

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

NOVEMBER 2007

Selected financial data

	In PLN '000		In EUR '000***	
	Year to date period from 01/01/07 to 30/09/07	Year to date period from 01/01/06 to 30/09/06	Year to date period from 01/01/07 to 30/09/07	Year to date period from 01/01/06 to 30/09/06
Data related to summary consolidated financial statements				
Interest income	1,450,322	1,209,999	378,536	308,902
Fee and commission income	698,013	566,720	182,182	144,678
Profit before tax	778,774	627,895	203,261	160,296
Net profit	618,412	488,781	161,406	124,781
Increase of net cash	(122,229)	(303,245)	(32,357)	(76,125)
Total assets*	40,873,073	35,990,735	10,820,138	9,394,115
Due to central bank*	-	250,113	-	65,283
Financial liabilities valued at amortized cost	29,376,133	25,991,136	7,776,607	6,784,072
Shareholders' equity	5,432,495	5,186,087	1,438,119	1,301,892
Share capital	522,638	522,638	138,356	131,201
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	41.58	39.69	11.01	9.96
Capital adequacy ratio (%)*	12.36	14.10	12.36	14.10
Capital adequacy ratio based on Tier 1 capital (%)*	12.55	14.79	12.55	14.79
Earnings per ordinary share (PLN / EUR)	4.73	3.74	1.24	0.96
Diluted net profit per ordinary share (PLN / EUR)	4.73	3.74	1.24	0.96

Data related to summary financial statements of the Bank

Interest income	1,423,673	1,184,271	371,580	302,334
Fee and commission income	639,172	513,532	166,825	131,100
Profit before tax	769,377	609,816	200,808	155,680
Net profit	612,849	478,306	159,954	122,107
Increase of net cash	(105,882)	(319,676)	(28,030)	(80,250)
Total assets*	40,161,355	35,095,894	10,631,729	9,160,549
Due to central bank*	-	250,113	-	65,283
Financial liabilities valued at amortized cost*	29,056,183	25,529,437	7,691,908	6,663,562
Shareholders' equity	5,309,037	5,099,509	1,405,437	1,280,158
Share capital	522,638	522,638	138,356	131,201
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	40.63	39.03	10.76	9.80
Capital adequacy ratio (%)*	11.46	13.40	11.46	13.40
Capital adequacy ratio based on Tier 1 capital (%)*	12.98	14.92	12.98	14.92
Earnings per ordinary share (PLN / EUR)	4.69	3.66	1.22	0.93
Diluted net profit per ordinary share (PLN / EUR)	4.69	3.66	1.22	0.93
Declared or distributed dividends per ordinary share (PLN / EUR)**	4.10	3.60	1.09	0.90

* The comparable financial data as at 31 December 2006.

** The presented ratios are related to, respectively: dividends distributed in 2007 of the 2006 profit as well as dividends distributed in 2006 from the appropriation of the 2005 profit.

*** The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 30 September 2007 of PLN 3.7775 (as at 31 December 2006: PLN 3.8312; as at 30 September 2006: 3.9835); for the income statement - the arithmetic average of month - end NBP exchange rates in first, second and third quarter 2007 - PLN 3.8314 (in first, second and third quarter 2006: PLN 3.9171).

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. Macroeconomic Trends and Conditions Prevailing in Money, FX and Capital Markets	8
4. Banking Sector	10
5. Financial analysis of the Group's results	10
6. Segmental reporting	15
7. Activities of the Group in the second quarter of 2007	19
8. Seasonality or cyclical nature of business activity	31
9. Issue, buyout and repayment of debt and equity securities	31
10. Paid or declared dividends	32
11. Changes in the Group's structure	32
12. Major events after the balance sheet date not included in the financial statements	32
13. Movements in off-balance sheet commitments	32
14. Achievement of 2007 forecast results	33
15. Information about shareholders	33
16. Ownership of issuer's shares by managing and supervising officers	33
17. Information on pending proceedings	33
18. Information about significant transactions with related entities	37
19. Information about guarantee agreements	37
20. Description of Factors and Events that Might Affect the Group's Future Financial Performance	37
<i>Summary interim financial statements of the Bank – parent company</i>	38

Consolidated income statement

<i>In thousands of PLN</i>	Third quarter period from 01/07/07 to 30/09/07	Year to date period from 01/01/07 to 30/09/07	Third quarter period from 01/07/06 to 30/09/06	Year to date period from 01/01/06 to 30/09/06
Interest and similar income	507,464	1,450,322	426,398	1,209,999
Interest expense and similar charges	(200,651)	(560,666)	(162,453)	(437,922)
Net interest income	306,813	889,656	263,945	772,077
Fee and commission income	237,645	698,013	189,859	566,720
Fee and commission expense	(46,330)	(143,038)	(45,151)	(119,584)
Net fee and commission income	191,315	554,975	144,708	447,136
Dividend income	3,472	4,273	3,552	3,652
Net income on financial instruments and revaluation	87,889	329,914	70,915	249,780
Net gain on investment (deposit) securities	7,135	17,875	2,137	35,303
Net gain on investment (capital) instruments	303	44,296	11,288	11,288
Other operating income	24,653	78,053	28,228	87,474
Other operating expenses	(6,652)	(34,290)	(5,923)	(26,362)
Net other operating income	18,001	43,763	22,305	61,112
General administrative expenses	(348,958)	(1,050,239)	(333,702)	(1,015,498)
Depreciation expense	(26,713)	(82,198)	(32,407)	(98,814)
Profit / (loss) on sale of tangible fixed assets	496	(94)	(91)	117,198
Net impairment losses	(10,638)	35,025	29,289	40,551
Operating income	229,115	787,246	181,939	623,785
Share in profits / (losses) of undertakings accounted for under the equity method	42	(8,472)	1,456	4,110
Profit before tax	229,157	778,774	183,395	627,895
Income tax expense	(50,315)	(160,362)	(38,360)	(139,114)
Net profit	178,842	618,412	145,035	488,781
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		4.73		3.74
Diluted net profit per ordinary share (in PLN)		4.73		3.74
Including:				
Net profit due to shareholders of dominant entity		618,412		488,781
Net profit due to minority shareholders		-		-

Consolidated balance sheet

<i>In thousands of PLN</i>	30/09/2007	31/12/2006
ASSETS		
Cash and balances with central bank	808,042	535,623
Financial assets held-for-trading	6,572,250	4,556,471
Debt securities available-for-sale	9,126,144	8,247,313
Equity investments valued at equity method	58,506	67,910
Other equity investments	28,291	54,618
Loans and advances	21,522,319	19,516,218
<i>to financial sector</i>	<i>8,912,807</i>	<i>9,319,272</i>
<i>to non-financial sector</i>	<i>12,609,512</i>	<i>10,196,946</i>
Property and equipment	619,651	638,246
<i>land, buildings and equipment</i>	<i>604,301</i>	<i>628,860</i>
<i>investment property</i>	<i>15,350</i>	<i>9,386</i>
Intangible assets	1,280,141	1,285,753
Deferred income tax assets	266,986	274,124
Other assets	586,564	801,920
Non-current assets held-for-sale	4,179	12,539
Total assets	40,873,073	35,990,735
LIABILITIES		
Due to central bank	-	250,113
Financial liabilities held-for-trading	4,897,774	3,316,847
Financial liabilities valued at amortized cost	29,376,133	25,991,136
<i>deposits from</i>	<i>28,169,518</i>	<i>25,036,782</i>
<i>financial sector</i>	<i>7,941,735</i>	<i>6,156,605</i>
<i>non-financial sector</i>	<i>20,227,783</i>	<i>18,880,177</i>
<i>other liabilities</i>	<i>1,206,615</i>	<i>954,354</i>
Provisions	39,581	44,378
Income tax liabilities	24,108	5,687
Other liabilities	1,102,982	964,771
Total liabilities	35,440,578	30,572,932
EQUITY		
Issued capital	522,638	522,638
Share premium	3,028,809	3,027,470
Revaluation reserve	(149,048)	(81,501)
Other reserves	1,446,814	1,407,081
Retained earnings	583,282	542,115
Total equity	5,432,495	5,417,803
Total liabilities and equity	40,873,073	35,990,735

Consolidated statement of changes in equity

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	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	-	-	(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
Foreign exchange gains and losses	-	-	-	1,386	(2,388)	-	(1,002)
Net profit	-	-	-	-	488,781	-	488,781
Dividends distributed	-	-	-	-	(470,375)	-	(470,375)
Transfers to capital	-	17,018	-	212,835	(229,853)	-	-
Closing balance as at 30 September 2006	522,638	3,027,470	(144,470)	1,410,273	(118,605)	-	5,186,087

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2007	522,638	3,027,470	(81,501)	1,407,081	542,115	-	5,417,803
Valuation of financial assets available-for-sale	-	-	(63,696)	-	-	-	(63,696)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(20,898)	-	-	-	(20,898)
Deferred income tax on valuation of financial assets available-for-sale	-	-	17,047	-	-	-	17,047
Foreign exchange gains and losses	-	-	-	(134)	(335)	-	(469)
Net profit	-	-	-	-	618,412	-	6,118,412
Dividends to be paid	-	-	-	-	(535,704)	-	(535,704)
Transfers to capital	-	1,339	-	39,867	(41,206)	-	-
Closing balance as at 30 September 2007	522,638	3,028,809	(149,048)	1,446,814	583,282	-	5,432,495

