

INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE FIRST QUARTER 2008

MAY 2008

Selected financial data

	In PLN '000		In EUR '000***	
	First quarter growing period from 01/01/08 to 31/03/08	First quarter growing period from 01/01/07 to 31/03/07	First quarter growing period from 01/01/08 to 31/03/08	First quarter growing period from 01/01/07 to 31/03/07
Data related to summary consolidated financial statements				
Interest income	540,803	460,824	152,022	117,969
Fee and commission income	192,920	210,997	54,231	54,015
Profit before tax	227,142	249,588	63,851	63,894
Net profit	180,107	197,450	50,629	50,547
Increase of net cash	(596,821)	(8,606)	(169,273)	(2,224)
Total assets*	37,394,160	38,907,984	10,605,865	10,862,084
Financial liabilities valued at amortized cost*	26,051,586	28,000,003	7,388,844	7,816,863
Shareholders' equity	5,805,153	5,631,715	1,646,478	1,455,412
Share capital	522,638	522,638	148,232	135,066
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	44.43	43.10	12.60	11.14
Capital adequacy ratio (%)*	10.81	12.86	10.81	12.86
Capital adequacy ratio based on Tier 1 capital (%)*	10.96	13.06	10.96	13.06
Earnings per ordinary share (PLN / EUR)	1.38	1.51	0.39	0.39
Diluted net profit per ordinary share (PLN / EUR)	1.38	1.51	0.39	0.39

Data related to summary financial statements of the Bank

Interest income	527,579	450,495	148,305	115,325
Fee and commission income	175,006	191,984	49,195	49,147
Profit before tax	246,585	235,250	69,316	60,223
Net profit	200,564	186,997	56,379	47,871
Increase of net cash	(597,053)	7,779	(169,338)	2,010
Total assets*	36,321,205	38,008,361	10,301,550	10,610,993
Financial liabilities valued at amortized cost*	25,473,040	27,443,267	7,224,755	7,661,437
Shareholders' equity	5,699,843	5,477,137	1,616,610	1,415,464
Share capital	522,638	522,638	148,232	135,066
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	43.62	41.92	12.37	10.83
Capital adequacy ratio (%)*	10.33	12.06	10.33	12.06
Capital adequacy ratio based on Tier 1 capital (%)*	11.17	13.10	11.17	13.10
Earnings per ordinary share (PLN / EUR)	1.54	1.43	0.43	0.37
Diluted net profit per ordinary share (PLN / EUR)	1.54	1.43	0.43	0.37
Declared or distributed dividends per ordinary share (PLN / EUR)**	5.26	4.10	1.49	1.06

*Comparable balance sheet data is presented according to 31 December 2007

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

*** The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 31 March 2008 - PLN 3.5258 (as at 31 December 2007: PLN 3.5820); for the income statement - the arithmetic average of month - end NBP exchange rates in first quarter 2008 - PLN 3.5574 (in first quarter 2007: PLN 3.9063).

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Consolidated income statement

<i>In thousands of PLN</i>	First quarter growing period from 01/01/08 to 31/03/08	First quarter growing period from 01/01/07 to 31/03/07
Interest and similar income	540,803	460,824
Interest expense and similar charges	(218,669)	(171,209)
Net interest income	322,134	289,615
Fee and commission income	192,920	210,997
Fee and commission expense	(26,986)	(32,556)
Net fee and commission income	165,934	178,441
Dividend income	-	9
Net income on financial instruments and revaluation	125,131	105,118
Net gain on investment debt securities	25,963	10,433
Net gain on investment (capital) instruments	(168)	6,665
Other operating income	27,764	24,893
Other operating expenses	(10,537)	(10,836)
Net other operating income	17,227	14,057
General administrative expenses	(385,067)	(346,206)
Depreciation expense	(25,540)	(28,357)
Profit / (loss) on sale of tangible fixed assets	694	(848)
Net impairment losses	(20,231)	20,182
Operating income	226,077	249,109
Share in profits / (losses) of undertakings accounted for under the equity method	1,065	479
Profit before tax	227,142	249,588
Income tax expense	(47,035)	(52,138)
Net profit	180,107	197,450
Weighted average number of ordinary shares	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	1.38	1.51
Diluted net profit per ordinary share (in PLN)	1.38	1.51
Including:		
Net profit due to shareholders of dominant entity	180,107	197,450
Net profit due to minority shareholders	-	-

Consolidated balance sheet

<i>In thousands of PLN</i>	31/03/2008	31/12/2007
ASSETS		
Cash and balances with central bank	1,185,289	3,321,503
Financial assets held-for-trading	5,302,035	5,135,708
Debt securities available-for-sale	6,610,439	6,467,638
Equity investments valued at equity method	56,214	58,388
Other equity investments	20,609	21,909
Loans and advances	21,366,084	21,205,373
<i>to financial sector</i>	<i>8,088,545</i>	<i>8,718,832</i>
<i>to non-financial sector</i>	<i>13,277,539</i>	<i>12,486,541</i>
Property and equipment	599,702	612,797
<i>land, buildings and equipment</i>	<i>574,510</i>	<i>587,769</i>
<i>investment property</i>	<i>25,192</i>	<i>25,028</i>
Intangible assets	1,284,132	1,284,078
Deferred income tax assets	384,209	374,468
Other assets	572,802	413,477
Non-current assets held-for-sale	12,645	12,645
Total assets	37,394,160	38,907,984
LIABILITIES		
Financial liabilities held-for-trading	4,391,212	4,373,146
Financial liabilities valued at amortized cost	26,051,586	28,000,003
<i>deposits from</i>	<i>24,932,819</i>	<i>26,896,411</i>
<i>financial sector</i>	<i>3,582,113</i>	<i>7,085,042</i>
<i>non-financial sector</i>	<i>21,350,706</i>	<i>19,811,369</i>
<i>other liabilities</i>	<i>1,118,767</i>	<i>1,103,592</i>
Provisions	64,738	37,548
Income tax liabilities	40,209	101,889
Other liabilities	1,041,262	792,314
Total liabilities	31,589,007	33,304,900
EQUITY		
Issued capital	522,638	522,638
Share premium	3,028,194	3,028,809
Revaluation reserve	(159,250)	(182,450)
Other reserves	1,453,732	1,454,355
Retained earnings	959,839	779,732
Total equity	5,805,153	5,603,084
Total liabilities and equity	37,394,160	38,907,984

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 2007	522,638	3,027,470	(81,501)	1,407,081	542,115	-	5,417,803
Valuation of financial assets available-for-sale	-	-	23,798	-	-	-	23,798
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(10,433)	-	-	-	(10,433)
Deferred income tax on valuation of financial assets available-for-sale	-	-	3,384	-	-	-	3,384
Foreign exchange gains and losses	-	-	-	776	(1,063)	-	(287)
Net profit	-	-	-	-	197,450	-	197,450
Closing balance as at 31 March 2007	522,638	3,027,470	(64,752)	1,407,857	738,502	-	5,631,715

<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 2008	522,638	3,028,809	(182,450)	1,454,355	779,732	-	5,603,084
Valuation of financial assets available-for-sale	-	-	54,605	-	-	-	54,605
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(25,963)	-	-	-	(25,963)
Deferred income tax on valuation of financial assets available-for-sale	-	-	(5,442)	-	-	-	(5,442)
Foreign exchange gains and losses	-	-	-	(623)	-	-	(623)
Net profit	-	-	-	-	180,107	-	180,107
Dividends to be paid	-	(615)	-	-	-	-	(615)
Closing balance as at 31 March 2008	522,638	3,028,194	(159,250)	1,453,732	959,839	-	5,805,153

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

	First quarter growing period from 01/01/08 to 31/03/08	First quarter growing period from 01/01/07 to 31/03/07
Cash at the beginning of reporting period	3,746,323	1,321,162
Cash flows from operating activities	(573,495)	22,534
Cash flows from investing activities	(5,220)	(13,454)
Cash flows from financing activities	(18,106)	(17,686)
Cash at the end of reporting period	3,149,502	1,312,556
Increase / (decrease) in net cash	(596,821)	(8,606)

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	
		31.03.2008	31.12.2007
<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 first quarter of 2008 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 31 March 2008 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 first quarter 2008 have been prepared in accordance with accounting principles adopted and summarized in the interim consolidated financial statements of the Group for the period ending 31 December 2007.

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2008 to 31 March 2008. Comparable financial data is presented for the period from 1 January 2007 to 31 March 2007 and for the Balance sheet according to situation on 31 December 2007.

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

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

Favourable economic trend continued through the first quarter of 2008. Between January and March industrial production increased by an average 8.5% YOY, primarily due to dynamic activity of the processing industry. At the same time, favourable weather conditions supported high construction sector production dynamics, which increased by an average 14.5% YOY in the first three months of the year.

Increases in prices of food and of price controlled utilities led to further growth of inflation in the first quarter of 2008. In March, consumer price index (CPI) reached 4.1% YOY, and thus substantially exceeded the inflation target of the Monetary Policy Council, which was set at 2.5%, with acceptable deviation range of 1.5-3.5%. In its response to the accelerating price increases the Monetary Policy

Council moved to raise interest rates three times, thus bringing the reference rate to 5.75% in March.

In the initial months of 2008 the key factors impacting the conditions in the financial markets included the slowdown in the U.S. economy and the concerns of the investors about the consequences of the U.S. ‘credit crunch’. In spite of the market growing risk averse, Polish zloty appreciated against the euro to reach PLN 3.53 at the end of March compared to PLN 3.58 at the end of December 2007. As in the year 2007, appreciation of the Polish currency on the back of raising local interest rates and expectations of interest rate declines in the U.S. and the Eurozone.

