DMBH was the replacement of the sales team, which took place in the middle of the year. This change had a significant impact on the stock market share of DMBH. Although DMBH lost the leader position, its market share increased during the quarter and finally at the end of the year DMBH had an 11% share of stock exchange turnover.

In the fourth quarter of 2006, the number of futures contracts quoted on GPW and accounted by DMBH, increased significantly. In the fourth quarter of 2006 the number of futures contracts was 77,311, whereas in the comparable period of previous year – 18,409.

In December 2006, DMBH stopped servicing the process of converting the preferred bonds of Citibank N.A., listed on WSE, convertible to the shares of Bank Handlowy w Warszawie S.A. Pursuant to the terms and conditions of the issue, contained in the information memorandum of December 3, 2004, the issuer exercised the right to early redemption of all bonds in public trading.

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

In response to the growing "small ticket" market, the company introduced the Portfolio Approach Program. Through this program and planned introduction of the fast track for the performance of transactions as well as the development of external distribution channels, the company plans a significant increase of its market share in the new business area. The key component remain the relationships with the customers of Bank Handlowy w Warszawie S.A. In the fourth quarter of 2006 the company continued reviewing credit programs. The main purpose of the review was to enhance the product offer and accelerate the transaction approval process. We introduced changes which should result in growing the business with the Bank's customers.

In December 2006, the company was distinguished with "Laur Buildera" for the Leasing Product of 2006 for the construction industry with respect to "big ticket" exposures. *Builder* is an important monthly for the construction industry, awarding the annual distinctions: "Construction Company of the Year" and "Polish Hercules".

The net value of leased assets in the fourth quarter of 2006 reached PLN 120.1 million. A total number of 349 leasing agreements, both operational and financial, was concluded, which constitutes an increase of 38% compared to 2005.

2. Consumer Bank

- *Summary of Results*

In the fourth quarter of 2006, the Consumer Bank reported profit before tax of PLN 53 million, which represents a 203% increase over the fourth quarter of 2005.

2006 fourth quarter net interest income of the Segment amounted to PLN 107 million, which is 3% higher than in the corresponding period of 2005. The increase is primarily the result of volume growth in the credit card and installment loan portfolios, despite the effect of the reduction in the interest rates charged on credit cards.

Commission income in the fourth quarter of 2006 amounted to PLN 89 million, representing 44% growth compared to the corresponding period in 2005. This is a result of a significant increase in sales of insurance and investment products, which rebounded strongly following the market volatility earlier in the year.

General and administrative expenses of the segment amounted to PLN 141 million remaining at the same level as in the corresponding period of 2005, as the increase in staff level and salary costs related to business growth has been offset by lower technology and other operating expenses.

In the fourth quarter of 2006, net impairment losses were PLN 4 million compared to PLN 9 million in the prior year, while the net impact of other income net of other expenses was PLN 2 million in the quarter.

a) Credit Cards

The number of issued credit cards reached almost 663,000 at the end of December 2006, which constitutes a 14% growth compared to the corresponding period in the previous year. The Bank introduced various actions intended both to grow the number and value of credit card transactions. In this way, the Bank remained the market leader by the value of conducted transactions and the customers' outstandings. Citibank Credit Cards also remained the most frequently used cards in the market – the average number of transactions exceeded over 2.5 times the number of transactions with other cards, which gives the Bank a market share of about 25%.

In October, a new offer appeared in the Polish market – the Citibank Credit Card for students. The card is granted to students in any year of studies and any faculty, solely on the basis of the ID card and the student ID card. The card is offered to this group of customers on special, very advantageous conditions. The Bank does not require any revenue confirmations, possessing a personal account or reaching a particular grade average. Every student receives a credit limit of PLN 2,000 (the limit is raised to PLN 3,000 after presenting a scholarship certificate). While studying, the customer does not pay any annual fees, which is a unique offer in the Polish market. The offer was welcomed with a very keen interest of students, as shown by the distribution figures in the first pilot universities.

In mid-November 2006, the Bank offered an additional card for the teenagers of the existing credit card holders. The card is available to teenagers of at least 13-years of age and serves as an alternative to pocket money, with the adults determining the limit of available funds. The customers do not pay any fees for the issuance and usage of the additional card over the entire usage period, and the Bank guarantees to all existing privileges related to the card type.