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

	Year to date period from 01/01/07 to 30/09/07	Year to date period from 01/01/06 to 30/09/06
Cash at the beginning of reporting period	1,321,162	1,005,340
Cash flows from operating activities	342,709	(55,806)
Cash flows from investing activities	(29,604)	110,478
Cash flows from financing activities	(435,334)	(357,917)
Cash at the end of reporting period	1,198,933	702,095
Increase / (decrease) in net cash	(122,229)	(303,245)

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

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

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

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

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

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

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

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

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2007	31.12.2006
<i>Entities fully consolidated</i>			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy - Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxemburg	100.00	100.00
PPH Spomasz Sp. Z o.o. (under liquidation)	Warsaw	100.00	100.00
<i>Entities accounted for under the equity method</i>			
Handlowy Inwestycje Sp. Z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.A.r.l.	Luxembourg	100.00	100.00
Bank Rozwoju Cukrownictwa S.A.	Poznań	100.00	100.00

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

2. Basis of preparation of the report

The interim consolidated financial statements of the Group for the reporting period ending on 30 September 2007 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

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

The interim consolidated financial statements of the Group for the third quarter 2007 have been prepared in accordance with accounting principles adopted and summarized in the interim consolidated financial statements of the Group for the period ending 30 June 2007.

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

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

3. Macroeconomic Trends and Conditions Prevailing in Money, FX and Capital Markets

The favourable economic trend observed in 1H 2007 continued over the third quarter of the year. Industrial production in the July to September period grew at an average rate of 8.1% YOY, with retail sales climbing by 16.2%. The economic recovery was accompanied by further improvements on the labour market. As a result average salaries in the corporate sector increased in September by 9.5% YOY while employment grew by 4.7% compared to equivalent period a year earlier.

In spite of the growing unit costs of labour, inflation remained within the bounds of the target set by the Monetary Policy Council reaching 2.3% YOY in September. Nonetheless the labour market situation and the plans of increased social expenditures in 2008 persuaded the monetary policy authorities to

continue with the policy of interest rate increases. In August reference rate was increased by 25 bps to 4.75%.

A significant factor impacting the conditions prevailing on the financial markets in the third quarter of 2007 was occurrence of the lending crisis in the United States, with its effects subsequently spreading to other markets. Nonetheless, as at the end of September EUR/PLN exchange rate reached PLN 3.7775, which was only slightly higher than the PLN 3.7658 rate registered at the end of the second quarter 2007. The turbulences in the global financial markets affected the Polish money market in a relatively minor way. As at the end of the third quarter of 2007 3-month WIBOR interbank rate reached 5.10% and was 0.39 of a percentage point higher than as at the end of June 2007.

In the third quarter of 2007 equities market adjustment in its growth trend. In the course of the quarter WIG, being the Polish capital market's main index, declined by 9% and as at the end of September 2007 stood at 60,368 points, yet in YOY terms it grew by 37%. WIG20, being the same market's index of the largest and most liquid companies declined by 4% in the course of the quarter while yet in YOY terms it grew by 24.5%. As at the end of September 2007 the number of companies traded on the Warsaw Stock Exchange reached 325 or 51 companies more than a year earlier. The number foreign companies traded through the Warsaw bourse also increased. As at 28 September 2007, the Warsaw Stock Exchange was the place of trading of shares of 17 foreign companies, i.e. of 10 companies more than at the end of the third quarter of 2006.

Equity market capitalisation declined, primarily as a result of a substantial decline in the market indices. As at the end of the third quarter of 2007 market value of domestic companies reached PLN 542 billion and was 46% higher compared to equivalent period a year earlier. Total market capitalisation (including foreign companies) as at the end of September 2007 reached over PLN 830 billion compared to PLN 462 billion as at the end of the third quarter of 2006 (near 80% growth).

The Warsaw Stock Exchange Equity Indices, as at 28 September 2007

Index	28.09.2007	30.06.2007	QOQ	29.12.2006	YTD	30.09.2006	YOY
			Percentage Change		Percentage Change		Percentage Change
WIG	60,368	66,340	-9.0%	50,467	19.6%	44,052	37.0%
WIG-PL	60,000	66,114	-9.2%	50,021	19.9%	44,033	36.3%
WIG20	3,633	3,786	-4.0%	3,304	10.0%	2,918	24.5%
MIDWIG	4,568	5,674	-19.5%	3,709	23.2%	3,213	42.2%
WIRR	17,993	21,449	-16.1%	12,649	42.2%	10,404	72.9%

Source: Warsaw Stock Exchange, Dom Maklerski Banku Handlowego S.A.

The decline of market indices was correlated with activity of the stock market investors, primarily the retail investors. Value of equity trading in the third quarter of 2007 declined by over 15% in QOQ terms – from nearly PLN 126 billion to PLN 110 billion – though compared to the third quarter of 2006 trading value rose by 71%. Value of the bond market trading in the third quarter of the current year stood at PLN 716 million and was 30% lower than in equivalent period a year earlier and 31% lower than in the previous quarter. In the same period volume of futures and options contracts fell by 23% compared to the second quarter of 2007, however, compared to the third quarter of 2006 it increased by 77%.

4. Banking Sector

Net financial result of the banking sector after the first three quarters of 2007 reached approximately PLN 10.5 billion, which represented a 25% increase over the equivalent period result of the year 2006. This robust banking sector income reflects Poland's good economic growth. Sector profitability was impacted primarily by significant interest income and commission income growth. Net income on financial operations increased by over 66%. Net income on FX transactions increased by 16% whilst income from shares and other variable income securities or financial instruments declined. In the first three quarters of 2007 lending to private individuals grew at a 42% rate in YOY terms (including mortgage lending growing at nearly 55%) whilst private deposits increased by 5% in YOY terms or by 3% in QOQ terms, the latter being driven by the growing popularity of investment funds as well as the tensions that prevailed in the capital market in the final quarter of the period. Over the same the period the investment funds sector registered growth in value of assets under management of 65% in YOY terms. The corporate lending market improved substantially, with loans of that category growing at a 25% rate compared to the first three quarters of 2006. The corporate deposits market also maintained a robust development trend, with deposits of that category growing at a 19% rate in YOY terms.

5. Financial analysis of the Group's results

■ Balance sheet

As at 30 September 2007, assets amounted to PLN 40,9 billion as compared with PLN 36,0 billion at the end of September 2006 and increased by 4,9 PLN billion (i.e. 14%).

The biggest increase (PLN 2,4 billion, i.e. 24%) was recorded by loans to non-financial sector, which amounted to PLN 12,6 billion as at the end of third quarter of 2007.

Loans and advances to non-financial sector

	30.09.2007	31.12.2006	Change	
million PLN			million PLN	%
<i>corporate banking customers</i>	8,158	6,570	1,588	24%
<i>retail banking customers</i>	4,451	3,627	824	23%
Total	12,610	10,197	2,413	24%

The main driver of the growth were corporate banking loans, which increased by PLN 1,6 billion (i.e. 24%), retail loans also recorded a substantial growth and increased by PLN 0,8 billion (i.e. 23%) primarily in the area of credit cards loans as well as cash loans. Additionally, worth mention that at this time at risk of impairment loans decreased and amounted to PLN 1,6 billion at the end of third quarter 2007 while as provision coverage ratio reached 87%.

Loans and advances (gross) to non-financial sector

	30.09.2007	31.12.2006	Change	
million PLN			million PLN	%
<i>Not at risk of impairment</i>	12,405	9,947	2,458	25%
<i>At risk of impairment</i>	1,565	1,791	(226)	(13%)
Total	13,970	11,738	2,232	19%
Impairment	1,361	1,541	(181)	(12%)
Loans and advances to non-financial sector	12,610	10,197	2,413	24%
Provision coverage ratio	87%	86%		

Additionally, significant growth, amounting to PLN 2 billion (i.e. 44%) is visible in the financial assets held-for-trading both in debt securities and derivative financial instruments.

On liabilities side, the highest nominal growth was recorded in deposits, both financial and non-financial sector. Deposits of non-financial sector increased by PLN 1.8 billion (i.e. 29%), primarily as a result of investment funds' term deposits due to the situation on the market and deposits of non-financial sector increased by PLN 1,3 billion (i.e. 7%). There was a significant increase of current accounts (increase by PLN 1,8 billion, i.e. 31%), only in retail banking by PLN 1,5 billion (i.e. 79%) with significant contribution of promotional campaign of the Citibank Saving Account.

It should be noted that the decrease in the deposits in retail banking is an effect of the increasing competitiveness of alternative investments including both investment and saving products (also Citibank Savings Account).