The negative trends that began in the second half of 2007 continued on the Warsaw Stock Exchange (WSE) between January and March of 2008. All of the main market indices ended the quarter in negative territory, with WIG index falling by 13.7% down to 48,011 points and mWIG40 turned out to be the weakest of the indices (-16.5%). From the perspective of the entire market the WIG-Construction sub-index fared relatively well, which lost scarcely 0.2%.

The main factor contributing to the negative sentiment prevailing in the Polish capital market was the substantial scale of redemptions of units in domestic investment funds, which – in turn – forced fund managers to sell down their equity portfolios. According to estimates of Dom Maklerski Banku Handlowego S.A. (securities brokerage business within the Group), total outflow of funds from the industry in the first quarter of 2008 reached PLN 13–14 billion (of which nearly PLN 11 billion was withdrawn in January alone). In addition to local factors, the situation on WSE was determined by the negative information flowing from the United States of America and fears about recession in that economy.

In the first quarter, five new companies (including one foreign entity: Atlas Estates) were floated on WSE, which raised total of PLN 92.9 million. At the end of March 2008, 354 companies traded in the market’s primary floor.

In the course of that quarter market capitalisation of the domestic equities fell to PLN 444 billion; from PLN 509 billion in the fourth quarter of 2007. With foreign entities included, the stocks traded on the Warsaw bourse lost over 10% of their value (primarily in the strong devaluation which took place in January) in the first three months of 2008.

The Warsaw Stock Exchange (WSE) Equity Indices, as at 31 March 2008

Index	31.03.2008	28.12.2007	QOQ Percentage Change	30.03.2007	YOY Percentage Change
WIG	48,011.28	55,648.54	(13.7%)	57,524.57	(3.3%)
WIG-PL	47,529.93	55,011.93	(13.6%)	57,631.48	(4.5%)
WIG20	2,981.07	3,456.05	(13.7%)	3,520.24	(1.8%)
mWIG40	3,363.11	4,028.37	(16.5%)	4,728.59	(14.8%)
sWIG80	14,067.15	15,917.92	(11.6%)	17,048.31	(6.6%)
TECHWIG	960.98	1,052.13	(8.7%)	1,304.28	(19.3%)
Sector specific sub-indices					
WIG-Banks	6,630.64	7,949.94	(16.6%)	7,899.72	0.6%
WIG-Construction	8,654.27	8,673.57	(0.2%)	10,761.72	(19.4%)
WIG-Developers*	3,941.76	4,788.89	(17.7%)	-	-
WIG-IT	1,647.06	1,764.67	(6.7%)	2,111.21	(16.4%)
WIG-Media	4,138.07	4,911.01	(15.7%)	4,726.86	3.9%
WIG-Fuel industry	2,858.56	3,548.44	(19.4%)	3,560.08	(0.3%)
WIG-Food industry	2,897.56	3,317.96	(12.7%)	4,073.25	(18.5%)
WIG-Telecommunications	1,234.89	1,270.21	(2.8%)	1,295.82	(2.0%)

* index registered since 18 June 2007

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

Volumes of trade in shares, bonds and derivative instruments on WSE in the first quarter of 2008

	Q1 2008	Q4 2007	QOQ Percentage Change	Q1 2007	YOY Percentage Change
Shares (PLN m)	101,192	107,546	(5.9%)	117,382	(13.8%)
Bonds (PLN m)	1,084	561	93.2%	955	13.5%
Futures and options contracts (*000 units)	3,521	2,749	28.1%	2,041	72.5%

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

In the first quarter of 2007, value of trading in shares exceeded PLN 101 billion. Compared to the previous quarter this represented a decline of nearly 6% while compared to the first quarter of 2007 equity trading volumes fell by approximately 14%.

Volume of trading in futures and options contracts reached 3,521 million transactions, which represented a 72.5% YOY increase and a 28.1% compared to the fourth quarter of 2007.

Debt securities market in the first quarter of 2007 was characterised by a substantial increase in investor activity as total bonds trading rose to PLN 1.08 billion; growth of 13.5% compared to equivalent period of a year earlier and of 73% compared to the fourth quarter of 2007.

4. Banking Sector

Net financial result of the banking sector after the first quarter of 2008 was nearly PLN 4 billion, which represented a 10% increase over that of the first quarter of 2007. Revenue of the banking sector increased by 15% YOY as total costs rose by 14% YOY, thus improving somewhat the cost to income ratio, which now stands at 53%. Significant revenue growth contributors included some decided improvement in interest income (24% YOY) and growth in fee and commission income (8% YOY). Net FX gains item also improved in a substantial way (37% YOY). Net financial result of the banking sector for the period was also largely influenced by very high net impairment charges (the highest since 2004).

Robust corporate lending growth continued throughout the first quarter of 2008 (28% in YOY and 8% in QOQ terms) while value of corporate deposits increased by only 7% YOY and decreased by 7% QOQ. Retail lending continued to grow at high rates: 42% YOY and 8% QOQ, including mortgage lending growing by 50% YOY and 10% QOQ. The uncertainties prevailing in the financial markets and the resultant decline in mutual fund yields (compared to earlier years) induced many clients to redeem their investment units and seek out saver forms of capital investment. In the first three months of the year net outflow from investment funds reached approximately PLN 13–14 billion. This translated directly into dynamic growth in retail sector bank deposits, which in the first quarter of 2008 rose by 17% YOY and as much as 11% QOQ.

5. Financial analysis of the Group's Results

■ Balance sheet

As at the end of the first quarter of 2008 assets amounted to PLN 37.4 billion as compared with PLN 38.9 billion as at the end of 2007 and declined by PLN 1.5 billion (or 4%). The decline was caused by a lower balance in the current account with the National Bank of Poland as at 31 March 2008 than it was on 31 December 2007 (down by PLN 2.1 billion, or 64%). The change in the balance is a result of the current management of the regulatory provision at the NBP account while keeping an average monthly balance at the declared level.

On the other hand, an increase (PLN 0.8 billion, or 6%) was recorded by loans and advances to non-financial sector, which amounted to PLN 13.3 billion as at the end of Q1, 2008.

Loans and advances to non-financial sector, net

PLN m	31.03.2008	31.12.2007	Change	
			PLN m	%
<i>Corporate banking clients</i>	8,414	7,767	647	8%
<i>Retail banking customers</i>	4,864	4,719	145	3%
Total	13,278	12,486	792	6%

The main driver of the growth in this group of assets were corporate loans, which rose by PLN 0.6 billion (or 8%). As regards consumer loans, they grew primarily in the area of credit card loans and cash loans.

Loans and advances to non-financial sector, gross

PLN m	31.03.2008	31.12.2007	Change	
			PLN m	%
<i>Not at risk of impairment</i>	12,991	12,217	774	6%
<i>At risk of impairment</i>	1,664	1,635	29	2%
Total	14,655	13,852	803	6%
Impairment	1,378	1,366	12	1%
Loans and advances to non-financial sector, net	13,278	12,486	792	6%
Provision coverage ratio	83%	84%		

On liabilities side, the biggest change was recorded in financial liabilities valued at amortized cost. There was a significant increase in deposits of non-financial sector, driven primarily by an increase in current accounts balance, up by PLN 1.1 billion, or 14%, out of it the growth in consumer banking alone was PLN 0.9 billion, which is attributable, to a large extent, to the Citibank Savings Account.

At the same time, there was a decrease in deposits of the financial sector, primarily in deposits of banks, down by PLN 2.9 billion, or 76% but also in deposits of other financial institutions, down by PLN 0.6 billion, or 18%.

Deposits of non-financial sector

PLN m	31.03.2008	31.12.2007	Change	
			PLN m	%
Current accounts:	9,179	8,050	1,129	14%
<i>Corporate banking clients</i>	4,279	4,029	250	6%
<i>Retail banking customers</i>	4,900	4,021	879	22%
Deposits:	12,159	11,748	411	3%
<i>Corporate banking clients</i>	9,983	9,506	477	5%
<i>Retail banking customers</i>	2,175	2,242	(67)	(3%)
Accrued interest	13	13	-	-
Total	21,351	19,811	1,540	8%

■ Income statement

In the first quarter of 2008 the Group reported income before tax of PLN 227 million, down by PLN 22 million (or 9%) compared to the first quarter of 2007. At the same time, the consolidated net income amounted to PLN 180 million, down by PLN 17 million, or 9% compared to the first quarter of 2007.

Both, in the first quarter of 2008 and the first quarter of 2007 there were a few significant one-offs, which had an impact on the Group's results.

The first quarter of 2008 results include a provision for employment restructuring of PLN 30 million, which increased the Bank's general administrative and management expenses, while in the first quarter of 2007 the gain on sale of Stalexport S.A. shares of PLN 7 million was recorded.

Excluding the one-offs, in the first quarter of 2008 income before tax increased by as much as PLN 14 million, or 6%, and net income increased by PLN 12 million (also 6%) compared to the first quarter of 2007.

