



INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE THIRD QUARTER 2011

NOVEMBER 2011

SELECTED FINANCIAL DATA	PLN '000			EUR '000***
	Third quarter accruals period from 01.01.11 to 30.09.11	Third quarter accruals period from 01.01.10 to 30.09.10	Third quarter accruals period from 01.01.11 to 30.09.11	Third quarter accruals period from 01.01.10 to 30.09.10
Data related to the condensed consolidated financial statements				
Interest income	1,415,660	1,486,563	350,298	371,390
Fee and commission income	570,310	549,084	141,120	137,178
Profit before tax	647,522	703,063	160,226	175,647
Net profit	515,333	560,006	127,517	139,907
Total income	484,035	641,468	119,772	160,259
Increase of net cash	(1,267,095)	(2,034,801)	(313,536)	(508,357)
Total assets*	38,194,396	37,517,540	8,658,505	9,473,409
Financial liabilities valued at amortized cost*	26,433,364	27,308,344	5,992,330	6,895,524
Shareholders' equity	6,226,455	6,349,405	1,411,510	1,592,527
Share capital	522,638	522,638	118,480	131,086
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	47.65	48.60	10.80	12.19
Capital adequacy ratio (%)*	16.53	18.81	16.53	18.81
Earnings per ordinary share (PLN / EUR)	3.94	4.29	0.98	1.07
Diluted net earnings per share (PLN / EUR)	3.94	4.29	0.98	1.07
Data related to the condensed unconsolidated financial statements				
Interest income	1,391,972	1,462,435	344,437	365,362
Fee and commission income	497,292	493,796	123,052	123,366
Profit before tax	636,965	690,467	157,614	172,500
Net profit	508,771	552,111	125,893	137,935
Total income	474,222	634,433	117,344	158,501
Increase of net cash	(1,290,191)	(2,034,971)	(319,251)	(508,400)
Total assets*	37,050,031	36,701,673	8,399,082	9,267,397
Financial liabilities valued at amortized cost*	26,031,261	26,943,235	5,901,175	6,803,332
Shareholders' equity	6,146,152	6,277,284	1,393,306	1,574,438
Share capital	522,638	522,638	118,480	131,086
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	47.04	48.04	10.66	12.05
Capital adequacy ratio (%)*	16.45	18.72	16.45	18.72
Earnings per ordinary share (PLN / EUR)	3.89	4.23	0.96	1.06
Diluted net earnings per share (PLN / EUR)	3.89	4.23	0.96	1.06
Declared or paid dividend per share (PLN / EUR)**	5.72	3.77	1.30	0.95

* Comparable data according to balance sheet as at 31 December 2010.

** The presented ratios are related to dividend paid in 2011 from the distribution of 2010 profit and dividend paid in 2010 from the distribution of 2009 profit.

*** The following exchange rates were applied to convert PLN to EUR: for the balance sheet - NBP average exchange rate as at 30 September 2011 - PLN 4.4112 (as at 31 December 2010: PLN 3.9603; as at 30 September 2010 - PLN 3.9870); for the income statement and cash flow - the arithmetic mean of NBP end-of-month exchange rates in the first, second and third quarter 2011 - PLN 4.0413 (in the first, second and third quarter 2010: PLN 4.0027).

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Condensed consolidated income statement

<i>PLN '000</i>	Third quarter period from 01.07.11 to 30.09.11	Third quarter accruals period from 01.01.11 to 30.09.11	Third quarter period from 01.07.10 to 30.09.10	Third quarter accruals period from 01.01.10 to 30.09.10
Interest and similar income	486,754	1,415,660	496,679	1,486,563
Interest expense and similar charges	(130,233)	(363,850)	(117,782)	(360,804)
Net interest income	356,521	1,051,810	378,897	1,125,759
Fee and commission income	183,576	570,310	187,221	549,084
Fee and commission expense	(27,694)	(77,116)	(23,677)	(68,694)
Net fee and commission income	155,882	493,194	163,544	480,390
Dividend income	31	5,688	70	5,916
Net income on trade financial instruments and revaluation	92,183	222,862	72,805	229,450
Net gain on debt investment securities	7,600	18,934	44,814	102,506
Net gain on capital investment instruments	-	-	-	2,516
Other operating income	6,281	28,692	16,883	52,319
Other operating expenses	(10,186)	(28,669)	(9,916)	(42,101)
Net other operating income	(3,905)	23	6,967	10,218
General administrative expenses	(343,812)	(1,029,371)	(332,558)	(976,619)
Depreciation expense	(15,257)	(44,459)	(15,025)	(47,562)
Profit/(loss) on sale of tangible fixed assets	(153)	2,123	(50)	(267)
Net impairment losses	(16,482)	(73,795)	(63,275)	(229,458)
Operating income	232,608	647,009	256,189	702,849
Share in net profits/(losses) of entities valued at equity method	197	513	372	214
Profit before tax	232,805	647,522	256,561	703,063
Income tax expense	(50,092)	(132,189)	(45,925)	(143,057)
Net profit	182,713	515,333	210,636	560,006
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net earnings per share (in PLN)		3.94		4.29
Diluted net earnings per share (in PLN)		3.94		4.29
Including:				
Net profit due to shareholders of the dominant entity		515,333		560,006
Net profit due to non-controlling shareholders		-		-