Deposits from non-financial loans

	30.09.2007	31.12.2006	Change	
million PLN			million PLN	%
Current accounts:	7,547	5,771	1,777	31%
<i>corporate banking customers</i>	<i>4,118</i>	<i>3,859</i>	<i>259</i>	<i>7%</i>
<i>retail banking customers</i>	<i>3,429</i>	<i>1,911</i>	<i>1,518</i>	<i>79%</i>
Deposits:	12,663	13,090	(427)	(3%)
<i>corporate banking customers</i>	<i>10,169</i>	<i>10,109</i>	<i>61</i>	<i>1%</i>
<i>retail banking customers</i>	<i>2,493</i>	<i>2,981</i>	<i>(488)</i>	<i>(16%)</i>
Accrued interest	18	20	(2)	(10%)
Total	20,228	18,880	1,348	7%

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■ Income statement

In the third quarter of 2007, the Group reported income before tax of PLN 229 million, which is by PLN 46 million (i.e. 25%) higher as compared to the third quarter of the previous year.

The consolidated net income in the same period amounted to PLN 179 million and grew by PLN 34 million (i.e. 23%) comparing to the corresponding period of the previous year.

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

- The net interest income amounting to PLN 307 million in comparison with PLN 264 million noted in the third quarter of 2006 (the increase of PLN 43 million i.e. 16%), resulting mainly from the rise in interest income from both consumer and corporate loans as well as credit cards,

Interest income

<i>PLN '000</i>	01.07 - 30.09.2007	01.07 - 30.09.2006	Change	
			PLN '000	%
<i>Interest and similar income from:</i>				
Central Bank	10,055	3,537	6,518	184%
Placements in banks	81,180	61,108	20,072	33%
Loans and advances, of which:	297,548	243,901	53,647	22%
<i>financial sector</i>	2,786	1,909	877	46%
<i>non-financial sector</i>	294,762	241,992	52,770	22%
Debt securities available-for-sale	96,027	100,448	(4,421)	(4%)
Debt securities held-for-trading	22,654	17,404	5,250	30%
Total	507,464	426,398	81,066	19%
<i>Interest expense and similar charges for:</i>				
Central Bank	(25,508)	(28,017)	2,509	(9%)
Deposits from financial sector (excl. banks)	(29,815)	(17,341)	(12,474)	72%
Deposits from non-financial sector	(139,900)	(113,518)	(26,382)	23%
Loans and advances received	(5,428)	(3,577)	(1,851)	52%
Total	(200,651)	(162,453)	(38,198)	24%
Interest income	306,813	263,945	42,868	16%

- The net fee and commission income amounting to PLN 191 million in comparison with PLN 145 million recorded in the third quarter of 2006 (the increase of PLN 47 million i.e. 32%), primarily coming from commissions on insurance and investment products brought by retail banking, but as well from credit cards and fees from custody and brokerage activity,

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Net fee and commission income

<i>PLN '000</i>	01.07 - 30.09.2007	01.07 - 30.09.2006	Change	
			PLN '000	%
<i>Fee and commission income</i>				
Insurance and investment products	90,343	61,655	28,688	47%
Payment and credit cards	50,514	44,285	6,229	14%
Transaction services	33,719	33,111	608	2%
Custody services	24,931	21,469	3,462	16%
Brokerage operations	18,422	10,123	8,299	82%
Other	19,716	19,216	500	3%
Total	237,645	189,859	47,786	25%
<i>Fee and commission expense</i>				
Payment and credit cards	(18,011)	(19,606)	1,595	(8%)
Insurance and investment products	(13,816)	(15,867)	2,051	(13%)
Brokerage operations	(10,591)	(3,176)	(7,415)	233%
Other	(3,912)	(6,502)	2,590	(40%)
Total	(46,330)	(45,151)	(1,179)	3%
Net fee and commission income	191,315	144,708	46,607	32%

- Net income on financial instruments and revaluation amounting to PLN 88 million as compared to PLN 71 million for the third quarter of 2006. The growth was achieved primarily through the active sale of products for customers. There was significant increase of foreign exchange transactions with non-banking customers and FX options transactions, additionally market-linked deposits product continued in a very strong growth as well,
- Net gain on investment securities amounting to PLN 7 million as compared to PLN 2 million for the third quarter of 2006,
- Net result on other operating incomes and expenses of PLN 18 million in comparison with PLN 22 million for the third quarter of 2006. The variance to third quarter of previous year comes mainly from the decrease in net gain and is mostly an effect of discontinuing citiphone customer service for external entities,
- General administrative expenses, overheads and the depreciation expense amounting to PLN 376 million as compared to PLN 366 million in the third quarter of 2006 (increase by PLN 10 million, i.e. 3%), primarily due to higher headcount within sale and distribution area of retail banking relating to business and distribution channels expansion in retail banking as well as intensified marketing activities, supporting launching of new products (saving accounts) and existing ones (CitiFinancial cash loan),

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General administrative expenses and depreciation expense

PLN '000	01.07 - 30.09.2007	01.07 - 30.09.2006	Change	
			PLN '000	%
Staff expenses	(184,000)	(177,475)	(6,525)	4%
Administrative expenses	(164,958)	(156,227)	(8,731)	6%
Depreciation of tangible and intangible assets	(26,713)	(32,407)	5,694	(18%)
Total	(375,671)	(366,109)	(9,562)	3%

- Write offs amounting to PLN 11 million in comparison to net recoveries in the third quarter of 2006 amounting to PLN 29 million, mainly as a result of lower repayments of corporate loans and higher write offs caused by IBNR charge resulting from growth in retail and corporate portfolios.

■ Ratios

In the analyzed period main financial ratios improved. There was a significant improvement of efficiency, Cost / Income ratio decreased from the level of 71% in the third quarter of 2006 to 61% in the third quarter of 2007.

The positive trend is also visible in profitability ratios. In comparison to the third quarter of 2006 return on equity improved by 3 percentage points and reached 16% in the third quarter of 2007 where as return on assets increased in this period from 1.8% to 2% in the third quarter of 2007.

Financial ratios	30.09.2007	31.12.2006	30.09.2006
ROE	16%	14%	13%
ROA	2.0%	1.9%	1.8%
Cost / Income	61%	69%	71%
Loans to non-financial sector/ Deposits from non-financial sector	62%	54%	57%
Loans to non-financial sector/ Assets	31%	28%	28%
Net interest income / Revenue	50%	47%	51%
Net fee and commission income / Revenue	31%	28%	28%

As at 30 September 2007, capital adequacy ratio of the Group stood at 12,36%, down 1.74 percentage points compared with the end of 2006, which was primarily caused by increase of capital requirement to cover credit risk and market risk.

Capital adequacy ratio

PLN '000	30.09.2007	31.12.2006
Own funds for the calculation of capital adequacy ratio	3,473,323	3,390,917
Risk-weighted assets and off-balance sheet liabilities (bank portfolio)	17,698,656	15,398,733
Total capital requirement, including:	2,248,497	1,923,574
- capital requirement to cover credit risk	1,415,892	1,231,899
- capital requirement to cover excess exposure concentration and large	339,827	327,073
- total capital requirements to cover market risk	374,579	248,418
- other capital requirements	118,199	116,184
Capital adequacy ratio	12.36%	14.10%

Capital Adequacy Ratio as at 30 September 2007 was calculated according to the rules stated in the Resolution No 1/2007 of Commission for Banking Supervision dated 13 March 2007 regarding the extent and detailed rules of calculation of capital requirements due to particular risks (...) (Dz. Urz. NBP Nr 2, poz. 3), where as at 31 December 2006 according to the rules stated in the Resolution No 4/2004 of Commission for Banking Supervision dated 8 September 2007 regarding the extent and detailed rules of calculation of capital requirements due to particular risks (...) (Dz. Urz. NBP Nr 15, poz. 25).

6. Segmental reporting

The Group's operating activities have been divided into two 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 cash

loans, mortgage loans and credit cards, as well as provides asset management services and acts as agent in the sale of investment and insurance products. Customers of the Consumer Bank have the branch network, ATMs, telephone services, and electronic banking services at their disposal and a network of financial agents offering products of this segment. The valuation of segment assets and liabilities, income and segment results is based on the Group's accounting policies.

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

Consolidated income statement by business segment for three quarters of 2007

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Net interest income	397,653	492,003	889,656
Net fee and commission income	234,021	320,954	554,975
Dividend income	4,256	17	4,273
Net income on traded financial instruments and revaluation	305,373	24,541	329,914
Net gain on investment (deposit) securities	17,875	-	17,875
Net gain on investment (capital) instruments	40,507	3,789	44,296
Net other operating income	51,463	(7,700)	43,763
General administrative expenses	(485,813)	(564,426)	(1,050,239)
Depreciation expense	(58,100)	(24,099)	(82,198)
Profit / (loss) on sale of tangible fixed assets	(138)	44	(94)
Net impairment losses	58,883	(23,858)	35,025
Operating income	565,980	221,265	787,246
Share in profits / (losses) of undertakings accounted for under the equity method	(8,472)	-	(8,472)
Profit before tax	557,508	221,265	778,774
Income tax expense			(160,362)
Net profit			618,412

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

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Assets including:	36,288,793	4,584,280	40,873,073
<i>Non-current assets held-for-sale</i>	4,179	-	4,179
Liabilities	33,841,520	7,031,553	40,873,073