Main factors that determined the Group's operating result for the first quarter of 2008 as compared to the corresponding period of 2007:

- The net interest income amounting to PLN 322 million in comparison with PLN 290 million recorded in the first quarter of 2007 (up by PLN 33 million i.e. 11%), resulting mainly from the rise in interest income from credit cards, consumer and corporate loans, as well as from placements in banks, partially offset by a decrease in interest rates in retail banking and higher non financial sector deposits financing costs due to the growing savings account portfolio,

Interest income

<i>PLN '000</i>	01.01 -	01.01 -	Change	
	31.03.2008	31.03.2007	PLN '000	%
<i>Interest and similar income from:</i>				
Central Bank	11,379	6,153	5,226	84.9%
Placements in banks	94,149	76,481	17,668	23.1%
Loans and advances, of which:	323,989	256,224	67,765	26.4%
<i>Financial sector</i>	1,580	6,235	(4,655)	(74.7%)
<i>Non-financial sector, including</i>	322,409	249,989	72,420	29.0%
<i>on credit cards</i>	79,405	40,933	38,472	94.0%
Debt securities available-for-sale	88,389	102,795	(14,406)	(14.0%)
Debt securities held-for-trading	22,897	19,171	3,726	19.4%
Total	540,803	460,824	79,979	17.4%
<i>Interest expense and similar charges on:</i>				
Operations with the Central Bank	-	(88)	88	(100.0%)
Deposits from banks	(19,675)	(37,125)	17,450	(47.0%)
Deposits from financial sector (excl. banks)	(31,236)	(20,497)	(10,739)	52.4%
Deposits from non-financial sector	(165,999)	(111,898)	(54,101)	48.3%
Loans and advances received	(1,759)	(1,601)	(158)	9.9%
Total	(218,669)	(171,209)	(47,460)	27.7%
Net interest income	322,134	289,615	32,519	11.2%

- The net fee and commission income amounting to PLN 166 million in comparison with PLN 178 million recorded in the first quarter of 2007 (down by PLN 12 million, or 7%), caused primarily by a decrease in fee and commission income from insurance and investment products in retail banking as well as from brokerage operations and corporate finance transactions,

Fee and commission income

<i>PLN '000</i>	01.01 - 31.03.2008	01.01 - 31.03.2007	Change PLN '000	%
<i>Fee and commission income</i>				
Insurance and investment products	62,359	70,126	(7,767)	(11.1%)
Payment and credit cards	38,620	44,705	(6,085)	(13.6%)
Transaction services	32,441	32,422	19	0.1%
Custody services	22,672	23,660	(988)	(4.2%)
Brokerage operations	17,917	19,013	(1,096)	(5.8%)
Other	18,911	21,071	(2,160)	(10.3%)
Total	192,920	210,997	(18,077)	(8.6%)
<i>Fee and commission expense</i>				
Payment and credit cards	(11,768)	(19,125)	7,357	(38.5%)
Brokerage operations	(9,641)	(8,336)	(1,305)	15.7%
Other	(5,577)	(5,095)	(482)	9.5%
Total	(26,986)	(32,556)	5,570	(17.1%)
<i>Net fee and commission income</i>				
Insurance and investment products	62,359	70,126	(7,767)	(11.1%)
Payment and credit cards	26,852	25,580	1,272	5.0%
Transaction services	32,441	32,422	19	0.1%
Custody services	22,672	23,660	(988)	(4.2%)
Brokerage operations	8,276	10,677	(2,401)	(22.5%)
Other	13,334	15,976	(2,642)	(16.5%)
Total	165,934	178,441	(12,507)	(7.0%)

- Net income on financial instruments and revaluation amounting to PLN 125 million as compared to PLN 105 million in the first quarter of 2007, up by PLN 20 million, or 19%. The growth was achieved primarily through the active sale of products for customers as well as through effective management of the Bank's own portfolio. There was a significant increase in volumes of foreign exchange transactions with non-banking customers and FX options transactions,
- Result on investment debt securities amounting to PLN 26 million as compared to PLN 10 million in the first quarter of 2007, being a result of an active portfolio management strategy and favorable situation in foreign bond markets,
- Net other operating income of PLN 17 million in comparison with PLN 14 million in Q1, 2007. The higher result in the Corporate Banking Sector reported in the first quarter of 2008 comes from a more significant release of provisions for disputable issues than in 2007 on one hand, and, on the other hand, lower other operating expenses,
- General administrative expenses, overheads and depreciation expense amounting to PLN 411 million as compared to PLN 375 million in the corresponding period of the previous year (up by PLN 36 million, or 10%). The increase is primarily caused by the increase in staff expenses, which is

attributable to the creation of a provision for employment restructuring in the first quarter of 2008 at the level of PLN 30 million. The amount of the provision has been allocated as follows: PLN 17 million in the Corporate Banking Sector and PLN 13 million in the Consumer Banking Sector. Moreover, in the Consumer Banking Sector there was still upward employment trend as a result of business development, which contributed to the increase in remuneration expenses as well as an increase in the expenses directly binded to the rise in sales volumes was recorded.

General administrative expenses and depreciation expense

PLN '000	01.01 -	01.01 -	Change	
	30.03.2008	30.03.2007	PLN '000	%
Staff expenses	210,216	164,659	45,557	27.7%
Administrative expenses	174,851	181,547	(6,696)	(3.7%)
Depreciation/amortisation of tangible and intangible assets	25,540	28,357	(2,817)	(9.9%)
Total	410,607	374,563	36,044	9.6%

- Write-offs in the amount of PLN 20 million compared to the net recovery of PLN 20 million in the first quarter of 2007, which is a result of lower repayments of loans at risk of impairment in the Corporate Banking Sector on the one hand and, on the other hand, higher provisions in the Consumer Banking Sector, due to an increase in IBNR provision, resulting from the loan portfolio increase as well as a growing share of irregular loans and the standardization of the impairment prerequisites for portfolios of a similar risk characteristic in the Consumer Banking Sector.

▪ Ratios

In the first quarter of 2008 the main financial ratios improved. The positive trend is visible in both profitability and efficiency ratios. In comparison to the first quarter of 2007 return on equity ratio (ROE) improved by 3.7 percentage points (p.p.) and reached 16.7% as at the end of the first quarter of 2008, while excluding the impact of the provision for employment restructuring on net income for the first quarter of 2008 ROE amounts to 17.2%, up by 4.2 percentage points compared to ROE as at the end of the first quarter of 2007. At the same time, return on assets (ROA) increased from 1.7% to 2.1%, and after excluding the impact of the provision for employment restructuring on net income – to 2.2%.

Cost / Income ratio increased slightly (by 0.6 percentage point) and in the first quarter of 2008 amounted to 62.6%, however, excluding the impact of one-offs on the Group's results in both periods the C/I ratio decreased by as much as 4.7 percentage points.

Financial ratios	Q1 2008	Q1 2007
ROE */	16.7%	13.0%
ROE **/	17.2%	13.0%
ROA	2.1%	1.7%
Cost / Income	62.6%	62.0%
Cost / Income (<i>excluding one-off transactions</i>) ***/	58.0%	62.7%
Loans to non-financial sector / Deposits from non-financial sector	62%	60%
Loans to non-financial sector / Total assets	36%	28%
Net interest income / Revenue	49%	48%
Net fee and commission income / Revenue	25%	30%

**/ net income of four quarters divided by average equity of four quarters net of current period profit; in the case of the first quarter, at exclusion of paid and committed dividend.*

***/ first quarter 2008: excluding the impact of the provision for employment restructuring of PLN 30 million*

****/ one-off transactions:*

first quarter 2007: gain on sale of Stalexport S.A. shares of PLN 7million,

first quarter 2008: provision for employment restructuring of PLN 30 million.

Group employment

<i>In full time job equivalents (FTJE)</i>	Q1 2008	Q1 2007	Change	
			FTJEs	%
Average employment in the quarter	5,840	5,678	162	3%
Employment at the quarter end	5,749	5,705	44	1%

As at 31 March 2008, capital adequacy ratio of the Group stood at 10,81%, down by 2.05 percentage points compared with the end of 2007, which was primarily caused by the increase in the capital requirement to cover operational risk as well as the increase in capital requirements to cover credit risk, market risk and counterparty risk .

Capital adequacy ratio

<i>PLN '000</i>	31.03.2008	31.12.2007
Own funds for the calculation of capital adequacy ratio	3,578,913	3,434,911
Risk-weighted assets and off-balance sheet liabilities (bank portfolio)	20,115,887	17,444,865
Total capital requirements, of which:	2,648,090	2,137,404
- credit risk capital requirements	1,609,271	1,395,589,
- counterparty risk capital requirements	175,751	123,926,
- excess concentration and large exposures risks capital requirements	202,666	356,051,
- total market risk capital requirements	312,559	253,531,
- operational risk capital requirements	347,112	-
- other capital requirements	731	8,307
Capital adequacy ratio	10.81%	12.86%

Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 1/2007 of the Commission for Banking Supervision dated 13 March 2007 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (...) (NBP Official Journal No. 2, item 3). In compliance with paragraph 14.3 of the abovementioned Resolution, as at 31 December 2007, the Bank decreased total capital requirements by operational risk.