Condensed consolidated statement of comprehensive income

<i>PLN '000</i>	Third quarter period from 01.07.11 to 30.09.11	Thirdquarter accruals period from 01.01.11 to 30.09.11	Third quarter period from 01.07.10 to 30.09.10	Third quarter accruals period from 01.01.10 to 30.09.10
Net income	182,713	515,333	210,636	560,006
Other comprehensive income:				
Valuation of financial assets available-for-sale (net)	(54,851)	(34,316)	4,228	82,322
Exchange rate differences	2,874	3,018	(1,124)	(860)
Other comprehensive income after tax	(51,977)	(31,298)	3,104	81,462
Total comprehensive income	130,736	484,035	213,740	641,468
Including:				
Comprehensive income due to shareholders of the dominant entity		484,035		641,468
Comprehensive income due to non-controlling shareholders		-		-

Condensed consolidated balance sheet

<i>PLN '000</i>	State as at	30.09.2011	31.12.2010
ASSETS			
Cash and balances with the Central Bank		1,509,331	3,206,554
Financial assets held-for-trading		5,095,901	3,995,916
Debt securities available-for-sale		13,812,594	13,029,254
Capital investments valued at equity method		56,780	56,332
Other capital investments		25,116	23,949
Loans, advances and other receivables		14,646,658	14,543,248
from financial sector		1,631,566	2,949,839
from non-financial sector		13,015,092	11,593,409
Tangible fixed assets		476,136	475,373
property and equipment		457,828	457,065
investment property		18,308	18,308
Intangible assets		1,289,171	1,285,757
Income tax assets		387,083	321,669
current		136,268	75,298
deferred		250,815	246,371
Other assets		885,725	569,587
Fixed assets held-for-sale		9,901	9,901
Total assets		38,194,396	37,517,540
LIABILITIES			
Financial liabilities held-for-trading		4,223,162	2,804,437
Financial liabilities valued at amortized cost		26,433,364	27,308,344
deposits		25,455,194	26,430,223
from financial sector		7,396,136	6,007,190
from non-financial sector		18,059,058	20,423,033
own issue liabilities		24,303	11,533
other liabilities		953,867	866,588
Provisions		39,543	32,240
Income tax liabilities		390	-
Other liabilities		1,271,482	879,584
Total liabilities		31,967,941	31,024,605
EQUITY			
Share capital		522,638	522,638
Share premium		3,009,396	3,031,149
Revaluation reserve		(79,164)	(44,848)
Other reserves		2,264,006	2,248,707
Retained earnings		509,579	735,289
Total equity		6,226,455	6,492,935
Total liabilities and equity		38,194,396	37,517,540

Condensed consolidated statement of changes in equity

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
Balance as at 1 January 2011	522,638	3,031,149	(44,848)	2,248,707	735,289	-	6,492,935
Total comprehensive income	-	-	(34,316)	3,018	515,333	-	484,035
Valuation of capital rewards program, including:	-	-	-	(3,142)	-	-	(3,142)
valuation change	-	-	-	(6,336)	-	-	(6,336)
deferred income tax	-	-	-	3,194	-	-	3,194
Dividends paid	-	-	-	-	(747,373)	-	(747,373)
Transfer to capital	-	(21,753)	-	15,423	6,330	-	-
Balance as at 30 September 2011	522,638	3,009,396	(79,164)	2,264,006	509,579	-	6,226,455

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
Balance as at 1 January 2010	522,638	3,030,546	(81,026)	2,225,712	501,519	-	6,199,389
Total comprehensive income	-	-	82,322	(860)	560,006	-	641,468
Valuation of capital rewards program, including:	-	-	-	1,135	-	-	1,135
valuation change	-	-	-	2,536	-	-	2,536
deferred income tax	-	-	-	(1,401)	-	-	(1,401)
Dividends paid	-	-	-	-	(492,587)	-	(492,587)
Transfer to capital	-	603	-	27,851	(28,454)	-	-
Balance as at 30 September 2010	522,638	3,031,149	1,296	2,253,838	(19,522)	-	6,349,405

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
Balance as at 1 January 2010	522,638	3,030,546	(81,026)	2,225,712	501,519	-	6,199,389
Total comprehensive incomes	-	-	36,178	(1,061)	754,811	-	789,928
Valuation of capital rewards program, including:	-	-	-	(3,795)	-	-	(3,795)
valuation change	-	-	-	(2,581)	-	-	(2,581)
deferred income tax	-	-	-	(1,214)	-	-	(1,214)
Dividends paid	-	-	-	-	(492,587)	-	(492,587)
Transfer to capital	-	603	-	27,851	(28,454)	-	-
Balance as at 31 December 2010	522,638	3,031,149	(44,848)	2,248,707	735,289	-	6,492,935

Condensed consolidated statement of cash flows

<i>PLN '000</i>	Third quarter accruals period from 01.01.11 to 30.09.11	Third quarter accruals period from 01.01.10 to 30.09.10
Cash at the beginning of the reporting period	3,311,780	4,133,391
Cash flows from operating activities	(360,385)	(1,401,402)
Cash flows from investing activities	(48,840)	(5,385)
Cash flows from financing activities	(857,870)	(628,014)
Cash at the end of the reporting period	2,044,685	2,098,590
Increase / (decrease) in net cash	(1,267,095)	(2,034,801)

Supplementary notes to the condensed consolidated financial statements

1 General information about the Bank and the Capital Group

This interim consolidated report presents financial data 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 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 kept 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 shares are quoted on 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 on the domestic and foreign markets. Additionally, the Group conducts the following activities through its subordinated entities:

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.09.2011	31.12.2010
Entities fully consolidated			
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.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00
Entities valued at equity method			
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. w likwidacji	Poznań	100.00	100.00

In the third quarter of 2011 there were no changes in the structure of Group's entities.