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

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Net interest income	138,551	168,262	306,813
Net fee and commission income	78,846	112,469	191,315
Dividend income	3,472	-	3,472
Net income on traded financial instruments and revaluation	79,771	8,118	87,889
Net gain on investment (deposit) securities	7,135	-	7,135
Net gain on investment (capital) instruments	303	-	303
Net other operating income	18,131	(130)	18,001
General administrative expenses	(158,521)	(190,437)	(348,958)
Depreciation expense	(18,752)	(7,961)	(26,713)
Profit / (loss) on sale of tangible fixed assets	478	18	496
Net impairment losses	6,713	(17,351)	(10,638)
Operating income	156,127	72,988	229,115
Share in profits / (losses) of undertakings accounted for under the equity method	42	-	42
Profit before tax	156,169	72,988	229,157
Income tax expense			(50,315)
Net profit			178,842

Consolidated income statement by business segment for three quarters of 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	Total
Net interest income	346,523	425,554	772,077
Net fee and commission income	221,497	225,639	447,136
Dividend income	3,652	-	3,652
Net income on traded financial instruments and revaluation	221,626	28,154	249,780
Net gain on investment (deposit) securities	35,303	-	35,303
Net gain on investment (capital) instruments	11,288	-	11,288
Net other operating income	47,087	14,025	61,112
General administrative expenses	(497,479)	(518,019)	(1,015,498)
Depreciation expense	(72,184)	(26,630)	(98,814)
Profit / (loss) on sale of tangible fixed assets	104,281	12,917	117,198
Net impairment losses	65,616	(25,065)	40,551
Operating income	487,210	136,575	623,785
Share in profits / (losses) of undertakings accounted for under the equity method	4,110	-	4,110
Profit before tax	491,320	136,575	627,895
Income tax expense			(139,114)
Net profit			488,781

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

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

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

	Corporate and Investment Bank	Consumer Bank	Total
<i>In thousands of PLN</i>			
Net interest income	117,471	146,474	263,945
Net fee and commission income	68,314	76,394	144,708
Dividend income	3,552	-	3,552
Net income on traded financial instruments and revaluation	61,937	8,978	70,915
Net gain on investment (deposit) securities	2,137	-	2,137
Net gain on investment (capital) instruments	11,288	-	11,288
Net other operating income	18,631	3,674	22,305
General administrative expenses	(160,111)	(173,591)	(333,702)
Depreciation expense on fixed and intangible assets	(23,647)	(8,760)	(32,407)
Profit (loss) on sale of fixed assets	(140)	49	(91)
Net impairment charges	40,937	(11,648)	29,289
Operating income	140,369	41,570	181,939
Share in profits / (losses) of undertakings accounted for under the equity method	1,456	-	1,456
Profit before tax	141,825	41,570	183,395
Income tax expense			(38,360)
Net profit			145,035

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

1. Citi Markets and Banking

- *Summary of Results*

PLN '000	01.07 - 30.09.2007	01.07 - 30.09.2006	Change PLN MM	%
Net interest income	138,551	117,471	21,080	18%
Net fee and commission income	78,846	68,314	10,532	15%
Dividend income	3,472	3,552	(80)	(2%)
Net income on traded financial instruments and revaluation	79,771	61,937	17,834	29%
Net gain on investment (deposit) securities	7,135	2,137	4,998	234%
Net gain on investment (capital) instruments	303	11,288	(10,985)	(97%)
Net other operating income	18,131	18,631	(500)	(3%)
General administrative expenses and depreciation	(177,273)	(183,758)	6,485	(4%)
Profit / (loss) on sale of tangible fixed assets	478	(140)	618	(441%)
Net impairment losses	6,713	40,937	(34,224)	(84%)
Share in profits / (losses) of undertakings accounted for under the equity method	42	1,456	(1,414)	(97%)
Profit before tax	156,169	141,825	14,344	10%
Cost / Income	54%	65%		

Main factors that determined the gross profit of Corporate and Investment Bank segment for the third quarter of 2007 as compared to the corresponding period of 2006:

- Increase of net interest income resulting mainly from the rise in interest income from loans due to loan portfolio growth by PLN 1,4 billion (i.e. 21%),
- Increase of net fee and commission income caused by higher fees from custody and brokerage activity,
- Increase of Treasury result, primarily due to active sale of products for customers but also higher gain on investment securities,
- Decrease of general administrative expenses, overheads and depreciation expense primarily due to lower depreciation expenses whereas marketing and advertising costs increased. Additionally, effective costs control led to optimization in other staff expenses,
- Decrease of net recoveries, mainly as a result of lower repayments of corporate loans and higher write offs caused by IBNR charge resulting from portfolio growth.

a) Transaction Servicing

In the third quarter of 2007 the Bank expanded its banking product implementation process to include a post-implementation survey, which provides continued measurement of customer satisfaction with completed projects. The survey permits additional quality control of the global transaction services sales and implementation processes. It is also a source of information on the changing customer needs. Results of the surveys to date indicate that 93% of our clients are satisfied with the implementation services the Bank offers.

- *Payments and Receivables*

Compared to equivalent period of 2006, in the third quarter of 2007 volume of domestic payments and electronic postal orders processed by the Bank grew by 8% and 10% respectively. In foreign trade transactions growth trend was also maintained: in the third quarter of 2007 the Bank processed 17% more foreign trade transaction payments compared to equivalent period a year earlier.

In the third quarter of 2007 the Bank continued a marketing campaign aimed at popularising direct debit transactions, which it launched together with Telekomunikacja Polska in June 2007. Bank's individual customers were being informed about and encouraged to start using direct debit through leaflets attached to bank statements. August 2007 was a record-breaking month in terms of the number of executed direct debit transactions as the Bank processed over 750,000 such transactions representing a 20% growth over the same period a year earlier.

The Bank provided its clients with a new functionality: SpeedCollect or automated reconciliation of receivables involving electronic delivery of reports in formats tailored to requirements of the clients' financial and accounting systems. With its solution implementation process streamlined, the Bank was able to offer its clients the new product extensively.

Also in the third quarter of 2007, working together with selected telecommunications operators, the Bank carried out a marketing campaign aimed at reinforcing the positive image of Unikasa, its mass transaction processing network. This involved providing clients with leaflets and data sheets promoting this form of payment.

- *Liquidity and Cash Management Products*

In order to acquire new clients, the Bank introduced in the third quarter of 2007 a new bank account offer: Deposit Account. The product is addressed primarily to public sector entities and private enterprises, which have substantial cash surpluses and had not used the Bank's Current Account services. The solution enables placement of cash surpluses at individually negotiated interest rates. In addition, the Deposit Account permits unconstrained access to the deposited cash without loss of the accrued interest benefit at withdrawal of these funds.

In September 2007 the Bank organised a conference for its clients who conduct or intend to commence business activities in markets of the Central and Eastern European (CEE) region.

The meeting had the purpose of presenting the Bank's offer of cash management products, such as: International Accounts Consolidation, local liquidity management structures and tools that permit aggregation of cash flow data at the level of a client's capital group operating in CEE countries. The offer presentation also included the Bank's dynamically developing Reserved Account product, which is particularly recommended for use in higher risk transactions: whenever funds set aside for execution of a transaction need to be strictly controlled and used in keeping with their intended purposes agreed between the transaction parties.

In September 2007 the Bank addressed its new Account Plus offer to a selected group of clients. Account Plus is an account that enables performance of business related current settlements while offering competitive interest on the funds deposited on it. Interest rates are set individually and depend on maintenance of funds on the account. Interest can be capitalised on daily, weekly or monthly basis depending on the client's needs. The new offer in no way limits the client in the use of the Current Account facilities the Bank provides.

- *Electronic Banking*

The Bank continues to increase quality of service through further automation of its processes. In the third quarter of 2007 it registered further increase in the number of electronically delivered bank statements. Compared to the third quarter of 2006, the share of thus transferred bank statements increased by nearly 5% (to 87%).

In the third quarter of 2007 the number of clients taking advantage of CitiDirect, the Bank's electronic banking platform, also grew. Compared to 1H 2007 this increased by nearly 300 clients giving us a total of over 1,000 new CitiDirect users. As at the end of September 2007 this service channel was utilised by approximately 45,000 users representing more than 7,000 clients of the Bank.

The Bank developed cooperation with seven leading producers of financial and accounting systems, suppliers of Enterprise Resource Planning (ERP) solutions in Poland. These producers adjusted their products to requirements of the CitiDirect system file importation module. This is going to facilitate distribution of the CitiDirect product among potential clients and automation of the order submission process.

- *Card Products*

In the third quarter of 2007 the Bank developed cooperation links with certain software houses for delivery of software to the Mikrowpłaty (MicroPayments) solution for the courts and the prosecution administration. The project is aimed at development of modifications to IT systems of the aforementioned institutions, enabling their automated cooperation with the Mikrowpłaty platform. The cooperation has resulted in integration between the Mikrowpłaty product offered by the Bank and the financial and accounting systems provided by the same software houses to the courts and the prosecution administration.

In the third quarter of 2007 the Bank continued working towards development of the prepaid payment cards market through, among others, cooperation with public sector institutions, which choose to dispense social transfers with the use of prepaid cards. The Bank's offer in this respect has become broadly popular among the Municipal Social Assistance Centres, with the resultant continued acquisition of new clients in this segment, e.g. the Bank recently won a tender for servicing 22,000 prepaid cards for the Municipal Social Assistance Centre in Gdańsk. At the same time the Bank has strengthened its position of leadership in the market of prepaid cards issued under a variety of loyalty and promotional programs. Since prepaid cards were added to the Bank's offering in 2002 total number of such cards has reached 237,000, of which, as at the end of the third quarter of 2007, over 137,000 were active. Moreover, in the course of the third quarter of 2007 the Bank executed 14 new agreements for mass issuance of prepaid cards, with total of over 80,000 cards to be issued within these new programs.