6. Segmental reporting

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

- Corporate Bank

Within the Corporate 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 the period	01.01 – 31.03.2008			01.01 – 31.03.2007		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>w tys. zł</i>						
Net interest income	139,491	182,643	322,134	129,550	160,065	289,615
Net fee and commission income	70,261	95,673	165,934	76,983	101,458	178,441
Dividend income	-	-	-	-	9	9
Net income on traded financial instruments and revaluation	116,821	8,310	125,131	97,580	7,538	105,118
Net gain on investment (deposit) securities	25,963	-	25,963	10,433	-	10,433
Net gain on investment (capital) instruments	(168)	-	(168)	6,665	-	6,665
Net other operating income	17,137	90	17,227	11,959	2,098	14,057
General administrative expenses	(175,910)	(209,157)	(385,067)	(159,797)	(186,409)	(346,206)
Depreciation expense	(17,926)	(7,614)	(25,540)	(20,131)	(8,226)	(28,357)
Profit / (loss) on sale of tangible fixed assets	623	71	694	(866)	18	(848)
Net impairment losses	386	(20,617)	(20,231)	24,597	(4,415)	20,182
Operating income	176,678	49,399	226,077	176,973	72,136	249,109
Share in profits (losses) of undertakings accounted for under the equity method	1,065	-	1,065	479	-	479
Profit before tax	177,743	49,399	227,142	177,452	72,136	249,588
Income tax expense			(47,035)			(52,138)
Net profit			180,107			197,450

As at:	31.03.2008			31.12.2007		
Assets, including	32,355,801	5,038,359	37,394,160	34,030,227	4,877,757	38,907,984
<i>Non-current assets held-for-sale</i>	12,645	-	12,645	12,645	-	12,645
Liabilities	28,823,575	8,570,585	37,394,160	31,464,198	7,443,786	38,907,984

7. Activities of the Group in the first quarter of 2008

1. Corporate Bank

- *Summary results*

PLN '000	Q1 2008	Q1 2007	Change	
			PLN '000	%
Net interest income	139,491	129,550	9,941	8%
Net fee and commission income	70,261	76,983	(6,722)	(9%)
Dividend income	-	-	-	-
Net income on traded financial instruments and revaluation	116,821	97,580	19,241	20%
Net gain on debt investment securities	25,963	10,433	15,530	149%
Net gain on equity investment instruments	(168)	6,665	(6,833)	nm
Net other operating income	17,137	11,959	5,178	43%
Total income	369,505	333,170	36,335	11%
General administrative expenses and depreciation	(193,836)	(179,928)	(13,908)	8%
Profit / (loss) on sale of tangible fixed assets	623	(866)	1,489	nm
Net impairment losses	386	24,597	(24,211)	nm
Share in profits / (losses) of undertakings accounted for under the equity method	1,065	479	586	122%
Profit before tax	177,743	177,452	291	0%
Cost / Income	52%	54%		

The Main factors that determined the gross profit of the Corporate Banking Segment for the first quarter of 2008 as compared to the corresponding period of 2007:

- Increase in net interest income resulting mainly from the rise in interest income from loans due to loan portfolio growth as well as higher income from placements in banks,
- Decrease in net fee and commission income caused by lower fees in corporate finance area and brokerage services despite higher fees from cash products and transaction services,
- Increase of Treasury result, primarily due to the active sale of products to customers, effective management of the Bank's own portfolio but also higher gain on investment securities being a result of active portfolio management strategy and favourable situation in foreign debt securities markets,
- Increase in general administrative expenses, overheads and depreciation expense primarily due to higher staff costs due to the creation of a provision for employment restructuring of PLN 17 million, partially offset by lower costs of lease, external services and a decrease in expenditures incurred by employees,
- net recoveries, lower than in the previous year, which is a result of lower actual repayments of corporate loans at risk of impairment.

a) Transaction Servicing

- Payments and Receivables

Unikasa

In the first quarter of 2008 the Bank carried out a nationwide campaign aimed at promotion of the Unikasa Payment Processing Network. Unikasa is a modern product that facilitates servicing of the Bank customers' payables and allows payers settlement of their bills for products and services in the most frequently visited locations, such as hyper- and supermarket chains, petrol stations as well as the Bank's Customer Service Points. For the benefit of its two largest clients the Bank conducted the Grand Unikasa Lottery, with the winning stakes offering prepaid cards and gift sets. The Bank also launched a new model of co-operation with its Partners – referred to as Unikasa Partner – which resulted in opening of nearly 100 new Unikasa payment acceptance agency outlets by the end of March.

Direct Debit

In the first quarter of 2008 the Bank came to the market with Comfort Direct Debit, a unique and innovative product. The solution adds to the Bank's offer a new wireless technology based functionality, which enables creditors to notify payers of the approaching Direct Debit payment dates in the form of SMS messages sent to the telephone numbers of the latter. Having received such a message, the payer can, among others, hold back execution of a given Direct Debit payment by sending a predefined return SMS message to an indicated telephone number.

The primary purpose of the new service launch was to increase perception of Direct Debit as a secure and convenient form of settling bills. Additionally, the new service that fits perfectly with the Bank's strategy of bringing to market 'mobile payment' products.

Domestic Bank Transfers

In the first quarter of 2008 the Bank registered over 3% increase in the number of serviced domestic bank transfers payments compared to equivalent period a year earlier.

Foreign Bank Transfers

The Bank launched SEPA (*Single European Payments Area*) payments on the very first day of operation of that product in the European market, i.e. as of 28 January 2008. SEPA is Europe's largest payments project to date. It aims to enable bank customers to execute euro payments in accordance with uniform rules, without differentiation into domestic and international market.

In the first quarter of 2008 the Bank was favoured with the SEPA Leader in Poland award funded by the Polish Bank Association in recognition of its commitment and openness to change, and appreciation for its effort in implementation of the SEPA project.

The Bank completed implementation of its flat rate 'NON-STP payments' solution. The project was launched in April 2007. Flat rate 'NON-STP payments' relate to international payments lacking BIC identification number (beneficiary bank address) or account number in IBAN format.

From the vantage point of the customer the main benefit accruing from the change involves simplification of payment structure.

Electronic Postal Cash Transfer

In the first quarter of 2008 the Bank registered a 11.5% increase in the number of Electronic Postal Cash Transfer transactions compared to the first quarter of 2007, which translated into near 20% increase in revenue generated from execution of these transactions.

- Liquidity and Cash Management Products

Liquidity Management

The Bank's offer was expanded to include the possibility of consolidating client balances of accounts maintained in branches of the Citi Group located in different countries of Central and Eastern Europe on a single account maintained in Citi Handlowy. This international consolidation of account balances in Citi Handlowy is a solution that is unique in Polish market terms and one that addresses the needs of a specific group of Polish companies expanding into emerging markets of Europe.

Reserved Account

The Citi Handlowy Reserved Account was awarded in 12th release of the Euro-product competition. The EUROPRODUKT title is a prestigious distinction, which not only constitutes an excellent promotion of the brand, goods and services present on European Union markets, but also represents a challenge and an opportunity for those who are soon to face up to expectations of global marketplace. The nationwide EUROPRODUKT competition singles out products that because of their high quality, modern technology and safety of usage are worthy of the name of the best, and thus create positive image of the awarded firm as one that is praised in the market.

MicroPayments

In the first quarter of 2008 the Bank together with its IT sector partners organised the second conference addressed to courts and prosecution administrations, this time to those of the south region of Poland. The forum focused on presentation of the MicroPayments product (*Mikrowpłaty*) and of compatible IT platforms for courts and prosecution administrations.

Since the beginning of the year, the Bank signed 12 new agreements with courts and prosecution administrations, bringing total number of its MicroPayments service agreements to 32.

- Electronic Banking

At the end of the first quarter of 2008, the number of corporate clients with internet banking systems increased by 19% compared to equivalent period a year earlier and reached nearly 8,000. Over the same period, the number of electronically processed transactions rose by 5.4% and at the end of the first quarter of 2008 reached over 9 million.

The share of electronically delivered bank statements reached 85.5% while at the end of the first quarter 2007 this stood at 84.7%.

In the first quarter of 2008, the Bank continued with implementation of a new internet banking system addressed to small and medium enterprises segment. Plans provide for operational launch of the system in the third quarter of 2008.

- Card Products

In the first quarter of 2008, 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 also continued to strengthen its position of leadership in the market of prepaid cards issued under a variety of loyalty and promotional programs.

In the first quarter of 2008 the Bank issued approximately 30,000 new prepaid cards. In the equivalent period of 2007, the Bank issued less than 1,000 prepaid payment cards.

The Bank also seeks to sustain the growth trend in the business cards segment. At the end of the first quarter of 2008, the number of issued cards of this type exceeded 16,700.

- Trade Finance Products

The actions the Bank undertook in the course of the first quarter of 2008 in the field of trade finance included intensification of sales, efficiency improvements and reduction of credit loss risk.

The most noteworthy trade finance transactions implemented in the first quarter of 2008 included:

- granting of a customs guarantee to one of the world's largest courier service firms;
- issuance of an import letter of credit to one of Poland's biggest chemical companies;
- issuance of an import letter of credit to one of the biggest nitrogen fertiliser and plastics manufacturers;
- acceptance of export letters of credit for one of the world's biggest steel manufacturers;
- launch of a trade receivables discounting program for a telecommunication services leader.

- EU Office

In the first quarter of 2008, the EU Office conducted a promotion and information campaign addressed to the Bank's current and potential clients, which focused on the new EU 2007–2013 funding programming period and included the following:

- participation in a series of 16 regional conferences devoted to corporate social responsibility and the role of EU funding in advancing voluntary employee activity. The seminar participants included representatives of regional self-government administrations and entrepreneurs of respective voivodships;
- participation in a conference organised for the automotive sector, at which the EU Office presented the opportunities for financing automotive sector investments with grant funding available in the 2007-2013 programming period.

In the first quarter of 2008, the Bank developed an EU related strategy for the years 2008-2010. The strategy provides for growing the share of EU co-funded investments and expansion of the advisory services offer addressed to the Bank's potential clients, representing both the private enterprise sector and the public sector. In the context of implementation of this EU strategy on 19 February Bank Handlowy w Warszawie S.A. and Kreditanstalt für Wiederaufbau signed the Municipal Finance Facility, the 2nd agreement on implementation of a program addressed to self-government. The agreement provides for support of the Bank with EU funds in subsidised funding of territorial self-government units.

b) Capital Markets and the Corporate and Investment Bank

- *Treasury*

The first quarter of 2008 saw continuation of the growth trend in execution of foreign exchange transactions with non-banking sector clients. Revenue this activity generated for the Bank increased by approximately 21% compared to equivalent quarter of 2007. This growth was driven by the growing number of clients active in the FX market: in the quarter under discussion this increased by 12% YOY.