2 Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2010.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is obliged to publish its financial results for the nine-month period ended 30 September 2011 which is deemed to be the current interim financial reporting period.

3 Principles accepted at the composition of the report

The condensed interim consolidated financial statements of the Group for the third quarter 2011 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the period ended 31 December 2010.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2011 to 30 September 2011. Comparable financial data are presented for the period from 1 January 2010 to 30 September 2010 and for the Balance sheet as at 31 December 2010.

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

4 Macroeconomic trends and conditions prevailing on the monetary, FX and capital markets

The available monthly data suggest that the economic growth in the third quarter of 2011 slowed down slightly from 4.3% YoY recorded in the previous quarter. The increase in industrial manufacturing slowed down in the period of July-August 2011 to 5.0% YOY from 5.5%% recorded in the second quarter of 2011 and 7.4% in the first half of 2011. The economic slowdown in the world in the third quarter of 2011, in particular in Germany, the key trade partner of Poland, had a negative impact on the economic activity in Poland. The most evident was the slowdown in the industrial sector, which reacts most quickly to the decline in foreign demand. In the period of July-August 2011, the export dynamics decreased to 11.2% YoY compared to 12.1% YoY in the second quarter of 2011 and 14.6% YoY in the first half of 2011, while the import dynamics went down to 10.1% YoY from 16.1% in the second quarter 2011 and 17.1% YoY in the first half of 2011. At the same time construction and assembly production slowed down in July-August 2011 to 13.6% YoY from 18.8% YoY in the second quarter of 2011 and 18.4% in the first half of 2011, which may prove a gradual deceleration of investment processes in reaction to signals of global economic slowdown.

The situation on the labor market is stable and a decreasing demand for labor is accompanied by moderate wage growth. The rate of employment growth in the enterprise sector declined in the period of July-August 2011 to 3.2% YoY from 3.7% YoY in the second quarter of 2011 and 3.8% in January-June 2011. In turn, wages in that period increased by 5.3% YoY, the same as in the second quarter of 2011 and a little above the growth recorded in the first half of 2011 (4.8 YoY). The unemployment rate at the end of August 2011 reached 11.6% compared to 11.8% at the end of June 2011, 13.1% in March 2011 and 12.3% in December 2010. The real growth of the wage fund decreased slightly in the period of July-August 2011 to 4.3% YoY from 4.4% YoY in the second quarter of 2011 and the first half of 2011.

The demand pressure was still moderate, the inflation started to decline to go below 4% YoY in September 2011 at the average inflation of 4.1% in the third quarter of 2011 compared to 4.6% YoY in the second quarter of 2011 and 4.2% in the first half of 2011. Despite a downward trend the growth in consumer prices remained high, clearly above the inflation target (2.5% +/-1 percentage point) and clearly above the cap level of inflation deviation. The declining rate of CPI was largely caused by decrease in prices of food. At the same time a high level of inflation resulted from a high yearly dynamics of prices of fuels, energy and the increase of the VAT rate at the beginning of 2011. Despite

the continuing high inflation and high economic growth, the Monetary Policy Council kept the monetary policy parameters unchanged after four interest rate increases in the first half of 2011, including three in the second quarter of 2011. The reference rate remained on the level of 4.5% compared to 3.75% at the end of the first quarter of 2011 and 3.5% at the end of the previous year.

After stabilization of zloty between 3.90 and 4.00 in the first half of 2011, in the third quarter of 2011 the Polish currency clearly depreciated in reaction to stronger concerns about economic perspectives in the world and the escalation of debt crisis in the Eurozone. The sale of currencies by the Ministry of Finance proved insufficient to hold back the declining trend of zloty. The scale and rate of depreciation of zloty lead to the first – from April 2010 – intervention of the central bank in the currency market, which helped to hamper the wave of sale of zloty. At the end of September 2011, the EUR/PLN exchange rate was 4.41 compared to 3.99 as at the end of June 2011 and 3.96 at the end of 2010, while the USD/PLN rate increased at the end of September 2011 to 3.26 compared to 2.75 at the end of June 2011 and 2.96 at the end of 2010.