For the holders of Motokarta Kredytowa Citibank – BP, a new service, MotoVip, was made available. The service consists of 24-hour support regarding the customer's car, including: 24-hour support of a consultant, advice on what to do in case of an accident, first aid advice, help in obtaining compensation from the insurance company as well as special offers for services in a few hundred car service points in Poland. The customers have also the possibility to purchase tires and windscreens at reduced prices. All of these services are available to Citibank credit card holders. With the help of the card they can make transactions over the phone. The MotoVIP service is provided to the holders of Motokarta Kredytowa Citibank - BP free of charge.

b) Other Consumer Bank Products

• *Bank Accounts*

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

In December 2006, the Bank enhanced the offer by an internet account called CitiOne Direct. This is a solution for persons who want to manage their finances freely, contacting the Bank mainly over the internet or phone. The distinguishing features of this product are: possibility to open and use the account without the need to visit the branch and low fees.

With respect to deposits, the Bank offered many variations of cross-sell, joining deposits with investment products. Particularly advantageous for the customer was the Investment Portfolio offer in connection with unusually high interest on three-month PLN deposits of 11% p.a.

• *Credit Products*

In November 2006, the product offer of the Bank was enhanced by mortgage loans ("Pożyczka Hipoteczna"). The Bank offers PLN loans of up to 80% of the real estate value. Under this offer, the loan granted cannot exceed PLN 1.5 million (PLN 3 million for Citigold customers) and a tenor of up to 30 years. The interest rate depends on the assessment of the credit history and reliability of the customers. Available funds can be used for any consumer purpose, for example consolidation of all liabilities of the customer, repayment of an existing mortgage/residential loan, renovation /finishing of a real estate, etc.

Also in November 2006, interest on the Citibank Loan was reduced to improve the competitiveness of the product in the market.

• *Investment Products*

In the fourth quarter of 2006, the local investment fund offer was supplemented by four new funds – ING Subfundusz Budownictwa i Nieruchomości and Union Investment Funds – UniStoprocent Bis, UniAktywna Alokacja95% and UniAkcje Nowa Europa.

Additionally, in the fourth quarter of 2006, the Bank organized a number of investment seminars for existing customers and prospects.

The structured bonds offer developed dynamically. In the fourth quarter of 2006, bonds were issued in several currencies (PLN, USD, EUR, and GBP), and profits were related to various capital or FX market variables. An interesting offer was, for example, a bond related to the Citigroup Hybrid Index.

• *Insurance Products*

In November 2006, the Guarantee Policy offer was extended by new, shorter insurance tenors. Currently, this insurance is offered to customers in PLN for five years, three years and one year, and in USD - for three years.

In November 2006, the Bank ran a telephone sales campaign for the insurance product Hospitalizacja Profit for the Citibank Credit Card holders due to which the portfolio of customers utilizing the insurance rose by 4%.

- *Electronic Banking*

In the fourth quarter of 2006, the Bank continued popularizing the internet platform Citibank Online (CBOL), and the number of users who accessed the platform at least once reached over 455,000, which corresponds to a 34% growth compared to the end of 2005. The number of transactions conducted with the help of Citibank Online constituted 82% of total financial transactions initiated by individual customers of the Consumer Bank.

The Bank also promotes actively the service called Wyciąg Online (Online Account Statement) and registers increasingly more users of the service, which allows for considerable savings. At the end of the fourth quarter of 2006, the number of users exceeded 69,000.

The number of users of the service CitiAlerts, introduced in March 2006 and replacing the service CitiGSM, at the end of December reached 77,000, that is rose by 20% compared to the number of CitiGSM users at the end of December 2005.

a) CitiBusiness Micro-Company Banking

In the fourth quarter of 2006, the Business continued the development of the product offer for small companies as well as active operations in the area of customer acquisition in this segment.

Since October 2006, CitiBusiness customers can take advantage of the wide offer of charge cards, Citibank Visa Business, significantly facilitating the expense management process in companies and offering various packages of additional services, including the insurance offer.

In November 2006, a new package of basic bank services was introduced – CitiBusiness Wymiana, which was designed for the recently very dynamic segment of exporting and/or importing companies. The package contains a number of very attractive solutions reducing the costs of trade settlements in foreign currencies.

Also in November 2006, the Bank's credit policy was amended, allowing for much higher credit facilities supported by trade receivables. This was another form of developing the credit offer of CitiBusiness in 2006, which encourages for example trading companies to cooperate with the Bank.

In October 2006, the Bank started a national acquisition campaign targeted at small businesses and managed under the slogan "Oferta na Twoich Warunkach" (Offer on Your Terms). The campaign promoted mostly banking products and services related to the financing and maintenance of trade transactions.