The Bank also continued to strengthen its position in the business cards market segment, with the number of this category cards exceeding 16,000 at the end of the third quarter of 2007.

- *Trade Finance Products*

The key tasks, achievements, transactions and programs in trade finance implemented in the third quarter of 2007 include:

- Intensification of sales resulting in an increased number of implementations of the new trade finance programs based on discounting of invoice documented receivables, with total factoring related financing granted by the Bank (including receivables insured with KUKE S.A., the Polish export credit insurance institution) in the third quarter of 2007 increasing by over 11% compared to the third quarter of 2006;
- Increased interest of clients in:
 - a) Export letters of credit, with total value of export L/Cs serviced by the Bank as at the end of the third quarter of 2007 being 13% higher than at the end of the third quarter of 2006;
 - b) Import letters of credit, with the Bank's total exposures on account of the issued L/Cs as at the end of the third quarter of 2007 being 27% higher than at the end of the third quarter of 2006.

- *EU Office*

In the third quarter of 2007 the Bank commenced an awareness campaign informing on the possibilities of financing investments through European Union funds. Within the campaign to date, the Bank participated in a series of four conferences organised for the benefit of the Municipal Social Assistance Centres in Łódź, Szczecin, Poznań and Białystok. The meetings discussed the potential role of the EU structural funds in improving operational efficiency of public administration and the role the Bank can play in such processes.

On 18th and 19th of September 2007 the Bank hosted a mission of the European Commission monitoring implementation of an agreement between the Bank and Kreditanstalt für Wiederaufbau for implementation of a self-government financing program. The program funds allow the Bank to finance broadly defined municipal infrastructure development investments. The primary benefit for local self-governments accruing from using that funding source are its low loan service costs (low interest).

In the course of their mission, the European Commission representatives visited the Bank's regional branch in Poznań, where they were provided with a presentation of the organisation, implementation and effects of the first Municipal Finance Facility Program (MFFP) project. The meeting participants also visited Oborniki, a local community implementing a project financed with MFFP program funds.

b) Capital Markets and Corporate and Investment Bank

- *Treasury*

In the third quarter of 2007 the Bank continued in its effective implementation of the strategy of executing foreign exchange transactions with non-banking customers. Volumes in this area grew by as much 20% compared to equivalent quarter of 2006.

Interest of clients in derivative transactions clients in the FX market continues to grow. Clients ever more willingly reach for that product when hedging their FX exposures. Strong volume growth trend attests to that. In the third quarter of 2007 the Bank registered a 148% growth compared to the third quarter of 2006. The volume growth was accompanied by growth in the Bank's revenues. Compared to equivalent quarter of a year earlier, derivative transaction revenue rose by 133%.

Market-linked deposits product continues in a very strong growth mode. The third quarter of 2007 was very successful period for that product: with growth of 116% compared to the previous quarter of the current year and of 317% compared to equivalent quarter of 2006.

The interest of the Bank's clients in its FX transaction internet platform continues to grow at an exceptionally fast rate. Volume of transactions executed through the platform increased in the third quarter of 2007 by over 21% compared to the previous quarter of 2007 and over fourfold compared to equivalent quarter of 2006. The data confirms that the platform is an excellent tool for acquisition of new clients interested in easy access to FX transactions and in the FX risk exposure hedging.

From the third quarter of 2007 onwards, the Treasury Products Division also covers corporate finance and securitisation activities. Products in this area are dedicated primarily to the largest corporates the Bank serves.

- *Corporate and Investment Bank*

In the corporate banking business, the Bank delivers comprehensive financial services to over 110 clients, being the largest corporates, selected medium-sized companies with strong capacity for growth, the largest financial institutions and public sector enterprises.

One common characteristic of the corporate banking clients is that they require not just the standard products, but also financial engineering advisory. The Bank provides in that area coordination of treasury and cash management products, and prepares loan offers involving diverse forms of financing. The innovativeness and competitiveness of the novel financing structures on offer comes from a combination of local expertise and experience of the Bank and its cooperation within the global Citigroup structure. In consideration of the special needs of the corporate clients, the organisational model provides for serving these clients via an especially dedicated team located at the Bank's headquarters in Warsaw, the Corporate Banking Division.

In the third quarter of 2007 the Bank concentrated its efforts on strengthening its ties of cooperation with its existing, dynamically developing clients. As it supported operations of this group of enterprises, the Bank provided them with financing on independent basis, but also arranged and participated in major loan syndications as well as major financial market transactions in Poland.

The most notable corporate banking transactions in the third quarter of 2007 included:

- Increasing of the Telekomunikacja Polska S.A. bond issue program from PLN 1 billion to PLN 2.5 billion, under an annex to non-public Bond Issue Program agreements. This makes the TP S.A. Program the currently largest corporate program in Poland;
- Financing for PKO BP S.A. in the form of a syndicated loan for general purposes of the bank in an amount of CHF 950 million, in which Bank Handlowy w Warszawie S.A. was the lead arranger;
- Financing organised for Zakłady Farmaceutyczne Polpharma S.A. enabling the company's capital restructuring. The 5-year financing in an amount of PLN 300 million was organised with participation of Bank Handlowy w Warszawie S.A., which acted as the loan agent;
- Financing organised for Anura S.A. (Penta Holding Ltd) for co-financing of acquisition of Żabka Polska S.A. Bank Handlowy w Warszawie S.A. co-organised the 7-year financing in an amount of PLN 300 million and also acted as the loan agent and hedging agent.

Owing to high quality of its financial products and services and their innovativeness, the Bank has maintained its position of leadership in supporting this group of clients in achievement of their development plans. As it continues to implement the latest financing structures and instruments on the increasingly competitive and demanding Polish banking market, the Bank participates in financing transactions of crucial importance for its clients and the Polish economy.

- *Commercial Bank*

Through the Commercial Bank we serve clients with annual revenue in excess of PLN 8 million and up to PLN 1 billion and corporates with global relations with Citigroup.

In the third quarter of 2007 the Bank serviced accounts of approximately 6,000 clients, as compared to approximately 25,000 entities operating in the entire Polish market that meet the abovementioned criterion.

The Bank serves this large and diverse group of clients through its new customer service model, which covers the following main customer service segments: Small and Medium Enterprises (SMEs), Midle Maket Enterprises (MMEs) and the Global Clients segment incorporated into the model at the end of September 2007. Within the SME segment the Bank serves clients with annual sales of PLN 8 million to PLN 75 million, within the Large Enterprises segment those with annual sales of PLN 75 million to PLN 1 billion whilst within the Global Clients segment it provides services to clients with global relations with the Citigroup. This structure allows the Bank to provide small enterprises with more individualised service and achieve a better fit between its offering and the clients' broad product needs. The Bank has an extensive network of regional branches dedicated to its Commercial Bank clients, with substantial part of its retail network also equipped to serve the corporate clients. In total, clients of that segment are served by 120 branches throughout Poland.

As a result of its revised approach to acquisition of new clients as well as effectiveness and efficiency in execution of a number of dedicated acquisition campaigns, such as Building Assets and Online Trading, addressed to selected groups of clients, the Bank was able to acquire over 200 new clients (8% more than in equivalent period of 2006) in the third quarter of 2007. It is estimated that approximately 65% of the new clients were acquired through the mentioned campaigns.

Number of Clients */

	Third quarter of 2007	Third quarter of 2006	Change Number	%
Number of clients/companies acquired in a given period	209	194	15	8%

**/ excluding Global Clients*

The good acquisition result received clear support from the new lending program and the innovative product solutions in the field of FX transactions.

As at the end of the third quarter of 2007 the Bank registered a 10% growth in the Commercial Bank assets compared to equivalent period a year earlier, whilst in the SME segment the growth reached 49% (in the third quarter of 2007 alone value of loans granted to SME sector was nearly threefold higher than that of the loans granted in the third quarter of 2006).

As at 30 September 2007, the Bank also registered an increase in balances on current accounts of 15% compared to equivalent period a year earlier, whilst in the MME segment the growth reached 24%.

As a result of opening of the new distribution channel for FX transactions in the course of the third quarter of 2007 in the Commercial Bank, the Bank registered 39% growth in the value of FX transactions executed by the clients, whilst in the SME segment the growth reached 64%.

Volume of FX Transactions */

in PLN million	Third quarter of 2007	Third quarter of 2006	Change	
			PLN m	%
Commercial Bank segment, including:	9,503	6,826	2,677	39%
SMEs	3,589	2,186	1,403	64%
MMEs	5,701	4,548	1,153	25%

**/excluding Global Clients*

Within the continual improvement of its loan offer and review of the lending program in the third quarter of 2007 the Bank launched an offer of long term investment loans for property development secured on the financed real estate. The product also provides for longer than previously available financing terms: the Large Enterprises segment clients can now obtain loans of maximum 10 year tenor while the Small and Medium Enterprises segment clients can obtain loans of 12 year tenor. Previously the maximum loan tenors which Bank offered were 10 years for SMEs and 8 years for MMEs.