The first quarter of 2008 was a period in which the Bank continued with the strategy of developing the internet platform dedicated to execution of FX transactions. Online Trading continues to be highly popular with clients interested in access to attractive prices and rich product offer for hedging FX risk exposure. Compared to the first quarter of 2007, the scale of FX trades executed via the platform increased by 153%. Moreover, the internet platform is proving to be an excellent tool for acquisition of new clients.

The first three months of this year were also a period in which the Bank continued to strengthen its position in the FX derivatives market. Trading in FX futures and options increased by over 23% compared to the first quarter of a year earlier. This growth was accompanied by over 21% growth in the

number of active clients. Clients ever more frequently take advantage of the futures and options transactions for the purpose of hedging their FX risk exposures.

The active securities portfolio management strategy – involving taking advantage of the good conditions prevailing on foreign bond markets – allowed the Bank to achieve high yields on that portfolio: PLN 26 million compared to PLN 10.4 million in equivalent period of 2007.

- *Corporate and Investment Bank*

In the corporate and investment banking business, the Bank delivers comprehensive and tailored financial services to Poland's largest corporates and selected medium-sized companies with strong capacity for growth as well as the largest financial institutions and public sector enterprises.

One common characteristic of the corporate banking clients is their need for advanced financial products and 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 on the Polish market and its cooperation within the global Citigroup structure.

As in the previous years, in the first quarter of 2008, the Bank continued to support its clients in their development and expansion as it provided them with financing and expanded its product offer. The Bank was particularly active in the derivatives market, where it closed a number of large-scale, innovative hedging transactions.

The Bank has maintained its position on the innovation leader on the increasingly competitive Polish financial market as it has continued to develop its product offer in all of the key areas of banking.

- *Commercial Bank*

Through the Commercial Bank we serve entities with annual revenue in excess of PLN 8 million and up to PLN 1 billion, corporates with global relations with Citigroup, self-government entities and courts.

In the first quarter of 2008, the Bank serviced accounts of approximately 7,700 clients, which means that taking into consideration enterprises solely (excluding public sector entities and global corporates) the Bank serves every fourth entity (the number of enterprises on the Polish market that meet above mentioned criterion amounts to 25 thousands).

The Bank serves this large and diverse group of clients through its new customer service model, which covers the following three main customer service segments: Small and Medium Enterprises (SMEs), Large Enterprises (Middle Market Enterprises or MMEs) and the Global Clients segment. The Commercial Bank also serves territorial self-government units (Public Sector) through the branch network.

Within the SME segment the Bank serves clients with annual sales of PLN 8 million to PLN 75 million, within the MME 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 (typically daughter companies of multinational corporations).

This organisational structure allows the Bank to provide companies of respective client segment with more individualised service and to achieve a better fit between its offering and the clients' broad product needs. The Bank has a network of 38 outlets dedicated to its Commercial Bank clients, grouped into 18 corporate centres located in the country's main commercial centres. Additionally, substantial part of its retail network is equipped to serve the corporate clients. In total, clients of that segment are served by over 120 branches throughout Poland.

Proactive approach to client acquisition and efficient execution of a number of acquisition campaigns, such as Online Trading or Supplier Financing Programs – which were addressed to selected groups of potential clients, allowed the Bank to acquire 259 new clients (approximately 70% of that number directly through the abovementioned marketing campaigns) in the first quarter of 2008.

Number of acquired Clients */

	Q1 2008	Q1 2007	Change	
			Amount	%
Number of clients/companies acquired in a given period	259	281	(22)	(8%)

*/ excluding Global Clients

What is also noteworthy is that as a result of the increased attention to client activation, the number of clients actively cooperating with the Bank rose by 20% between the first quarter of 2008 and the first quarter of 2007.

At the end of the first quarter of 2008, the Bank registered 22% raise in the Commercial Bank assets, compared to equivalent period a year earlier, whilst in the SME segment the growth reached 33% and in the Public Sector as much as 43%.

Total assets – dynamic loan portfolio growth

PLN m	Q1 2008	Q1 2007	Change	
			Amount	%
Total Commercial Bank	6,873	5,656	1,217	22%
Including:				
SMEs	929	700	229	33%
MMEs	1,665	1,290	375	29%
Public Sector	78	55	23	43%
Global Clients	3,405	3,003	402	13%

At the end of the first quarter of 2008, the Bank also registered 8% growth in the balances of current accounts and of term deposits, compared to equivalent period a year earlier, with the Public Sector growing by 71%, primarily as a result of the recently expanded transaction banking product offer (MicroPayments).

Total deposits – free cash balances on the client accounts growing

PLN '000	Q1 2008	Q1 2007	Change	
			Amount	%
Total Commercial Bank	13,808	12,814	993	8%
Including:				
SMEs	1,863	1,777	85	5%
MMEs	1,508	1,573	(65)	(4%)
Public Sector	1,461	854	607	71%
Global Clients	8,951	8,558	393	5%

With its unique distribution channel that the FX transacting platform (referred to as OLT) represents in market terms, the Commercial Bank in the first quarter of 2008 registered 29% growth in value of the FX transactions executed by its clients (excluding the Global Clients), with the SME segment alone growing by 53%.

Value of FX transactions */

<i>PLN m</i>	Q1 2008	Q1 2007	Change	
			Amount	%
Total Commercial Bank	8,043	6,222	1,821	29%
Including:				
SMEs	3,534	2,318	1,216	53%
MMEs	3,762	3,512	249	7%

*/ excluding Global Clients

Key initiatives of the first quarter of 2008

The Bank established a supplier finance program for Poland's leading hypermarket chain and acquired 13 new clients in the process.

In the MME segment the Bank entered a number of significant agreement for management of the client's funds, as a result of which the number of MMEs cooperating with the Bank in an active way increased by 11.

The Bank has undertaken a number of initiatives focusing on the corporate customer service model with the aim of maximising its corporate services platform efficiency along with its operational efficiency. One of these projects involves development of an integrated service platform for micro-enterprises and the firms with up to PLN 75 million turnover, which would enable comprehensive and dynamic cooperation with the SME segment.

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

In the first quarter of 2008, DMBH acted as an intermediary in nearly 12% of secondary equities trade transactions. In that period value of equities trade generated via DMBH on the Warsaw Stock Exchange (WSE) reached PLN 12,068 million (growth of 9% compared to the first quarter of 2007) while trading over the entire WSE market fell by 14% compared to equivalent period a year earlier.

The number of investment accounts maintained by DMBH reached 10,148 at the end of the first quarter of 2008.

One significant factor with bearing on DMBH's ability to generate results in the first quarter of 2008 were the relative high levels of trading persisting on both WSE as well as international capital markets (particularly in January: over PLN 103 billion on WSE), this in spite of unfavourable market trends (WIG index lost 13.7%).

Institutional investors continued to actively trade in the domestic equities market. It should be noted, however, that further dampening of sentiment on global financial markets can contribute to another wave redemptions of investment fund units (according to DMBH's estimations in March 2008 alone customers of investment funds redeemed PLN 1.8 billion worth of units and total of PLN 13 - 14 billion worth of units since the beginning of the year), which can result in weakening of activity of the domestic institutional investors.

In the reshuffle which took place between the WSE market issuers in the first quarter of 2008 led to signature of a new agreement for performance of the market maker function. The number of companies for which DMBH performs the task of the market maker places DMBH in the lead of the securities brokerage firms providing this function on WSE.

In January 2008 DMBH completed – as the lead arranger – the secondary public offering of Elektrobudowa S.A. D series shares (rights issue) of PLN 89.7 million. In February 2008 DMBH acted

on behalf of Goodyear in announcement of buyback of shares of FO Dębica S.A. The call closed with 82.87% oversubscription. The transaction value stood at PLN 101.7 million.

In March 2008, DMBH completed a merger related offer of Inter Cars S.A. G series shares of PLN 201.6 million addressed to shareholders of JC Auto S.A.

- *Handlowy-Leasing Sp. z o.o. (Handlowy-Leasing), a subsidiary*

The Company's product marketing activity brought net asset value (NAV) of the assets it leases to PLN 231 million at the end of the first quarter of 2008, which represented over 20% increase compared to equivalent period a year earlier.

Structure of assets in leasing in the first quarter of 2008 changed somewhat compared to that in the preceding year. It continues to be dominated by vehicles, which currently constitute over 72% of the portfolio's NAV. However, the share of these assets declined by 2.7% compared to the status in equivalent period a year earlier.

In keeping with the assumed development dynamic, in the first quarter of this year the Company was able to maintain the growth trend in NAV of the machinery and equipment segment assets in leasing. Active machinery leases at the end of the first quarter of 2008 exceeded PLN 64 million, compared to PLN 48 million in equivalent period a year earlier, which was near 34% growth. Private car financing exhibited high growth rate, with NAV of the leased assets reaching PLN 32.6 million at the end of the first quarter of 2008; representing over six fold growth over the NAV of that asset category at the end of the first quarter of 2007.

Leased assets value

PLN m	Q1 2008	Q1 2007	Change	
			PLN m	%
Value of leases contracted in the period	230.9	191.7	39.3	20.4%
- Vehicles	166.5	143.3	23.2	16.2%
- Machinery and equipment	64.3	48.1	16.2	33.7%

Compared to equivalent period a year earlier, in the first quarter of 2008, the number newly closed lease agreements increased by 38%.