Due to the deterioration of the perspectives of global economy and clear revision of projections for the economic growth in the world and in Poland, expectations for interest rate increase were eliminated and expectations of loosened monetary policy grew. Market interest rates declined significantly in the third quarter of 2011, also as a result of reduced interest rates in base markets. There was a decline in yields of Polish bonds, especially on the long end of the yield curve. In September 2011 bonds with longer maturities were being sold, which could be connected with increased political risk before the approaching parliamentary elections and uncertainty about future economic plans of the new government. The long end of the yield curve was supported by a partial reduction of supply of long term bonds and the intervention purchase of bonds by BGK. The yield on the 2-year bonds decreased in the third quarter of 2011 by approx. 30 basis points to 4.49% at the end of September 2011, while the yield on the 10-year bonds grew by around 11 basis points to 5.87%. 3M WIBOR increased to 4.76% at the end of September 2011 from 4.69% at the end of June 2011.

The third quarter of 2011 brought a significant deterioration in sentiment in financial markets, which was the effect of debt crisis in the Eurozone countries (in particular Greece), reduced rating of the USA and concerns about the slowdown of the global economy. Unfavorable factors of global nature were not neutral for the situation on the Warsaw Stock Exchange (WSE). The effect of that were the highest – for over three years – redemptions from the domestic funds exposed to the equity market (according to the estimation of Dom Maklerski Banku Handlowego S.A. in the period of July-August 2011 investors withdrew over PLN 5.3 billion net from equity and mixed funds).

In the third quarter of 2011, all main WSE indices recorded double-digit decrease. The poorest results were achieved by the index of companies with the smallest capitalization – sWIG80, whose value went down by 27.1% compared to the end of June 2011. During the same period the dividend companies index behaved relatively the best – they recorded 14.3% decline. The blue chip index went down by 21.9%, while the broadest index – WIG declined by 21% QoQ. From among the sector-specific sub-indices WIG-Telekomunikacja was outstanding, with the level almost unchanged from the end of June 2011. Construction companies proved the weakest sector for another quarter in a row – the WIG-Construction index “dived” by 43.8%.

The key event on the primary market in the third quarter of 2011 was a public offering of Jastrzębska Spółka Węglowa (“JSW”), with the value of over PLN 5.3 billion. Besides, shares of seven new companies debuted on the main stock exchange in the third quarter of 2011 (in one case that was a transfer from New Connect). Inclusive of JSW, the total value of offers in the third quarter of 2011 exceeded PLN 5.7 billion.

At the end of the third quarter of 2011, 423 domestic companies were traded on the main market and their capitalization exceeded PLN 646 billion. The market value of domestic companies constituted 70% of the total capitalization and covered 387 companies.

Warsaw Stock Exchange equity market, as at 30 September 2011

Index	30.09.2011	30.06.2011	Change (%) QoQ	30.09.2010	Change (%) YoY
WIG	38,268.75	48,414.36	(21.0%)	45,236.72	(15.4%)
WIG-PL	37,885.62	47,811.51	(20.8%)	44,538.79	(14.9%)
WIG-div*	896.37	1,045.72	(14.3%)	-	-

Index	30.09.2011	30.06.2011	Change (%) QoQ	30.09.2010	Change (%) YoY
WIG20	2,188.73	2,802.01	(21.9%)	2,615.22	(16.3%)
mWIG40	2,169.48	2,850.55	(23.9%)	2,653.45	(18.2%)
sWIG80	8,806.20	12,085.98	(27.1%)	12,103.19	(27.2%)
Sector specific sub-indices					
WIG-Banks	5,455.82	6,801.48	(19.8%)	6,647.09	(17.9%)
WIG-Construction	2,393.10	4,258.96	(43.8%)	5,839.34	(59.0%)
WIG-Chemicals	5,866.50	7,588.77	(22.7%)	3,939.13	48.9%
WIG-Developers	1,496.54	2,322.16	(35.6%)	2,817.56	(46.9%)
WIG-Energy	3,646.17	4,385.79	(16.9%)	4,247.14	(14.1%)
WIG-IT	964.30	1,258.34	(23.4%)	1,171.73	(17.7%)
WIG-Media	2,837.01	3,385.52	(16.2%)	3,736.06	(24.1%)
WIG-Fuel industry	2,675.31	3,554.70	(24.7%)	2,756.89	(3.0%)
WIG-Food industry	3,501.07	4,373.05	(19.9%)	4,150.91	(15.7%)
WIG-Raw Materials**	3,809.14	5,289.89	(28.0%)	-	-
WIG-Telecommunication	1,396.59	1,397.38	(0.1%)	1,388.15	0.6%

Source: WSE, Dom Maklerski Banku Handlowego S.A.; * index calculated from 30.12.2010; ** index calculated from 31.12.2010.

Volumes of trade in shares, bonds and derivative instruments on WSE in the third quarter of 2011

	Q3 2011	Q2 2011	Change (%) QoQ	Q3 2010	Change (%) YoY
Shares (PLN million)	144,234	142,454	1.2%	107,527	34.1%
Bonds (PLN million)	478	343	39.5%	983	(51.4%)
Futures contracts (thousand units)	8,755	5,983	46.3%	6,131	42.8%
Option contracts (thousand units)	531	471	12.6%	285	85.9%

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

The value of shares traded in the period of July-September 2011 was over PLN 144 billion and was 1.2% higher than in the second quarter of 2011. Compared to the third quarter of 2010 the activity of investors in the equity securities market was 34.1% higher.