Both the development of the product offer and the conducted marketing activities led to a significant rise in the number of opened company accounts and FX transactions in the fourth quarter of 2006.

3. CitiFinancial

- *Summary of Results*

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

Net interest income in the fourth quarter of 2006 of PLN 47 million represented an increase of 28% over the corresponding period of 2005. This increase was driven by a 47% increase in the loan portfolio, and despite the significant influence of changes in the pricing structure following from the amendment of July 7, 2005 of the Civil Code and other acts to limit maximum interest rates, which took effect on 14 February 2006.

Net fee income, including also the fee income from insurance in the fourth quarter of 2006 amounted to PLN 5 million, which represented a 57% increase in comparison with the corresponding period of 2005.

General and administrative expenses amounted PLN 37 million in the fourth quarter of 2006, an increase of 30% over the prior year, resulting from the continued expansion of the CitiFinancial distribution network. The number of CitiFinancial branches reached 99 as at December 31, 2006, an increase of 38 compared with the prior end of year. In addition to the branches, CitiFinancial had 12 points of sale as at December 31, 2006, continuing the process of developing its distribution network to extend beyond larger urban areas with smaller and more cost efficient branches.

Net credit losses in the fourth quarter of 2006 amounted to PLN 9 million compared to PLN 8 million in the corresponding period of the prior year. This level is explained by portfolio growth.

- *Marketing*

In the fourth quarter of 2006, a new marketing campaign for the Cash Loan started under the slogan “Niska Rata” (Low Rate). The proposed loan amounts (PLN 5,000 and PLN 20,000) had been identified as the most popular ones and selected to draw the customers’ attention. Concurrently, a new model was introduced to sustain the portfolio and keep the good customers who would be interested in the early repayment option.

Also in the fourth quarter of 2006, the CitiFinancial branches started distributing the Citibank Visa Silver Credit Card. By means of a simplified application, it can be requested by customers applying for a Cash Loan or a Mortgage Loan.

In the same time, the CitiFinancial Mortgage Loan was introduced to the offer of the Consumer Bank network (CitiGold, CitiBanking).

4. Restructuring the branch network

In the fourth 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. Additional 6 branches, as compared to the third quarter of 2006, extended the Bank’s network, which covered 236 branches, including:

- 111 branches of CitiFinancial, including 99 branches and 12 points of sale, running the business under the CitiFinancial logo.
- 86 branches of the Consumer Bank, including 1 Investment Centre, 13 outlets dedicated to CitiGold Wealth Management customers and 72 multi-functional outlets. 13 branches of the Consumer Bank service Corporate Bank customers.

- 39 branches and sub-branches of the Corporate Bank, 23 of which service retail consumers

In the fourth quarter of 2006 the CitiFinancial network continued to be developed at a rapid pace. At the end of December 2006, there was a total of 111 outlets (including the addition of 5 outlets as compared to the end of the third quarter of 2006). In that period 4 new branches and one point of sale with the CitiFinancial logo were opened.

Compared to the end of the third quarter of 2006, the branch network of the Consumer Bank grew in the fourth quarter of 2006 by one CitiGold Branch in Warsaw. At the end of December 2006, the network consisted of 86 branches. Additionally, 23 corporate branches provide services to retail customers.

The number of corporate branches did not change in the fourth quarter of 2006 and equaled 39. 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.

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 fourth quarter of 2006.

8. Paid or declared dividends

As at the date of this report there has been no decision concerning the distribution of 2006 profit and the amount of dividend.

9. Changes in the Group's structure

Under a public offer of the shares of 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.

According to the information received on December 22, 2006 from the Bank's subsidiary, Handlowy Investments S.A. ("HISA"), the conditions have been met, required for the effectiveness of the performance and confirmation by the parties to the agreement concluded on July 19, 2006 by HISA and Eastbridge B.V./S.a.r.l. ("EB"), regarding the sale by HISA to EB 82,753 of shares in EB for the total amount of PLN 93,750,000.00. Therefore, as a result of the above actions, EB acquired its own shares.

As at 31 December 2006 own property that fulfilled the requirements of IFRS 5 was classified as non-current assets held-for-sale. An active program to locate buyers and complete the sale plan is currently highly advanced. The sale transaction is expected to be completed by the end of 2007.

From among assets, which as at 31 December 2005, were classified as non-current assets held-for-sale there only remains holiday resort located in Wisla. In January 2007, the resort in Rowy was sold.