The Bank also launched the Consolidated Bank Account Agreement, which facilitates activation of electronic banking, the Online Trading platform and of debit cards in parallel to opening of a regular bank account.

Because the enterprises are the main beneficiaries of the grant funding awarded by the EU within the new budgeting period, EU advisory services are being offered to these clients through the EU Office operating in the Bank. The clients can take advantage of these services at every stage of their grant application process: research of the available funding sources, grant application development, to project cost reconciliation and settlement.

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

Another solution offered to the public sector in 2006 was the Mikrowpłaty (MicroPayments) service, a new tool for management of third part cash deposits (e.g. bid bonds, security deposits), which to date led to development of cooperation with 10 new clients of that sector.

- *Dom Maklerski Banku Handlowego S.A. (DMBH) – subsidiary*

In the third quarter of 2007 share of DMBH in equity market trading reached 9.6%, which was a 1.3% increase over its share in equivalent period of a year earlier. The market share growth resulted from an increase in the Bank's share in the trades executed by institutional investors, which was achieved as activity of retail investors declined in general. At the same time, value of the transactions settled with intermediation of DMBH reached PLN 10,599 million (as against PLN 5,323 million registered in the third quarter of 2006).

The number derivative contracts settled with intermediation of DMBH in the third quarter of 2007 rose by nearly 42% compared to the number of such contracts the brokerage house settled in the second quarter of 2007.

The key factor contributing to the financial result DMBH achieved in the third quarter of 2007 was that of continued favourable market trends. In spite of the fact that in the third quarter of 2007 equity trading on the Warsaw Stock Exchange (WSE) was 13% lower than in the second quarter of 2007, in YOY terms it rose by as much as 71%. Since the beginning of 2007 equity market was driven by the

extraordinarily strong condition of the Polish economy as well as the steady flow of domestic savings to the domestic investment funds.

As at the end of the third quarter of 2007, DMBH acted as the Market Maker for 44 companies, which represents 13% of all the companies listed on WSE. In terms of the number of companies for which it performs the Market Maker function, DMBH rates among the top securities brokerage houses in Poland. DMBH also performs the same function for the WIG20 index and the Mw20 index unit futures contracts. Worth noting is that the companies DMBH serves as the Market Maker include foreign companies with parallel listings in their markets of origin. This subgroups of companies was most recently joined by ORCO Property Group.

On the MTS-CTO market DMBH services the CitiBond US Dollar Mixed Investment Fund investment certificates.

In the third quarter of 2007 value of transactions DMBH intermediated on the non-public market exceeded PLN 827 million.

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

As a result of intensified product development and selling activity, as at the end of the third quarter of 2007, NAV of leased assets exceeded PLN 620 million (in the third quarter of 2007 alone net leased assets amounted to PLN 224 million), which constitutes a 97% growth compared to equivalent period of a year earlier.

Structure of assets in leasing after the first three quarters of 2007 changed little compared a year earlier: these continue to be dominated by the vehicles segment, which currently constitutes over 68% of the portfolio's NAV, this in spite of the fact that its contribution is 8% lower than in equivalent period of a year earlier. This trend is a direct effect of implementation of the chosen development strategy, which provides for accelerated growth of the machinery and plant segment.

In line with the assumed targets, in the third quarter of 2007 the company was able to sustain the growth trend in NAV of the leased machinery and plant segment assets. Value of the machinery in leasing as at the end of the third quarter of 2007 exceeded PLN 194 million, when at the equivalent period end of a year earlier this was less than PLN 71 million, a 175% growth. High growth trend was also registered in the truck lease financing segment, with net value of the leased assets as at the end of the third quarter of 2007 reaching PLN 424 million, which represents more than 76% growth compared to the balance this asset class as at the end of the third quarter of 2006.

Net Asset Value

in PLN million	Third quarter of 2007	Third quarter of 2006	Change PLN m	%
Value of contracts executed in a given period	224	152	72	47%
Cumulative value of contracts executed at period end	620	314	306	97%
Total value of the leasing portfolio at period end	987	728	259	36%

The company achieved the discussed growth through consistent pursuit of its strategic objectives as it sought to, among others, increase its markets penetration through substantial expansion of its own distribution network and further development of cooperation with asset suppliers.

Of importance from the standpoint of the company's market segmentation and its strategy identified specialisation in certain markets was its participation in numerous trade events, e.g. the 4th Meeting of International Road Hauliers, Plastics Sector Sailing Regatta, or co-organisation of open days for clients of MAN Roland and Plastinvent.

Consequently, the company is beginning to gain meaningful positions on its markets of strategic importance. One of such successes was its attainment of the position of leadership in the market of printing machinery financing. Substantially outperforming the market in turnover terms, the company is currently one of the fastest growing leasing firms. In the period of the end of the third quarter of 2006 to the end of the third quarter of 2007, its market share in the leasing movable goods rose from 2.3% to 2.9% with the market growing at the rate of 57%. The priority target the company chose for the next quarter of this year is that of increasing recognition of the Handlowy-Leasing brand in pre-selected segments, which should translate into tangible business effects.

2. Consumer Bank

• *Summary of Results*

PLN '000	01.07 - 30.09.2007	01.07 - 30.09.2006	Change	
			PLN MM	%
Net interest income	168,262	146,474	21,788	15%
Net fee and commission income	112,469	76,394	36,075	47%
Net income on traded financial instruments and revaluation	8,118	8,978	(860)	(10%)
Net other operating income	(130)	3,674	(3,804)	(104%)
General administrative expenses and depreciation	(198,398)	(182,351)	(16,047)	9%
Profit / (loss) on sale of tangible fixed assets	18	49	(31)	(63%)
Net impairment losses	(17,351)	(11,648)	(5,703)	49%
Profit before tax	72,988	41,570	31,418	76%
Cost / Income	69%	77%		

Main factors that determined the gross profit of Consumer Bank segment for the third quarter of 2007 as compared to the corresponding period of 2006:

- Increase of net interest income resulting mainly from volume growth in the credit card and instalment loan portfolios, which has been partially offset by a reduction in the interest rates charged,
- Increase of net fee and commission income primarily a result of a significant increase in sales of insurance and investment products
- Decrease in net other operating income due to discontinuing citiphone customer service for external entities. Additionally Q3 06 result was impacted by compensation for branch closure.
- Higher expenses as a result of increase in staff level within the sale and distribution areas relating to business growth and expansion of the distribution channels, as well as intensified marketing activities, supporting launch of both new (saving accounts) and existing products (Citifinancial cash loan),

- Increase of write-offs caused by IBNR charge resulting from growth in consumer portfolios as well as an increase in level of delinquencies in portfolio

a) Credit Cards

As at 30 September 2007, the number of credit cards issued by the Bank reached 774,000. In the third quarter of 2007 alone the Bank acquired over 62,000 new cards, making this the best trimester in the Bank's history in terms of the number of newly acquired credit cards. September was also the best month in the Bank's history in terms of the number of credit cards issued. In it alone, the Bank acquired over 22,000 new cards. As a result of the actions it undertook in the course of the past three quarters of the year, the Bank retained its market leadership in terms of card transaction value and the customer debt balance. The Citibank Credit Cards also remained the most frequently used cards in the market.

The third quarter of 2007 was, among other things, a period of dynamic growth of the portfolios of the new Citibank-Plus and Citibank-LOT partner co-branded cards. Within one quarter of their addition to the Bank's offering, both the Citibank-Plus as well as the Citibank-LOT portfolios exceeded the 10,000 issued cards mark.

In July the Bank together with LOT Polish Airlines introduced an additional card holder privilege, a discount at purchase of airline tickets with the Citibank-LOT Credit Card directly via our partner's website of www.lot.com. Discount rate depends on the type of card held. Holders of Gold or Silver cards are entitled to 5% discounts while holders of Platinum cards can be granted discounts as high as 7% on their LOT airline ticket purchases.

In August Nokia became the latest Partner to join the Citibank Credit Cards Discount Program, as it offered holders of Citibank Platinum Credit Cards 7% discounts on purchase of mobile handsets through their e-shopping facility. The Citibank discounts program by now covers over 2,450 vendor establishments in which all Citibank Credit Card holders can receive discounts ranging from 2% even up to 50% on purchases made with their cards.

b) Other Consumer Bank Products

- *Bank Accounts*

The Citibank Savings Account introduced in the second quarter of 2007 in conjunction with the promotional interest offer (4.5% on all new funds) valid until the end of August 2007 drove acquisition of new customers and contributed to substantial expansion of the Bank's deposit basis.

After the promotion expired, i.e. starting from August 31 2007 the Bank's offer as compared to the market was still exceptionally attractive in terms of saving account – the interest rate was established at the level of 4.25% when the account balance was up to PLN 200,000 (according to previous standard conditions it was 3.25% or 3.5% depending on the account balance) and 4.5% provided that account balance was PLN 200,000 or more (previously it used to be 3.8%).

By August balance of funds deposited on savings accounts available in a choice of three currencies (PLN, USD, EUR) exceeded PLN 1 billion and continued to growth further in September, though the promotional offer expired. Other products that contributed to increase in the balance deposits included the relaunched combined Global Investment Portfolio offer and the fixed time deposits with 11% interest.