Despite the growth in the value of bonds trade in the WSE, by almost 40% QoQ, it was much lower than in the corresponding period of 2010 (-51.4% YoY).

High changeability on the market in the third quarter of 2011 favored higher activity on the futures market. During that time the volume of trade in futures contracts amounted to 8.8 million units and was much higher both on a quarterly and yearly basis (by 46.3% and 42.8% respectively).

The total volume of option trade was 531 thousand units, i.e. it grew by 12.6% compared to the second quarter of 2011. Compared to the third quarter of 2010 the growth in trade was much more impressive and amounted to 85.9%.

5 Situation in the banking sector

According to the income statement of the banking sector, published by the Polish Financial Supervision Authority, the results are gradually improving. In the period from January till August 2011 net profit of the banking sector grew by 39% YoY to PLN 10.5 billion. It may mean that, provided that the good situation in the sector continues in September, as soon as at the end of the third quarter a profit higher than in the entire 2010 will be generated. The factor that contributed the most to the high profit was 14% higher interest income YoY (PLN 2.9 billion) due to a growing credit base and a continued stable interest margin. The increase in interest rates (by the total of 100 basis points) was also significant, which translated into better results in particular in current deposits. Other components of income, i.e. net commission income and other operating income, improved slightly (2% YoY). During that period costs of the banking sector grew by only 5% YoY, due to which the cost to income ratio improved by 2 percentage points to 50%. The improved quality of the credit portfolio (particularly in the corporate segment) was also substantial for the increase in profit, leading to 23% decrease YoY in net impairment losses (PLN 1.8 billion). The relation of impaired loans to total corporate loans went

down from 12.2% at the end of the third quarter of 2010 to 10.9% at the end of August 2011, while the improvement was faster for large enterprises than for small and medium companies. The quality of the consumer portfolio measured with NPL was unchanged. The Polish banking sector remains strong as regards the liquidity and capital. The sectors' solvency ratio as at the end of August 2011 was 13.5%, slightly lower than a year ago (by -0.4 percentage point).

After the period of stagnation in the corporate loans segment in consequence of the global economic slowdown, this market segment has improved in 2011. The third quarter saw a growth in corporate debt as well, by 5% QoQ and 12% YoY. It is positive that the highest growth was recorded in corporate loans for investments (17% YoY and 6% QoQ). A double-digit growth was also recorded in current corporate loans (14% YoY and 6% QoQ). At the same time the segment of household loans (volume dynamic of 15% YoY and 6% QoQ) is still driven by real estate loans denominated in PLN (+26% YoY and 5% QoQ). Presently housing loans constitute 61% of the overall consumer portfolio. Consumer loans are maintained on a stable level of PLN 136 billion (growth by 1% QoQ and decrease by 1% YoY).

Corporate deposits, which grew by 9% YoY, are driven mainly by term deposits (+19% YoY, 10% QoQ). Corporate deposits in foreign currencies grew by 54% YoY and 44% QoQ. A significant factor of growth is still the currency rate variability. On the other hand the volume of current deposits remains stable within the brackets of PLN 80 billion. The segment of household deposits recorded a growth in volume by 12% YoY (4% QoQ), with current deposits growing slower than term deposits (9% YoY and 16% YoY, respectively).

6 Financial analysis of the Group's Results

1. Balance sheet

At the end of the third quarter of 2011 total assets amounted to PLN 38.2 billion and increased by PLN 0.7 billion (or 1.8%), as compared with PLN 37.5 billion at the end of 2010. The biggest impact on the assets' increase had the following elements:

- drop of balance for 'Cash and Balances with Central Bank' by PLN 1.7 billion;
- increase of financial assets held-for-trading by PLN 1.1 billion (i.e. 27.5%), mainly resulting from the growth of derivatives' value (FX and interest rate swaps), as well as the increase of debt securities available-for-sale by PLN 0.8 billion (i.e. 6.0%);
- increase of loans, advances and other receivables portfolio by PLN 0.1 billion (i.e. 0.7%), which is the effect of a significant growth of non-banking sector loans (by 12.2%). The growth was mainly driven by increasing corporate loans by PLN 1.6 billion (i.e. 26.1%) and offset by a decline in loans to banks and other monetary financial institutions by PLN 1.4 billion (i.e. 61.3%).

Loans, advances and other receivables, net

PLN '000	30.09.2011	31.12.2010	Change	
			PLN '000	%
Non-banking sector				
Corporate clients*, including:	7,909,490	6,271,803	1,637,687	26.1%
budgetary units	85,488	96,567	(11,079)	(11.5%)
Non-banking financial institutions	752,678	676,701	75,977	11.2%
Individual clients, including:	5,105,602	5,321,606	(216,004)	(4.1%)
credit cards	2,251,464	2,376,105	(124,641)	(5.3%)
cash loans to private persons	2,249,759	2,540,499	(290,740)	(11.4%)
mortgage loans	515,878	318,766	197,112	61.8%
Total of non-banking sector	13,767,770	12,270,110	1,497,660	12.2%
Banks and other monetary financial institutions	878,888	2,273,138	(1,394,250)	(61.3%)
Total loans, advances and other receivables	14,646,658	14,543,248	103,410	0.7%

* Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial

institutions operating for households.