Mentioned assets of the Group are presented in the income statement in the position "Non-current assets held-for-sale"

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

As at 31 December 2006 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

11. Movements in off-balance sheet commitments

As at 31 December 2006 unused credit lines granted representing 75% of contingent liabilities increased by PLN 456,6 million, compared to the end of 2005. Such increase resulted mainly from an increase of revolving facilities and overdrafts used by customers as operational loans. Liabilities in respect of a guaranteed debt securities issue as at 31 December 2006 also constitute a significant change in contingent liabilities granted.

Changes in off-balance sheet items in comparison with the end of 2005 were associated mainly 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>	31.12.2006	31.12.2005
Contingent liabilities		
Granted liabilities		
a) financial	9,574,732	8,868,606
<i>Import letters of credit issued</i>	155,296	132,216
<i>Lines of credit granted</i>	9,177,576	8,720,951
<i>Deposits to be distributed</i>	24,830	15,439
<i>Issue guarantees</i>	217,00	-
b) guarantees	2,819,688	2,796,063
<i>Guarantees granted</i>	2,779,418	2,778,598
<i>Export letters of credit confirmed</i>	40,270	17,465
	12,394,420	11,664,669
Received guarantees liabilities	2,019,070	2,341,400
Current off-balance sheet transactions	6,462,803	782,183
Term of balance sheet transactions	375,540,009	275,918,731
	396,416,302	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 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., 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.

The structure of major shareholdings has changed since the submission of the previous quarterly report. The change was due to the decrease of International Investment Associates (IFA) ownership, a subsidiary of COIC to below 5%.

On 16 November of 2006 Citibank N.A. submitted notification about the optional redemption of Senior Exchangeable Notes (Bonds) which can be exchanged for Bank shares, and stated the date of earlier redemption at the 7 December 2006. Until this time, bond holders could exercise the right to exchange bonds for shares.

As at the submission date of this consolidated quarterly report, to the best knowledge of the Bank, IFA held 1,903 shares, i.e. 0,001% of the authorized share capital of the Bank and 0,001% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. Before the change IFA 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.

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

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

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

15. Information on pending proceedings

In the fourth 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 1,257 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 expected to complete the bankruptcy proceeding by the end of 2006. The Bank expects to receive a resolution on completion of the bankruptcy proceeding.
Creditor: Bank Handlowy w Warszawie S.A.	65,947	In 2000, the court declared the borrower bankrupt.	Within the framework of the pending proceedings, the Bank submitted a receivable. The Bank's receivable may remain unpaid.
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 fourth 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 699 million.

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

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	149,202	5 October 2005	The plaintiff takes exception that the Bank abused the law by notice of the termination of the contract that resulted in the paralysis of the business activity of the plaintiff. The damage was an effect and resulted in significant loss of profits. On 19 December 2006 the court of first instance disallowed the complaint entirely. The plaintiff has the right to appeal. Case pending.

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.	42,306 with interest from 1 March 2002	23 May 2003	The suit concerns the irregularities of the Bank's activity during the restructuring of its client's debt – the plaintiff who bears a loss. On 3 February 2005 the court suspended the proceedings owing to proceedings of bankruptcy.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	24,661	6 February 2006	The claimant requested the payment of PLN 233,000 plus statutory interest for a period from 3 November 1999 to the payment date and the amount of PLN 24,428,000 plus statutory interest from the date of filing a statement of claim (28 October 2005) to the payment date. The first amount refers to the claim for contractual damages and equals the difference between the amount of debts deducted by the claimant, arising from a letter of credit confirmed by the Bank and the loan granted to the claimant. The claim for PLN 24,428,000 is based on the Bank's liability in tort. Until now, the claimant did not present sufficient evidence, confirming that his claims are reasonable. On 08 December 2006 the court of first instance disallowed the complaint entirely. The plaintiff has a right to appeal. Case pending.
Plaintiff: Entrepreneur Defendant: Bank Handlowy w Warszawie S.A.	387,400	11 April 2006	The claimant requests the payment of compensation. The petitioner claims that the Bank violated copyright law by applying a strategy in a marketing campaign, to which the claimant was entitled.
Participants of Administrative Process Polska Organizacja Handlu Dystrybucji, Visa CEMEA International w Warszawie, Europa International SA W Warszawie and banks including Bank Handlowy w Warszawie S.A.	10,200	20 April 2001	Accusation of applying practices restraining market competition throughout pricing agreement and association with settling of the level of "interchange" charges, coordination of activity to restrict access to market for entrepreneurs who do not belong to issuer market. On 12 January 2007 the Bank received Decision by President of Office of Fair Trading. According to his decision the Bank has to pay 10,200,000 PLN. Bank has the decision to appealed again.