2. Consumer Bank

- *Summary results*

PLN '000	Q1 2008	Q1 2007	Change	
			PLN '000	%
Net interest income	182,643	160,065	22,578	14%
Net fee and commission income	95,673	101,458	(5,785)	(6%)
Dividend income	-	9	(9)	nm
Net income on traded financial instruments and revaluation	8,310	7,538	772	10%
Net gain on debt investment securities	-	-	-	-
Net gain on equity investment instruments	-	-	-	-
Net other operating income	90	2,098	(2,008)	(96%)
Total income	286 716	271 168	15 548	6%

PLN '000	Q1 2008	Q1 2007	Change	
			PLN '000	%
General administrative expenses and depreciation	(216,771)	(194,635)	(22,136)	11%
Profit / (loss) on sale of tangible fixed assets	71	18	53	294%
Net impairment losses	(20,617)	(4,415)	(16,202)	nm
Share in profits / (losses) of undertakings accounted for under the equity method	-	-	-	-
Profit before tax	49,399	72,136	(22,737)	(32%)
Cost / Income	76%	72%		

The main factors that determined the gross profit of Consumer Bank in the first quarter of 2008 as compared to the corresponding period of 2007:

- net interest income, which continued strong growth as compared to the corresponding period of the previous year, resulting mainly from volume growth in the credit cards and cash loan portfolios, which was partially offset by a reduction in the interest rates charged and increase of interest expenses caused by rising savings account portfolio,
- Net fee and commission income declined as compared to the first quarter of 2007 due to a decrease in sales of insurance and investment products as a result of an unfavourable situation in financial markets; net fee and commission income for other products shows positive dynamics,
- Higher expenses caused by an increase in remuneration costs both fixed and variable (related to good sales of credit cards and cash loans). Additionally, the first quarter of 2008 results include a one-off write-off of PLN 13 due to employment restructuring provision,
- Increase in net impairment losses caused by IBNR charge increase resulting from growth in consumer products portfolios as well as an increase in the share of irregular loans in the portfolio. Moreover, the standardization of impairment prerequisites for portfolios of similar risk characteristic also had a significant influence on the increase in level of provisions.

a) Credit Cards

In the first quarter of 2008 the Bank acquired nearly 68,000 new credit cards, bringing total number of credit cards issued by the Bank at the end of March to over 866,000. The Bank retained its unquestionable market leadership in terms of card transaction value and customer debt balance while the Citibank Credit Cards remained the most frequently used cards in the market.

The first quarter 2008 was a period of dynamic growth of the portfolio of co-branded cards. In it the Bank acquired a record number of over 25,000 Citibank-BP Credit Cards, thus increasing the portfolio of these cards to over 190,000. Sales of Citibank-Plus and Citibank-LOT Credit Cards, which were brought to the market last year, also grew at a fast rate. Summary portfolio of both these co-branded cards amounts to over 85,000. The Bank has its strengthened position of leadership in the Polish co-branded cards market.

In February the Bank commenced a joint promotional campaign with BP aimed at encouraging acquisition of BP MotoCards and registration in the BP Partnerclub loyalty program. As part of the campaign, representatives of the Bank conduct active sales of cards through over 140 BP petrol stations.

At the end of March, Citibank Credit Cards Discount Program was joined by additional partners. At present, it includes over 2,700 vendor establishments throughout Poland, in which all holders of Citibank Credit Cards can receive discounts of up to 50% on purchases made with their cards.

b) Other Consumer Bank Products

- *Bank Accounts*

As at 31 March 2008, the number current accounts denominated in Polish zloty reached 337,000, which represented over 46% increase compared to the status at the end of the first quarter of 2007.

In the first quarter of 2008, the Bank concentrated its efforts on development of the bank accounts product offer.

1 January 2008, the Bank launched Citigold Global Access, a new service that adds substantial flexibility to servicing and use of the Citigold account. The service is available in over 500 Citigold Centres in 34 countries of the world and allows Citigold Clients easy and cost-free execution of transactions abroad.

In January 2008 the Bank changed interest on the Citibank Savings Accounts to 5.05%, which further contributed to growth of its deposit base: at the end of the first quarter of 2008 funds collected on Citibank Savings Accounts increased by nearly PLN 1 billion or by 56% compared to the end of the fourth quarter of 2007, and reached nearly PLN 2.7 billion. At the same time, the number of these accounts increased by 47% and exceeded 75,000 at the end of March 2008. The Bank staff were called upon to share their expertise in the field of savings, among others, as they supported the Radio Zet organised debate entitled Keep the Change (*Reszta dla Ciebie*), which promoted the Bank unique service with the same name.

The first quarter of the year also saw continuation of special promotions of personal accounts conducted for the purpose of acquiring customers who would have their salary transferred to the Bank: the CitiAccount Plus promotion and the CitiOne Direct promotion, which included the Kaspersky antivirus software license (offered free for one year).

The Bank has also relaunched attractive unit-linked deposit offers. Of particular benefit for the customers is the promotional offer (which lasts to the end of June 2008) combining the Global Investment Portfolio and the Investment Funds Portfolio with a uniquely high interest bearing deposit: either a 3-month Polish zloty deposit with 12% annual interest or a 6-month Polish zloty deposit bearing 9% annual interest.

In the first quarter of 2008, the Bank registered substantial growth of interest in Citibank Global Transfers (CGT) to Poland. These are rapid transfers from Citibank outlets abroad to Citi Handlowy. The service is available in 21 countries. Compared to the fourth quarter of 2007, the number of CGT transfers increased by 38% while the balance of acquired funds increased by 28%.

On 1 March 2008 Citi Handlowy launched an innovative new service named Send Cash (*Wyślij gotówkę*). The Bank's customers can now order mail delivery of cash to a chosen recipient anywhere in Poland. The cash will be delivered by a letter carrier directly to the recipient. The Send Cash service order in no way differs from a regular transfer order, which can be placed by contacting the CitiPhone line, visit to any Citi Handlowy branch or via the Citibank Online internet banking (the service can be internet activated as of mid-April).

All of the Citigold branches and the Investment Centre began offering brokerage services, including acceptance and transfer of securities buy and sell orders.

In the 12th edition of the EUROPRODUKT competition, Citi Handlowy was awarded six statuettes for the most innovative products in the European market, including its Keep the Change Savings Program and its offer addressed to Polish expatriates and their relations in the country.

- *Credit Products*

Cash Loan

In February 2008 all of the Bank's retail distribution channel began offering the new CitiFinancial Cash

Loan. The key features of the product include: high loan amount – of up to PLN 120,000; lending period of up to seven years; rapid loan decision; and possibility of loan disbursement in any branch. In parallel to launch of the product, the Bank also implemented its optimised sales model and the loan decision and verification support systems. The product is addressed to a broad target group and was developed through harmonisation of the unsecured Cash Loan previously available in CitiFinancial outlets and the brokerage channel, which primarily serves the Consumer Finance segment, and the Citibank Loan previously available through the Citi Handlowy retail outlets, which was offered to customers with above national average incomes. The product harmonisation effort focused on launching a uniform offer in all of the distribution channels of the Bank, one tailored to the needs and expectations of customers and on broadening of the target market. The new offer combines the best features of its precursors and takes advantage of the modern credit scoring model, which permits further improved management of the risk relating to a given customer profile.

Between 20 February and 16 March the Bank carried out a nationwide media campaign promoting a new consolidation loan offer. Its lead slogan stated: Good bye to instalments – welcome to cash. The campaign supported marketing of this loan product which is aimed at repayment of debts to other banks, as a result of which the customer can pay a single, lower instalment with Citi Handlowy and receive additional cash.

Credit Lines

The Bank continued to promote the Citibank Credit Line by waiving the annual fee in the first year of use and decided to extend this promotion to the end of April 2008.

In the first quarter of 2008 the Bank introduced certain modifications to documentation of the Secured Credit Line so as to tailor it to customer expectations in respect of product features (e.g. changes to the collateral, changes to the loan amount cap). Implementation of the modified documentation is expected to improve the quality of customer service processes and to translate into heightened customer satisfaction.

Mortgage Products

In the area of mortgage products the Bank continued to pursue its Open Architecture strategy, meaning that it includes in its offer both proprietary mortgage products (the housing loan granted for the purchase property on the secondary market or for repayment of a mortgage loan and the mortgage secured cash loan granted for repayment of the customer's debts or any other purpose) and mortgage products of selected external partners (Dombank, Nykredit i.e. of banks which specialise exclusively in mortgage products). The Open Architecture strategy provides for meeting the customers' needs and expectations in the best possible way. Through it the customer is provided with a product that best fits their expectations. The Bank plans to continue with the Open Architecture strategy into the future: to maintain own products and to cooperate with external partners.

- *Investment and Insurance Products*

Investment Products

In the course of the first three months of 2008 the Bank added to its offer of investment funds 13 fund products, thus bringing their total number to 130. The new products are foreign funds managed by reputable firms: Franklin Templeton and BlackRock Merrill Lynch. Worth noting is the inclusion in the offer of the first foreign fund in PLN secured against exchange rate differences. From the very beginning the Bank cooperated with representatives of the investment funds industry and fund managers in Poland and abroad, and provided intensive training for its advisers on the investment products in the Bank's offer supported through regular meetings held in the branches and via teleconferencing.

Additionally, we organised for our customers a series of seminars devoted to the topic of funds, their investment strategies and the problem of diversifying assets. The meetings were conducted by product specialists and fund managers.

In the course of the first quarter of the year, the Bank organised subsequent Investment Life Insurance issues:

- Two Agricultural Products and Water subscriptions. Bonus the customer is entitled to at the end of the insurance coverage period depends on value growth of the basket, which is comprised of futures contracts for delivery of agricultural commodities (wheat, corn, soybean) and S&P Global Water Index EUR (an index based on shares of 50 leading and largest companies involved in water related businesses).
- The first Gold and Platinum subscription. Bonus here is dependant on performance of gold and platinum prices.