Loans, advances and other receivables from non-banking sector, gross (reverse repo transactions included)

PLN '000	30.09.2011	31.12.2010	Change	
			PLN '000	%
Not at risk of impairment, including:	13,400,398	11,628,708	1,771,690	15.2%
non-financial sector				
corporate clients*, including:	7,633,788	5,717,287	1,916,501	33.5%
budgetary units	85,542	96,625	(11,083)	(11.5%)
individual clients	5,013,839	5,237,116	(223,277)	(4.3%)
At risk of impairment, including:	1,531,245	1,878,129	(346,884)	(18.5%)
non-financial sector				
corporate clients*	638,095	971,044	(332,949)	(34.3%)
individual clients	874,153	883,164	(9,011)	(1.0%)
Dues related to matured derivative transactions	117,479	122,191	(4,712)	(3.9%)
Total	15,049,122	13,629,028	1,420,094	10.4%
Impairment, including:	1,281,352	1,358,918	(77,563)	(5.7%)
Dues related to matured derivative transactions	97,242	96,487	755	0.8%
Loans, advances and other receivables from non-banking sector, net total	13,767,770	12,270,110	1,497,657	12.2%
Provision coverage ratio	77.3%	67.2%		
corporate clients*	60.0%	45.5%		
individual clients	89.5%	90.4%		

* Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.

Loans, advances and other receivables from non-banking sector, gross, divided into performing vs. non-performing (reverse repo transactions included)

PLN '000	30.09.2011	31.12.2010	Change	
			PLN '000	%
Performing loans, including:	13,474,217	11,970,898	1,503,319	12.6%
non-financial sector				
corporate clients*, including:	7,633,788	5,963,712	1,670,076	28.0%
budgetary units	85,542	96,625	(11,083)	(11.5%)
individual clients	5,087,658	5,332,881	(245,223)	(4.6%)
Non-performing loans, including:	1,457,426	1,535,939	(78,513)	(5.1%)
non-financial sector				
corporate clients*	638,095	724,619	(86,524)	(11.9%)
individual clients	800,334	787,399	12,935	1.6%
Dues related to matured derivative transactions	117,479	122,191	(4,712)	(3.9%)
Total	15,049,122	13,629,028	1,420,094	10.4%
Non-performing loans ratio (NPL)	9.8%	11.4%		

* Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.

On the liabilities side, the biggest change was recorded for financial liabilities held-for-trading, which increased by PLN 1.4 billion, i.e. 50.6%, as compared with the end of 2010 (mainly within interest rate derivatives).

On the other hand, the Group's liabilities were impacted also by the decline of deposits by PLN 1.0 billion (i.e. 3.7%), which was due to drop of non-banking sector deposits by PLN 2.8 billion (i.e. 11.9%). Drop in deposits was reported mainly within the corporate segment and was related to lower balance on current accounts (decrease by PLN 1.8 billion, i.e. 23.4%) and, to a smaller extent, decline of term deposits (by PLN 0.6 billion, i.e. 8.0%). In the segment of individual clients, drop of term deposits (by PLN 0.2 billion, i.e. 15.0%) was offset by the increase of current accounts volumes (by PLN 0.2 billion, i.e. 4.3%).

Deposits

PLN '000	30.09.2011	31.12.2010	Change	
			PLN '000	%
Non-banking sector				
Current accounts of:	10,827,722	12,649,236	(1,821,514)	(14.4%)
Corporate clients, including:				
budgetary units	5,819,137	7,591,803	(1,772,666)	(23.4%)
Non-banking financial institutions	818,300	1,973,816	(1,155,516)	(58.5%)
Individual clients	504,232	736,903	(232,671)	(31.6%)
Individual clients	4,504,353	4,320,530	183,823	4.3%
Deposits from:	9,928,965	10,909,954	(980,989)	(9.0%)
Corporate clients, including:				
budgetary units	6,532,544	7,096,639	(564,095)	(8.0%)
Non-banking financial institutions	569,874	672,499	(102,625)	(15.3%)
Individual customers	2,209,084	2,416,231	(207,147)	(8.6%)
Individual customers	1,187,337	1,397,084	(209,747)	(15.0%)
Accrued interest	16,607	18,388	(1,781)	(9.7%)
Total non-banking sector's deposits	20,773,294	23,577,578	(2,804,284)	(11.9%)
Banks and other monetary financial institutions	4,681,900	2,852,645	1,829,255	64.1%
Total deposits	25,455,194	26,430,223	(975,029)	(3.7%)

* Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.

2. Income statement

In the third quarter of 2011 the Group reported consolidated net profit of PLN 182.7 million, which is a decrease of PLN 27.9 million (i.e. 13.3%) as compared to the third quarter of 2010. In the same period, the Group's revenue dropped by PLN 58.8 million (i.e. 8.8%) and reached the level of PLN 608.3 million.