16. Information about significant transactions with related entities

In the fourth 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.

In December 2006 Bank signed with Citibank N.A., London Branch; Citibank N.A., New York; Citigroup Global Markets Limited, London; Citigroup Global Markets Inc.; Citibank Belgium S.A.; Citibank International Plc., Paris Branch; Citigroup Inc.; Citigroup Management Corporation; Citicorp North America Inc., companies affiliated to Citibank N.A., the sole shareholder of Citibank Overseas Investment corporation which is a majority shareholder of the bank, Amendment no 3 to the Agreement dated 27 April 2004 concerning services related to advisory support of day-to-day banking activities.

In Amendment no 3 the parties agreed that the payment for 2005, entirely and finally reconciled on the basis of actual costs incurred, amounted to 6,118,000 USD.

17. Information about guarantee agreements

At the end of the fourth 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 fourth quarter of 2006

On 1 October 2006 Mrs. Sonia Wędrychowicz-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. Jarosław Myjak resigned from the position of a Member of the Supervisory Board of Bank Handlowy w Warszawie SA.

On 5 December 2006 Mr. Wiesław Smulski was appointed as 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

Sławomir S. Sikora	President of the Management Board,
Edward Wess	Vice-president of the Management Board,
Sonia Wędrychowicz-Horbatowska	Vice-president of the Management Board,
Witold Zieliński	Vice-president of the Management Board,
Lidia Jabłonowska-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 Sołtysiński	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,
Wiesław Smulski	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:

- Uncertainty as to the future political situation in Poland and possible changes of sentiments in the global markets, leading to a volatility of the Polish currency on the FX market. These tendencies should generate customer interest in products that protect them against adverse changes in the foreign exchange market;
- Probable acceleration of the inflation rate due to the rising controlled prices and, higher than last year, food price increases. Due to a higher inflation rate, the Monetary Policy Council may decide to raise interest rates, which might cause market rate increases;
- Further investment recovery connected with the necessity to rebuild the production capacity of some companies. Due to the strong domestic demand, the growth trend of the demand for credit facilities should be maintained;
- Improvement of the labor market, reflected in a faster growth of available household incomes. This should continue supporting interest in investment products as well as loans (as a result of increase of consumption spendings);

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

<i>In thousands of PLN</i>	Fourth quarter period from 01/10/06 to 31/12/06	Year to date period from 01/01/06 to 31/12/06	Fourth quarter period from 01/10/05 to 31/12/05	Year to date period from 01/01/05 to 31/12/05
Interest and similar income	425,603	1,609,874	393,412	1,643,670
Interest expense and similar charges	(167,566)	(605,640)	(145,932)	(655,216)
Net interest income	258,037	1,004,234	247,480	988,454
Fee and commission income	198,818	712,350	159,446	605,191
Fee and commission expense	(37,926)	(140,252)	(24,830)	(95,531)
Net fee and commission income	160,892	572,098	134,616	509,660
Dividend income	-	34,202	-	21,094
Net income on financial instruments valued at fair value through profit and loss account	(12,202)	(2,238)	37,853	120,998
Net profit on foreign exchange	77,889	315,589	77,333	342,891
Net gain on investment (deposit) securities	1,268	36,571	56	121,841
Net gain on investment (capital) instruments	44	44	12,654	15,544
Other operating income	37,217	121,345	33,518	128,703
Other operating expenses	(10,161)	(32,158)	(10,073)	(51,996)
Net other operating income	27,056	89,187	23,445	76,707
General administrative expenses	(344,421)	(1,333,863)	(348,199)	(1,351,035)
Depreciation expense	(31,100)	(129,167)	(35,243)	(139,312)
Profit / (loss) on sale of tangible fixed assets	1,118	116,064	6,846	6,589
Net impairment losses	52,421	98,097	6,286	35,214
Profit before tax	191,002	800,818	163,127	748,645
Income tax expense	(49,385)	(180,895)	(35,456)	(159,400)
Net profit	141,617	619,923	127,671	589,245
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		4.74		4.51
Diluted net profit per ordinary share (in PLN)		4.74		4.51