Investment Life Insurance was offered in a promotional offering together with a term deposit: 6% in case of a 6-month deposit, 7% in case of a 3-month deposit.

Also, customers received an offer of 24 structured bonds. The bonds were offered in PLN, USD and EUR for periods of between 1 year and 5 years and were linked to various indices (CECE index, WIG20 index, iShares MSCI Brazil index) and prices of goods (basket of agricultural products, crude oil) and currencies (BRIT – Indian rupee, Brazilian real, Russian ruble, Turkish lira).

Insurance Products

In the first quarter of 2008, the Bank concentrated on development of the product offer in the field of insurance products and insurance and investment solutions for individuals.

Since 10 January 2008 holders of Investment Portfolios are able to change their insurance policy agreements into Global Investment Portfolio agreements. Such a change permits customers to invest into 15 different foreign fund products which were added to the Global Investment Portfolio on 10 April 2007.

On 17 January the Bank launched a new offer linking Global Investment Portfolio and Foreign Funds Portfolio products with term deposits. Customers who buy these products by 30 June 2008 have the possibility of opening a 3-month deposit with preferential interest of 12% a year. Under the offer customers can also open a 6-month deposit at 9% interest a year.

As of 31 January 2008, 23 new funds were added to the EUR/USD Foreign Funds Portfolio, including 11 funds of Schroder Investment Management, a new investment funds company. With the enriched offer, our customers can now invest into 26 fund products of the USD Foreign Funds Portfolio and another 23 of the EUR Foreign Funds Portfolio.

As of 19 February, the Bank introduced new life insurance policies linked with insurance equity funds referred to as the Investment Program Plus. This is an insurance policy with regular contributions, under which customers have the opportunity of investing into 45 funds, including 15 foreign funds. There is no obligation of withholding capital gains tax at transfers between funds. The insurance policy guarantees reimbursement of the paid up capital in case of death of the insured party. The insurer is AEGON TU na Życie S.A.

- *Electronic Banking*

The number of users of the Online Account Statement (electronic version of account statements from Citibank Personal Account and Citibank Credit Card) continues to increase. As at the end of the first quarter of 2008, the number of customers using that service exceeded 170,000, which represents 30% QOQ growth. Whereas, the number of users who registered on to the new version of the Citibank Online internet banking service increased in the course of the first quarter by 34%, and presently exceeds 210,000. These high results were achieved through numerous marketing campaigns conducted via internet and telephone channels, among others, the More Trees Thanks to You (*Więcej drzew dzięki Tobie*), in which Citi Handlowy funds purchase and planting of one tree on behalf of each customer who chooses the Online Account Statement service. Marketing of Online Account Statements also

increased as a result of the Great E-statement Revolution competition conducted among the CitiPhone employees.

In March 2008 the Bank implemented a new functionality available via the investment fund transaction supporting Citibank Online platform. This functionality allows retail customers to execute transfers to accounts of selected domestic investment fund companies via the internet. Citibank Online also provides access to transaction history.

c) CitiBusiness Micro-Company Banking

In the first quarter of 2008 CitiBusiness maintained a robust rate of growth. It proceeded with implementation of product offer expansion in a consistent manner. In January CitiBusiness added the Corporate Savings Account, offering one of the most attractive interest rates in the market. In February the offer was enriched with the Omnibus credit line, which enables quicker and easier issuance of bank guarantees. In March it was further enriched with the prepaid charge cards: an ideal tool in employee and counterparty award and incentive programs of our clients.

In parallel to development of the product offer, the Bank conducted marketing activities: in January CitiBusiness together with the Corporate Bank it organised a campaign entitled What You Do is Your Business (*To co robisz, to Twój biznes*), with broad visibility in Poland's largest newspapers and radio stations. The Corporate Savings Account was broadly promoted via the internet. In the first quarter of 2008 CitiBusiness introduced a series of developments which facilitate customer service, making it even more effective. These included, among others: shortened application documentation, replacement of mail with electronic communications, various promotional programs. The terms of cooperation with Handlowy-Leasing S.A. were also altered. The newly introduced solution enabled more efficient operation and led to increase in the number of closed leasing agreements.

Month by month more CitiBusiness accounts are being established. In the month of March alone over 500 such accounts were opened, a record number in the history of CitiBusiness.

Products and development of CitiBusiness were highly rated and received many awards and distinctions in the discussed period. Together with the Corporate Bank CitiBusiness was awarded the Entrepreneur Friendly Bank trademark. The ranking list of the Kurier Finansowy magazine singled out the accounts offered by CitiBusiness as the best in their class: CitiBusiness products took three out of the four top positions. The ranking assessed offers of 10 banks. Of equal stature was the EUROPRODUKT award, which CitiBusiness received in February for its recently launched Credit Cards.

2. Branch network

At the end of the first quarter of 2008 the network of Bank branches comprised of 239 outlets and included Corporate Bank branches and Consumer Bank branches as well as those operating under the CitiFinancial brand. The CitiFinancial outlets include 15 which are the CitiFinancial authorised service outlets, at which clients can submit applications for cash loan offered by the Bank. In the course of the first quarter of 2008 the network of the CitiFinancial authorised service outlets grew by 3: in Chojnice, Szczecinek and Lębork. At present, the network of branches operating under the CitiFinancial brand includes 115 outlets, including 100 own branches.

The Bank also provides its customers and clients with a network of 162 own ATMs, of which 152 have the deposit function. Our customers can also withdraw cash free-of-charge from independent ATM networks Bankomat 24/Euronet Sp. z o.o. and eCard as well as from all the CitiShare ATMs worldwide.

In the first quarter of 2008 the Bank continued working on the One Branch Network project. The project tasks included test selling of personal accounts via 14 selected CitiFinancial outlets, which had until then focused exclusively on servicing loan products.

Within the framework of the Branch Network Optimisation Project, 2 retail outlets – in Zabrze at 254

Wolności street and in Zielona Góra at 15 Żeromskiego street – were expanded and reopened to the public.

Number of branches as at period end

	Q1 2008	Q1 2007	Change
Number of outlets:	239	236	+3
Retail Bank	86	86	No change
Multifunctional outlets	71	72	(1)
CitiGold Wealth Management	14	13	+1
Investment Centre	1	1	No change
- of which serving Corporate Bank clients	84	13	+71
CitiFinancial	115	111	+4
Branches	100	99	+1
Agencies (partner outlets operating under the CitiFinancial logo)	15	12	+3
Corporate Bank	38	39	(1)
- of which serving Retail Bank customers	38	30	+8
Other sales / customer service outlets:			
Mini-branches (within “Citibank at work”)	6	1	+5
BP petrol station sales points	131	47	+84
Supermarket stands	3	6	-3
Number of own ATMs	162	154	+8
- including those with the deposit function	152	154	-2

In summary, as at the end of the first quarter of 2008:

- Corporate Bank clients were served by 122 outlets
- Retail Bank customers were served by 124 outlets; and
- CitiFinancial customers were served by 115 outlets.

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

- in Poland:
 - over 1,300 ATMs of the Bankomat 24/Euronet Sp. z o.o. network; and
 - over 250 ATMs of the e-Card network, including 11 “Citibank at Work” e-Card ATMs
- 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 first quarter of 2008.

10. Paid or declared dividends

Declared dividends

On 18 March 2008 the Management Board of the Bank – predominating unit, adopted a Resolution proposing the distribution of 2007 Bank profit. The Management Board of the Bank proposed to pay out PLN 687,269,496.00 as a dividend. This proposal means that the dividend per one ordinary share amounts to PLN 5.26. The date of determination of the right to the dividend was designated as 4 July 2008 and the date of dividend payment as 29 August 2008. The resolution will be considered and approved by the Supervisory Board of Directors and will be submitted to the General Meeting of Shareholders for approval.

Dividends paid

In January 2008 the Management of Handlowy-Leasing Sp. z o.o., dependent company to the Bank, adopted a resolution regarding advance payment on account of forecasted dividend in amount PLN 24,279 thousand in 2008 for shareholders from spare capital resources. Advance payment of dividend has been paid out according to owned number of participation to Bank Handlowy w Warszawie S.A. in amount PLN 23,664 thousand and to Handlowy Inwestycje Sp. z o.o. in amount PLN 615 thousand. In fund financial report of the Group amount of paid out advance payment of dividend is liable to consolidation's exceptions.

11. Changes in the Group's structure

In the first quarter 2007 non-current assets held-for-sale include two Bank's own property, that fulfils the requirements of IFRS 5 and therefore was reclassified to this group from fixed tangible assets.

Mentioned assets of the Group are presented in Balance sheet as "Financial assets and liabilities held for trading".

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

As at 31 March 2008 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 31 March 2008 in relation to the end of 2007 there weren't significant changes in range of conditional off-balance sheet commitments

The off-balance sheet commitments are as follows:

<i>In thousand of PLN</i>	31/03/2008	31/12/2007
<i>Contingent liabilities</i>		
Granted liabilities		
a) financial	11,226,933	11,192,715
<i>Import letters of credit issued</i>	196,817	146,673
<i>Lines of credit granted</i>	10,885,755	10,874,042
<i>Deposits to be distributed</i>	49,361	-
<i>Subscription of securities granted to other issuers</i>	95,000	172,000
b) guarantees	2,104,214	2,172,079
<i>Guarantees granted</i>	2,099,058	2,158,948
<i>Export letters of credit confirmed</i>	5,156	13,131
	13,331,147	13,364,794

<i>In thousand of PLN</i>	31/03/2008	31/12/2007
Liabilities received		
a) financial	-	50,000
<i>Deposits granted</i>	-	50,000
b) guarantees	2,542,582	2,573,703
<i>Guarantees received</i>	2,542,582	2,573,703
	2,542,582	2,623,703
Current off-balance sheet transactions*	7,195,240	1,287,297
Forward off-balance sheet transactions**	531,417,280	525,508,982
	554,486,249	542,784,776

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

** Derivatives: FX, interest rate transactions and options

14. Achievement of 2008 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2008.

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 first quarter of 2008 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 1,100 million.