The main determinants of the Group's operating result in the third quarter of 2011 as compared to the corresponding period of 2010 were:

- net interest income amounting to PLN 356.5 million as compared to PLN 378.9 million recorded in the third quarter of 2010 (decline by PLN 22.4 million, i.e. 5.9%), stemming primarily from lower interest income from debt securities available-for-sale and debt securities held-for-trading (lower yields as a result of a change in portfolio risk profile and shortened duration of securities) and an increase of interest expense on deposits, particularly within the financial sector (in total, growth by PLN 9.8 million, i.e. 39.8%). Interest income from non-financial sector loans (which constitute approximately 60% of total interest income) remained almost unchanged in the third quarter of 2011. Small decline of PLN 1.5 million (i.e. 0.5%) was driven by lower income from cash loans (portfolio declined by 15.5% YoY), which was offset by increasing interest income from corporate loans, which went up by 27.5% as compared to third quarter of 2010;

Interest income

PLN '000	01.07 - 30.09.2011	01.07 - 30.09.2010	Change	
			PLN '000	%
Interest and similar income from:				
Central Bank	9,011	6,670	2,341	35.1%
Placements in banks	11,924	6,423	5,501	85.6%
Loans and advances to:	301,049	299,759	1,290	0.4%
financial sector	7,387	4,570	2,817	61.6%
non-financial sector, including:	293,662	295,189	(1,527)	(0.5%)
credit cards	95,457	94,003	1,454	1.5%
Debt securities available-for-sale	151,728	165,061	(13,333)	(8.1%)
Debt securities held-for-trading	13,042	18,766	(5,724)	(30.5%)
Total	486,754	496,679	(9,925)	(2.0%)
Interest expense and similar charges on:				
Balances with the Central Bank	-	(1,735)	1,735	(100.0%)
Banks' deposits	(13,123)	(9,671)	(3,452)	35.7%
Financial sector's (excl. banks') deposits	(21,456)	(15,068)	(6,388)	42.4%
Non-financial sector's deposits	(92,639)	(88,901)	(3,738)	4.2%
Loans and advances received	(3,015)	(2,407)	(608)	25.3%
Total	(130,233)	(117,782)	(12,451)	10.6%
Net interest income	356,521	378,897	(22,376)	(5.9%)

- net fee and commission income amounting to PLN 155.9 million in comparison with PLN 163.5 million reported in the third quarter of 2010 (down by PLN 7.7 million, i.e. 4.7%) mainly due to lower income from fees related to the sale of insurance and investment products (result of customer preference of safer products with lower margins) as well as decline in income from payment and credit cards (effect of promotional offers aimed at higher acquisition). On the other hand, the result was positively influenced by fees from custody services, which in the third quarter of 2011 recorded a growth by PLN 6.0 million (i.e. 31.8%). The increase was driven by the growth of value of assets under custody as well as higher number of transactions in the third quarter of 2011;

Fee and commission income

PLN '000	01.07 - 30.09.2011	01.07 - 30.09.2010	Change	
			PLN '000	%
Fee and commission income				
Insurance and investment products	32,334	36,252	(3,918)	(10.8%)
Payment and credit cards	59,861	62,135	(2,274)	(3.7%)
Payment orders	28,958	30,558	(1,600)	(5.2%)
Custody services	24,931	18,912	6,019	31.8%
Cash loans	2,278	2,773	(495)	(17.9%)
Brokerage operations	19,043	17,243	1,800	10.4%
Account cash management services	7,239	7,781	(542)	(7.0%)
Off-balance-sheet guarantee liabilities	3,867	3,863	4	0.1%
Off-balance-sheet financial liabilities	1,699	2,064	(365)	(17.7%)
Other	3,366	5,640	(2,274)	(40.3%)
Total	183,576	187,221	(3,645)	(1.9%)
Fee and commission expense				
Payment and credit cards	(14,022)	(13,247)	(775)	5.9%
Brokerage operations	(6,015)	(4,819)	(1,196)	24.8%

PLN '000	01.07 - 30.09.2011	01.07 - 30.09.2010	Change	
			PLN '000	%
Fees paid to the National Depository for Securities (KDPW)	(4,496)	(3,056)	(1,440)	47.1%
Brokerage fees	(898)	(962)	64	(6.7%)
Other	(2,263)	(1,593)	(670)	42.1%
Total	(27,694)	(23,677)	(4,017)	17.0%
Net fee and commission income				
Insurance and investment products	32,334	36,252	(3,918)	(10.8%)
Payment and credit cards	45,839	48,888	(3,049)	(6.2%)
Payment orders	28,958	30,558	(1,600)	(5.2%)
Custody services	24,931	18,912	6,019	31.8%
Cash loans	2,278	2,773	(495)	(17.9%)
Brokerage operations	13,028	12,424	604	4.9%
Account cash management services	7,239	7,781	(542)	(7.0%)
Off-balance-sheet guarantee liabilities	3,867	3,863	4	0.1%
Off-balance-sheet financial liabilities	1,699	2,064	(365)	(17.7%)
Fees paid to the National Depository for Securities (KDPW)	(4,496)	(3,056)	(1,440)	47.1%
Brokerage fees	(898)	(962)	64	(6.7%)
Other	1,103	4,047	(2,944)	(72.7%)
Total	155,882	163,544	(7,662)	(4.7%)