Balance sheet of the Bank – parent company*In thousands of PLN*

	31/12/2006	31/12/2005
ASSETS		
Cash and balances with central bank	535,623	922,649
Financial assets held for trading	4,848,484	5,878,624
Debt securities available-for-sale	8,247,313	7,171,157
Equity investments	300,534	284,304
Loans and advances	19,030,974	15,839,648
<i>to financial sector</i>	9,562,908	6,898,665
<i>to non-financial sector</i>	9,468,066	8,940,983
Property and equipment	626,481	687,894
<i>land, buildings and equipment</i>	617,095	646,946
<i>investment property</i>	9,386	40,948
Intangible assets	1,284,883	1,313,418
Income tax liabilities	272,748	300,162
Other assets	229,670	199,221
Non-current assets held-for-sale	12,539	72,348
Total assets	35,389,249	32,669,425
LIABILITIES		
Due to central bank	250,113	-
Financial liabilities held for trading	3,614,237	3,420,219
Financial liabilities valued at amortized cost	25,529,437	23,223,955
<i>deposits from</i>	24,843,591	22,768,006
<i>financial sector</i>	6,481,772	5,808,791
<i>non-financial sector</i>	18,361,819	16,959,215
<i>other liabilities</i>	685,846	455,949
Provisions	47,023	57,245
Income tax liabilities	-	162,788
Other liabilities	644,344	629,354
Liabilities held-for-sale	-	4,370
Total liabilities	30,085,154	27,497,931
EQUITY		
Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(81,501)	(64,554)
Other reserves	1,297,175	1,101,418
Retained earnings	621,198	667,407
Total equity	5,304,095	5,171,494
Total liabilities and equity	35,389,249	32,669,425

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	-	-	50,653	-	-	50,653
Transfer of valuation of sold financial assets available-for- sale to profit and loss account	-	-	(124,841)	-	-	(124,841)
Deferred income tax on valuation of financial assets available-for-sale	-	-	13,526	-	-	13,526
Net profit	-	-	-	-	589,245	589,245
Dividends paid	-	(100,000)	-	(1,049,804)	(414,191)	(1,563,995)
Transfers to capital	-	-	-	35,159	(35,159)	-
Closing balance as at 31 December 2005	522,638	2,944,585	(64,554)	1,101,418	667,407	5,171,494

* in respect of IAS 32, IAS 39 and IAS 40

	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	-	-	15,649	-	-	15,649
Transfer of valuation of sold financial assets available-for- sale to profit and loss account	-	-	(36,571)	-	-	(36,571)
Deferred income tax on valuation of financial assets available-for-sale	-	-	3,975	-	-	3,975
Net profit	-	-	-	-	619,923	619,923
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	(81,501)	1,297,175	621,175	5,304,095

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

	Year to date	Year to date
	Period from 01/01/06 to 31/12/06	Period from 01/01/05 to 31/12/05
Cash at the beginning of reporting period	1,005,263	972,013
Cash flows from operating activities	607,941	1,925,748
Cash flows from investing activities	152,294	(50,711)
Cash flows from financing activities	(460,877)	(1,841,787)
Cash at the end of reporting period	1,304,621	1,005,263
Increase / Decrease in net cash	299,358	33,250

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

The abbreviated interim financial statements of the Bank for the fourth 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 fourth quarter of 2006 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 fourth quarter of 2006 is presented below.

The Bank’s financial results

In 2006 the Bank reported a profit before tax of PLN 801 million, which was up by PLN 52 million (i.e. 6.9%) as compared to the previous year while the Bank’s profit before tax for the fourth quarter of 2006 amounted to PLN 191 million, which was up by PLN 28 million (i.e. 17.1%) as compared to the corresponding period of the previous year.

The Bank’s net profit for 2006 amounted to PLN 620 million, up by PLN 31 million (i.e. 5.2%) as compared to the previous year, whereas the net profit for the fourth quarter of 2006 amounted to PLN 142 million and increased by PLN 14 million (i.e. 10.9%) as compared to the net profit for the fourth quarter of 2005.

The Bank’s net profit for the fourth quarter of 2006 was mainly influenced by the increase in net interest and commission income of PLN 37 million (i.e. 9.6%), the increase in net other operating income of PLN 4 million (i.e. 15.4%), the decrease in general administrative expenses, overhead and the depreciation expense of the Bank of PLN 8 million (i.e. 2.1%), the decrease in net income on financial instruments (derivatives, debt securities and investment instruments) and in net profit on foreign exchange of PLN 61 million and the reduction of net impairment losses by PLN 46 million.

The consolidated quarterly report for the fourth 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

13.02.2007

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

13.02.2007