Moreover, the Bank continued its special personal account promotions aimed at acquisition of customers transferring their pay to the Bank, both the broadly available ones (the CitiKonto promotion) as well as those accessible to employees of selected firms within the framework of the Bank in Your Firm Program. Account promotion offers in conjunction with expansion of customer acquisition channels and streamlining of the account opening process contributed to growth in the number of the

Bank's mass segment customers. At the same time the Bank registered substantial growth in the number of wealthy customers – holders of CitiGold accounts.

For expatriate Poles in September 2007 the Bank enabled its customers to make free of charge or highly price competitive fund transfers in real time between 14 countries and Poland via its Citibank Global Transfers service. The offer is available within Citi group, and is unique comparing to market due to immediate availability of the funds transferred to the beneficiary (standard transfer via SWIFT system lasts 2-3 days). Moreover, the Bank implemented a comprehensive offer addressed to expatriate Poles in the United States and the United Kingdom and their families, which, apart from real time transfers, provides to the customers a toll-free information desk line and order opening of accounts with Citi Handlowy for their relatives in Poland. With the object to assure exhaustive and easily accessible information regarding the Bank's offer dedicated to expatriate Poles the Bank launched a special internet website in Polish: www.online.citibank.pl/zagranica.

- *Credit Products*

Over the entire third quarter of 2007, customers were able to take advantage of the Citibank Credit promotional offer, involving waiver of the loan preparation fees (available on loans exceeding specified value threshold). These were aimed at supporting acquisition of new loans and marketing of loan amount increases. The campaign involved support in the form of leaflets and posters in the branch network and advertising on the internet. As a result, the Bank registered robust product sales results, with the highest sales in the year to date achieved in July.

The Bank also continued promoting the Citibank Credit Line, with the waived annual fee in the first year of use, and decided to extend this promotion to the end of September 2007. This campaign permitted achievement of substantial growth in the sale of the Citibank Credit Line product compared to results of the previous months, as a result in August 2007 Citibank Credit Line sales reached a record breaking sales result, the highest since 2004.

- *Investment and Insurance Products*

In July 2007 Union Investment funds were converted into an umbrella fund. As a result, the Bank's investment offering gained a second complete offer of an Investment Funds Company (in addition to ING), which enables customers to optimise the tax position in their fund investments.

Likewise in July 2007, we added two new funds to the Bank's offering: ING Small and Medium Enterprises Fund and DWS Polska Top 25 Small Enterprises Fund.

The foreign funds offering was expanded to include additional Merrill Lynch International Investment Funds family member, MLIF European Fund available in two currency options – EUR and USD.

In August 2007 the Bank launched Investment Life Insurance as a new product, which offers life insurance protection combined with the possibility of obtaining a premium upon the insured party reaching the end of policy coverage period. This premium is linked to entire a specific market indicator or a financial instrument. In the case the first subscription, the premium depends on appreciation of a basket of 20 European, Asian and US market traded equities engaged in renewable energy source development projects.

- *Electronic Banking*

In the third quarter of 2007 the Bank registered further growth in interest in its Citibank Online (CBOL) internet platform. At the end of the period the number of users taking advantage of the facility at least once exceeded 500,000, whereas the number of transactions executed via Citibank Online represented

aver 84% of all financial transactions initiated by the Retail Bank customers.

The Bank promoted actively its Online Account Statement (“Wyciąg Online”) service registering the resultant stable growth in the number of its users, which generates considerable savings. Online Account Statement is the electronic version of the account statements from the Citibank Personal Account and the Citibank Credit Card products, which the customers can choose instead of the paper based account statement. As at the end of the third quarter of 2007, the number of customers using that service was substantially higher than as at the end of the third quarter of 2006.

Internet as a channel of distribution in continually gaining in importance. Internet initiated acquisitions currently involve three product groups: credit cards, Citibank Credit and personal accounts.

c) CitiBusiness Micro-Company Banking

In the third quarter of 2007 the Bank continued with intensive development of its product offer and active acquisition directed at the small and medium enterprise (SME) segment. Particular emphasis was placed on acquisition of new clients in the micro-companies and small businesses segment, with the resultant opening of 75% more of new accounts for these clients compared to the second quarter of 2007.

This growth was substantially driven by expansion of the CitiBusiness product offer, which now includes a new CitiBusiness Direct package addressed to the smallest category firms.

In August 2007 the Bank also came out with a new product referred to as the European Union Loan Commitment, which actually constitutes a mandatory and indispensable element of the documentation clients need to compile when applying for co-funding of their investment projects from the European Union.

The third quarter of 2007 was also for the Bank a period of increased media exposure and coverage of the CitiBusiness offer, which included radio, television and the internet, the latter using the new proprietary www.citibusiness.pl website as well as presence in external financial portals.

d) CitiFinancial

In the third quarter of 2007 CitiFinancial continued its first television campaign with its key message of “CitiFinancial Loan Centre – Experts in lending”, which was supported by the “0% preparation fee” promotional offer. Through this campaign the Bank was able to achieve outstanding sales performance in all of its CitiFinancial delivered products. Total value of loans granted in the third quarter of 2007 in 21% higher than of the equivalent period a year earlier. The CitiFinancial branches also registered in the course of the same quarter further growth in sales of mortgage loans (Home Equity) and credit cards.

In August 2007 the Bank launched a special “Back to School” offer. This included a low value CitiFinancial Cash Loans tailored to the seasonal needs of the customers, available at presentation of a personal identity card. In September the Bank came out with another special offer addressed to the previous borrowers.

The ‘money lending’ model developed in the CitiFinancial branches was since implemented by 10 Retail Bank branches.

3. Branch network

In the course of the third quarter of 2007 the Bank’s branch network underwent substantial changes. The Bank concentrated on increasing efficiency of the existing branches. Compared to the third quarter of 2006, the network increased by five new branches - as a result of establishment of six new CitiFinancial outlets and merger of Corporate Branch and Retail Branch in Gdynia (now services for Corporate and Retail customers are provided in one location).

Number of branches as period end

	Third quarter of 2007	Third quarter of 2006	Change
Number of outlets:	235	230	+5
Retail Bank	85	85	No change
Multifunctional outlets	71	72	(1)
CitiGold Wealth Management	13	12	+1
Investment Centre	1	1	No change
<i>- of which serving Corporate Bank customers</i>	82	13	+69
CitiFinancial	112	106	+6
Branches	100	95	+5
Agencies (partner outlets operating under the CitiFinancial logo)	12	11	+1
Corporate Bank	38	39	(1)
<i>- of which serving Retail Bank customers</i>	38	26	+12
Other sales / customer service outlets:			
Mini-branches (within "Citibank at work")	4	0	+4
BP petrol station sales points	84	0	84
Supermarket stands	4	5	(1)
Number of own ATMs	153	154	(1)

In summary, as at the end of the third quarter of 2007:

- Corporate Bank clients are served by 120 branches
- Retail Bank customers are served by 123 branches
- CitiFinancial customers are served by 112 outlets

Moreover, our customers are provided with access to a wide network of ATMs providing commission-free cash dispensing services:

- in Poland:
 - 1,098 ATMs of the Bankomat 24/Euronet Sp. z o.o. network
 - 7 eCard ATMs within the "Citibank at work" network
- abroad:
 - all of the CitiShare ATMs (18,000)

8. Seasonality or cyclical nature of business activity

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

9. 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 2007.

10. Paid or declared dividends

Dividends paid

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

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

11. Changes in the Group's structure

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

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

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

13. Movements in off-balance sheet commitments

As at 30 September 2007 there were significant changes in lines of credit unused which increased at PLN 940 millions. Such growth was a particularly result of increase of credit lines used by consumer banking customers'.

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

The off-balance sheet commitments are as follows:

<i>In thousand of PLN</i>	30/09/2007	31/12/2006
<i>Contingent liabilities</i>		
<i>Granted liabilities</i>		
a) financial	10,532,595	9,574,732
<i>Import letters of credit issued</i>	150,010	155,296
<i>Lines of credit granted</i>	10,117,585	9,177,576
<i>Deposits to be distributed</i>	50,000	24,860
<i>Subscription of securities granted to other issuers</i>	215,000	217,000
b) guarantees	2,438,936	2,819,688
<i>Guarantees granted</i>	2,413,743	2,779,418
<i>Export letters of credit confirmed</i>	25,193	40,270
	12,971,531	12,394,420

<i>In thousand of PLN</i>	30/09/2007	31/12/2006
Liabilities received		
a) financial	201,200	-
Deposits granted	201,200	-
b) guarantees	2,427,048	2,019,070
Guarantees received	2,427,048	2,019,070
	2,628,248	2,019,070
Current off-balance sheet transactions*	3,986,020	6,462,803
Forward off-balance sheet transactions**	514,517,980	375,540,009
	534,103,779	396,416,302

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

** Derivatives: FX, interest rate transactions and options

14. Achievement of 2007 forecast results

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

15. Information about shareholders

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

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

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

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

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

17. Information on pending proceedings

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

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Bank's equity and equaled PLN 1,183 million.