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

and court proceedings with the participation of the Bank concerning enforcement of clause of feasibility to Bank executive title . 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.	44,732	On 22 June 2001, the court declared the debtor bankrupt.	The Bank submitted its receivables to the proceedings. Case pending.

In the first quarter 2008, 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.

In the first quarter 2008 the total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities hasn't exceeded 10% of the Bank's equity capital

18. Information about significant transactions with related entities

In the first quarter of 2008, the Bank and its subsidiaries did not enter into any transactions with related entities, which were on non-market terms. Transactions with related entities result from the ongoing operating activities of the Bank and its subsidiaries.

In March 2008 Bank signed with Citibank, N.A. London Branch; Citibank, N.A. New York; Citigroup Global Markets Limited London; Citigroup Global Markets Inc.; Citibank Na Singapore; Citicorp North

America Inc; Citigroup Inc; Citigroup Management Corp; Citibank Belgium SA; Citibank Intl Plc Belgium; Citibank Plc France, companies affiliated to Citibank N.A., the sole shareholder of Citibank Overseas Investment corporation which is a majority shareholder of the bank, Amendment no 4 to the Agreement dated 27 April 2004 concerning services related to advisory support of day-to-day banking activities.

In Amendment no 4 the parties agreed that the payment for 2006, entirely and finally reconciled on the basis of actual costs incurred, amounted to USD 7,122 thousand.

19. Information about guarantee agreements

At the end of the first quarter of 2008, 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. Other important information

Personal changes in the Bank in the first quarter of 2008.

On 19 March 2008 Mrs Lidia Jabłonowska-Luba who was member of the Management Board, has resigned from the function in Management Board – Financial Director of the Bank from 31 March 2008.

On 21 March 2008 Mr Witold Zielinski Vice-chairman of Management Board of the Bank was assigned to the function of Financial Department Chef – Financial Director of the Bank. Mr Witold Zielinski will assume office as soon as he obtain the acceptance of the Polish Financial Supervision Authority. From 1 April 2008 Mr Witold Zieliński has taken up the responsibilities of Financial Department Chef - Financial Director of the Bank.

21. 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:

- Increase in disposable household incomes resulting from improved labour market condition and reduced tax wedge, which can translate into increased savings among the Bank's customers;
- Increased volatility in the financial markets, which can lead to increased averseness to risk among households and lesser propensity to use capital market related investment instruments;
- Rapid strengthening of the Polish zloty exchange rate, mounting pay raise pressures and weaker labour productivity improvements can contribute to deterioration of the competitive position of part of the companies operating on foreign markets; significance of this factor can increase in the event of an economic slowdown in the Eurozone, which can lead to decrease in foreign demand for Polish exports;
- Previous and the possible future interest rate increases enacted by the Monetary Policy Council, which can lead to market rate increases; and
- Possible continued volatility in the financial markets driven by development of the sub-prime credit market crisis, which can lead to increased Polish zloty exchange rate fluctuations.

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

<i>In thousands of PLN</i>	I quarter growing period from 01/01/08 to 31/03/08	I quarter growing period from 01/01/07 to 31/03/07
Interest and similar income	527,579	450,495
Interest expense and similar charges	(215,789)	(170,398)
Net interest income	311,790	280,097
Fee and commission income	175,006	191,984
Fee and commission expense	(17,345)	(24,220)
Net fee and commission income	157,661	167,764
Dividend income	23,664	9
Net income on financial instruments and revaluation	123,907	104,337
Net gain on investment (deposit) securities	25,963	10,433
Net gain on investment (capital) instruments	-	6,665
Other operating income	26,794	24,772
Other operating expenses	(9,892)	(9,412)
Net other operating income	16,902	15,360
General administrative expenses	(372,282)	(337,429)
Depreciation expense	(25,146)	(28,084)
Profit / (loss) on sale of tangible fixed assets	671	(848)
Net impairment losses	(16,545)	16,946
Profit before tax	246,585	235,250
Income tax expense	(46,021)	(48,253)
Net profit	200,564	186,997
Weighted average number of ordinary shares	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	1.54	1.43
Diluted net profit per ordinary share (in PLN)	1.54	1.43

Balance sheet of the Bank – parent company

<i>In thousands of PLN</i>	31/03/2008	31/12/2007
ASSETS		
Cash and balances with central bank	1,185,289	3,321,503
Financial assets held for trading	5,302,238	5,132,265
Debt securities available-for-sale	6,610,439	6,467,638
Equity investments	301,649	302,321
Loans and advances	20,465,954	20,309,005
<i>to financial sector</i>	8,381,196	8,910,556
<i>to non-financial sector</i>	12,084,758	11,398,449
Property and equipment	588,252	601,088
<i>land, buildings and equipment</i>	563,060	576,060
<i>investment property</i>	25,192	25,028
Intangible assets	1,282,904	1,282,811
Income tax assets	377,278	368,497
Other assets	194,557	210,588
Non-current assets held-for-sale	12,645	12,645
Total assets	36,321,205	38,008,361
LIABILITIES		
Financial liabilities held for trading	4,391,212	4,373,146
Financial liabilities valued at amortized cost	25,473,040	27,443,267
<i>deposits from</i>	25,012,053	27,001,251
<i>financial sector</i>	3,803,103	7,243,219
<i>non-financial sector</i>	21,208,950	19,758,032
<i>other liabilities</i>	460,987	442,016
Provisions	62,503	35,331
Income tax liabilities	39,601	93,351
Other liabilities	655,006	587,188
Total liabilities	30,621,362	32,532,283
EQUITY		
Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(159,250)	(182,451)
Other reserves	1,382,238	1,382,238
Retained earnings	1,009,632	809,068
Total equity	5,699,843	5,476,078
Total liabilities and equity	36,321,205	38,008,361

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 2007	522,638	2,944,585	(81,501)	1,297,175	621,667	5,304,564
Valuation of financial assets available-for-sale	-	-	(7,375)	-	-	(7,375)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(10,433)	-	-	(10,433)
Deferred income tax on valuation of financial assets available-for-sale	-	-	3,384	-	-	3,384
Net profit	-	-	-	-	186,997	186,997
Closing balance as at 31 March 2007	522,638	2,944,585	(95,925)	1,297,175	808,664	5,477,137
	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2008	522,638	2,944,585	(182,451)	1,382,238	809,068	5,476,078
Valuation of financial assets available-for-sale	-	-	54,606	-	-	54,606
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(25,963)	-	-	(25,963)
Deferred income tax on valuation of financial assets available-for-sale	-	-	(5,442)	-	-	(5,442)
Net profit	-	-	-	-	200,564	200,564
Closing balance as at 31 March 2008	522,638	2,944,585	(159,250)	1,382,238	1,009,632	5,699,843

Summary statement of cash flows of the Bank – parent company

<i>In thousands of PLN</i>	I quarter growing Period from 01/01/08 to 31/03/08	I quarter growing Period from 01/01/07 to 31/03/07
Cash at the beginning of reporting period	3,741,447	1,304,621
Cash flows from operating activities	(598,080)	38,587
Cash flows from investing activities	18,518	(13,122)
Cash flows from financing activities	(17,491)	(17,686)
Cash at the end of reporting period	3,144,394	1,312,400
Increase / Decrease in net cash	(597,053)	7,779

**Notes to the Interim Abbreviated Financial Statements of Bank Handlowy w Warszawie S.A.
("the Bank") for the first quarter of 2008**

The abbreviated interim financial statements of the Bank for the first quarter of 2008 have been prepared in accordance with accounting principles adopted and summarized in the financial statement of the Bank for the reporting period ending on 31 December 2007.

The notes to these interim consolidated financial statements for the first quarter of 2008 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 first quarter of 2008 is presented below.

The Bank's financial results

In first quarter 2008 Bank has generated profit before tax of PLN 247 million, that means growth about PLN 11 million (i.e. 4.8%) relatively to analogous period of previous year. In the same period increment has amounted to net PLN 201 million, that means growth about PLN 14 million (i.e. 7.3%) relatively to first quarter 2007 year.

Both, in first quarter 2008 and in 2007 there were significant one-time events, which had an impact on the Bank's results.

In first quarter 2008 was created reserve on restructuring of employment to weight of cost of operation of bank and to weight of cost of general management in amount PLN 30 million. Moreover, income amounting to PLN 7 million from sell of Stalexport S.A. shares was recorded in first quarter 2007.

Provided above transactions are excluded, the growth of the profit before tax for first quarter 2008 compared to first quarter 2007 amounted to PLN 48 million (i.e. 21%), whereas growth of the net profit was PLN 43 million (i.e. 24%).

The factors that determined the net profit of the Bank in first quarter 2008 were: increase of interest and fee and commission income by PLN 22 million (i.e. 4.8%), growth of dividend income by PLN 24 million, increase of income on financial instruments (traded financial instruments and revaluation, debt securities and investments equity) jointly by PLN 28 million (i.e. 23.4%), growth of general administrative expenses and depreciation expense jointly by PLN 31.9 million (i.e. 8.7%), and increase of net write offs by PLN 33 million.

The consolidated quarterly report for the first quarter of 2008 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

Signature of the Vice President of the
Management Board

Date and signature
08.05.2008

Date and signature
08.05.2008