The amount of debts of the Bank and its subsidiaries decreased in relation to the end of the second quarter 2007 as a result of closing some cases with the participation of the Bank as the claimant or the participant of 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.	The Bank submitted its receivables to the proceedings. Case pending.

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

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities exceeded 10% of the Bank's equity and equaled PLN 572 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.	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. The court resumed the suspended proceeding and on 20 June 2007 disallowed the complaint. The court decision is not legally valid. Case pending.
Plaintiff: Administrative Receiver of the Bank's clients (borrowers) Defendant: Bank Handlowy w Warszawie S.A.	29,215	5 May 2005	The plaintiff claims for the compensation due to the unjustified cancellation of credit agreement and selling of goods being the subject of repossession at the glaring underrated price, interrupting plaintiff's basic activity and losing of possibilities to conclude an agreement and as a consequence bringing to plaintiff's bankruptcy (including statutory interests since the day of delivery of claim to the compensation payment day). Case pending.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	24,661	6 February 2006	The claimant requested the payment of PLN 233,000 plus statutory interest for a period from 3 November 1999 to the payment date and the amount of PLN 24,428,000 plus statutory interest from the date of filing a statement of claim (28 October 2005) to the payment date. The first amount refers to the claim for contractual damages and equals the difference between the amount of debts deducted by the claimant, arising from a letter of credit confirmed by the Bank and the loan granted to the claimant. The claim for PLN 24,428,000 is based on the Bank's liability in tort. Until now, the claimant did not present sufficient evidence, confirming that his claims are reasonable. On 8 December 2006 the court of first instance disallowed the complaint entirely. The plaintiff lodged an appeal. Case pending.

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. The court has not set the date of the first trial yet.
Plaintiff: former employee Defendant: Bank Handlowy w Warszawie S.A.	32,312	9 July 2007	Subject of legal action: the Plaintiff seeks damages and compensation, award of a proper amount of money for a social purpose, a pension for increased needs, ordering the Bank to refrain from any actions that would lead to a violation of the dignity and health of the Plaintiff, ordering the Bank to refrain from the enforcement and collection of the unpaid debt, determining that the Bank is liable for the losses that would arise or appear in the future, resulting from the disturbance of health of the Plaintiff caused by the Bank's actions (mobbing, discrimination) and the Plaintiff's termination of the contract of employment as a result of these actions. The legal action is pending.
Administrative proceedings			
Participants of Administrative Process: Polska Organizacja Handlu Dystrybucji, Visa CEMEA International w Warszawie, Europa International S.A. w Warszawie and banks including Bank Handlowy w Warszawie S.A.	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 appeal again. Case pending.

18. Information about significant transactions with related entities

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

19. Information about guarantee agreements

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

20. Description of Factors and Events that Might Affect the Group's Future Financial Performance

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

- Dynamic rise in labour costs, which can contribute to deterioration of competitive position of some of the companies operating in the international market;
- Improvement in disposable incomes of households, which can translate into growth in savings of the Bank's customers and their interest in investment products;
- Tightening of the monetary policy as followed to date and announced by the Monetary Policy Council, which can lead to interest rate and thus cost of credit increases;
- The possible shifts in the sentiment prevailing in the global markets as driven by occurrence of the sub-prime lending market crisis. This can result in the banks selecting for higher return transactions;
- Implementation of the New Capital Accord (Basle II) and imposing of new liquidity requirements can lead to increased demand for capital and liquid funds, which can impact demand for the Bank's products of this type.

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

<i>In thousands of PLN</i>	III quarter period from 01/07/07 to 30/09/07	Year to date period from 01/01/07 to 30/09/07	III quarter period from 01/07/06 to 30/09/06	Year to date period from 01/01/06 to 30/06/06
Interest and similar income	501,157	1,423,673	417,146	1,184,271
Interest expense and similar charges	(199,027)	(557,660)	(161,791)	(438,074)
Net interest income	302,130	866,013	255,355	746,197
Fee and commission income	218,574	639,172	179,484	513,532
Fee and commission expense	(38,186)	(117,866)	(41,236)	(102,326)
Net fee and commission income	180,388	521,306	138,248	411,206
Dividend income	4,321	27,222	5,141	34,202
Net income on financial instruments and revaluation	88,283	327,321	69,369	247,664
Net gain on investment (deposit) securities	7,135	17,875	2,137	35,303
Net gain on investment (capital) instruments	-	10,454	-	-
Other operating income	21,091	72,985	27,216	85,027
Other operating expenses	(3,200)	(28,130)	(6,160)	(22,896)
Net other operating income	17,891	44,855	21,056	62,131
General administrative expenses	(338,917)	(1,019,107)	(324,977)	(989,442)
Depreciation expense	(26,402)	(81,294)	(32,154)	(98,067)
Profit / (loss) on sale of tangible fixed assets	496	(84)	(91)	114,946
Net impairment losses	(15,368)	54,816	40,785	45,676
Profit before tax	219,957	769,377	174,869	609,816
Income tax expense	(46,351)	(156,528)	(37,633)	(131,510)
Net profit	173,606	612,849	137,236	478,306
Weighted average number of ordinary shares	130,659,600		130,659,600	
Net profit per ordinary share (in PLN)	4.69		3.66	
Diluted net profit per ordinary share (in PLN)	4.69		3.66	

Balance sheet of the Bank – parent company*In thousands of PLN***30/09/2007 31/12/2006****ASSETS**

Cash and balances with central bank	808,042	535,623
Financial assets held for trading	6,565,684	4,551,094
Debt securities available-for-sale	9,126,144	8,247,313
Equity investments	302,091	300,534
Loans and advances	20,883,947	19,030,974
<i>to financial sector</i>	9,266,094	9,562,908
<i>to non-financial sector</i>	11,617,853	9,468,066
Property and equipment	608,016	626,481
<i>land, buildings and equipment</i>	592,666	617,095
<i>investment property</i>	15,350	9,386
Intangible assets	1,279,049	1,284,883
Income tax liabilities	261,307	273,216
Other assets	322,896	233,237
Non-current assets held-for-sale	4,179	12,539
Total assets	40,161,355	35,095,894

LIABILITIES

Due to central bank	-	250,113
Financial liabilities held for trading	4,897,774	3,316,847
Financial liabilities valued at amortized cost	29,056,183	25,529,437
<i>deposits from</i>	28,244,291	24,843,591
<i>financial sector</i>	8,080,730	6,481,772
<i>non-financial sector</i>	20,163,561	18,361,819
<i>other liabilities</i>	811,892	685,846
Provisions	39,491	47,023
Income tax liabilities	15,255	-
Other liabilities	843,615	647,910
Total liabilities	34,852,318	29,791,330

EQUITY

Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(154,173)	(81,501)
Other reserves	1,382,238	1,297,175
Retained earnings	613,749	621,667
Total equity	5,309,037	5,304,564

Total liabilities and equity**40,161,355 35,095,894**

Statement of changes in equity of the Bank – parent company

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2006	522,638	2,944,585	(64,554)	1,101,418	667,407	5,171,494
Valuation of financial assets available-for-sale	-	-	(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
	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2007	522,638	2,944,585	(81,501)	1,297,175	621,667	5,304,564
Valuation of financial assets available-for-sale	-	-	(68,821)	-	-	(68,821)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(20,898)	-	-	(20,898)
Deferred income tax on valuation of financial assets available-for-sale	-	-	17,047	-	-	17,047
Net profit	-	-	-	-	612,849	612,849
Dividends paid	-	-	-	-	(535,704)	(535,704)
Transfers to capital	-	-	-	85,063	(85,063)	-
Closing balance as at 30 September 2007	522,638	2,944,585	(154,173)	1,382,238	613,749	5,309,037

Summary statement of cash flows of the Bank – parent company

<i>In thousands of PLN</i>	Year to date	Year to date
	Period from 01/01/07 to 30/09/07	Period from 01/01/06 to 30/09/06
Cash at the beginning of reporting period	1,304,621	1,005,263
Cash flows from operating activities	466,617	284
Cash flows from investing activities	(29,167)	139,437
Cash flows from financing activities	(543,332)	(459,397)
Cash at the end of reporting period	1,198,739	685,587
Increase / Decrease in net cash	(105,882)	(319,676)

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

The abbreviated interim financial statements of the Bank for the third quarter of 2007 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 2007.

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

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

The Bank's financial results

For three quarters of 2007 the Bank generated profit before tax of PLN 769 million, growth of PLN 160 million (i.e. 26.2%) compared to three quarters of the previous year. Profit before tax for the third quarter 2007 amounted PLN 220 million compared to PLN 175 million for the corresponding period of the previous year.

From 1 January to 30 September 2007 net profit amounted PLN 613 million, growth of PLN 135 million (i.e. 28.1%) compared to the corresponding period of 2006. Net profit in the third quarter of 2007 amounted PLN 174 million compared to PLN 137 million for the corresponding period of 2006.

The net result in the third quarter of 2007 was influenced by increase of the interest and commission income by PLN 89 million (i.e. 22.6%), increase of net result on traded financial instruments, FX revaluation and on investment debt securities by PLN 24 million, increase of general administrative expenses and the depreciation expenses by PLN 8 million (i.e. 2.2%), and the increase of net impairment losses of financial assets by PLN 56 million.

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

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

05.11.2007

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

05.11.2007

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