- net income on trade financial instruments and revaluation amounting to PLN 92.2 million as compared to PLN 72.8 million in the third quarter of 2010, i.e. an increase of PLN 19.4 million stemming from the higher result on both customer activity and the Bank's proprietary management;
- net gain on investment debt securities amounting to PLN 7.6 million as compared to PLN 44.8 million in the third quarter of 2010 (high result in the third quarter of 2010 was impacted by gains realized on sale of AFS portfolio in the environment of declining interest rates);
- net other operating income amounting to PLN -3.9 million as compared to PLN 7.0 million in the third quarter of 2010 (i.e. a decline of PLN 10.9 million) resulting from significant decrease of income from data processing in favour of Bank's related entities. The Bank ceased to perform this activity since the beginning of 2011;
- in comparison to the third quarter of 2010, in the third quarter of 2011, the Group reported increase in general administrative expenses and overheads together with depreciation expenses by PLN 11.5 million, i.e. 3.3%, due to higher external services expenses concerning distribution of retail banking products (effect of increased acquisition of credit cards, operating accounts and mortgage loans) and growth of other costs (as a result of increased contributions to Bank Guarantee Fund, among others). On the other hand, there was a decrease in staff expenses by PLN 2.9 million, i.e. 1.7%;

General administrative expenses and depreciation expense

PLN '000	01.07 - 30.09.2011	01.07 - 30.09.2010	Change	
			PLN '000	%
Staff expenses	170,684	173,621	(2,937)	(1.7%)
Remuneration costs	142,249	138,877	3,372	2.4%
Bonuses and rewards	28,435	34,744	(6,309)	(18.2%)
Administrative expenses	173,128	158,937	14,191	8.9%
Telecommunication fees and hardware purchase costs	38,492	36,660	1,832	5.0%
Advisory, audit, consulting and other external services' costs	25,050	24,318	732	3.0%
Building maintenance and rent costs	26,651	26,480	171	0.6%

PLN '000	01.07 -	01.07 -	Change	
	30.09.2011	30.09.2010	PLN '000	%
Marketing costs	11,971	10,241	1,730	16.9%
Cash management services, KIR service and other transactional costs	13,222	15,234	(2,012)	(13.2%)
Costs of external services concerning distribution of banking products	18,135	12,405	5,730	46.2%
Postal services, office supplies and printmaking costs	6,961	8,589	(1,628)	(19.0%)
Training and education costs	2,278	1,899	379	20.0%
Banking supervision costs	(273)	(323)	50	(15.5%)
Other costs	30,641	23,434	7,207	30.8%
Depreciation/amortization of tangible and intangible assets	15,257	15,025	232	1.5%
Total	359,069	347,583	11,486	3.3%

- net impairment losses of PLN 16.5 million as compared to PLN 63.3 million in the third quarter of 2010 (improvement by PLN 46.8 million, i.e. 74%). Lower level of net impairment losses stemmed from improved loan portfolio quality both within Consumer Banking segment (in terms of consumer loans' and credit cards' portfolios) and Corporate Banking segment.

Net impairment losses

PLN '000	01.07 -	01.07 -	Change	
	30.09.2011	30.09.2010	PLN '000	%
Net impairment write-downs of financial assets				
Impairment write-downs				
Loans and advances valued at amortized cost	82,168	159,690	(77,522)	(48.5%)
Dues related to matured transactions on derivative instruments	70	2,570	(2,500)	(97.3%)
Other	3,257	7,542	(4,285)	(56.8%)
	85,495	169,802	(84,307)	(49.7%)
Reversals of impairment write-downs				
Loans and advances valued at amortized cost	(70,090)	(96,356)	26,266	(27.3%)
Dues related to matured transactions on derivative instruments	(161)	(8,047)	7,886	(98.0%)
	(70,251)	(104,403)	34,152	(32.7%)
	15,244	65,399	(50,155)	(76.7%)
Net (charges to)/releases of provisions for off-balance-sheet commitments				
Charges to provisions for off-balance-sheet commitments	9,851	17,176	(7,325)	(42.6%)
Releases of provisions for off-balance-sheet commitments	(8,613)	(19,300)	10,687	(55.4%)
	1,238	(2,124)	3,362	(158.3%)
Net impairment losses	16,482	63,275	(46,793)	(74.0%)

3. Ratios

In the third quarter of 2011 basic financial ratios present as follows:

Financial ratios	Q3 2011	Q3 2010
ROE *	12.4%	11.5%
ROA**	1.6%	1.7%
Cost/Income	59%	52%
Loans to non-financial sector/Deposits from non-financial sector	72%	61%

Financial ratios	Q3 2011	Q3 2010
Loans to non-financial sector/Total assets	34%	28%
Net interest income/Revenue	59%	57%
Net fee and commission income/Revenue	26%	25%

*Sum of net profit for the last four quarters to the average equity for the last four quarters (excluding net profit for the current year).

** Sum of net profit for the last four quarters to the average assets for the last four quarters.

Group employment

In full time job equivalents (FTE)	01.01 –	01.01 –	Change	
	30.09. 2011	30.09.2011	FTEs	%
Average employment in the third quarter	5,920	5,873	47	0.8%
Average employment in the period	5,839	5,613	226	4.0%
Employment at the end of quarter	5,819	5,829	(10)	(0.2%)

As of September 30, 2011, capital adequacy ratio of the Group amounted to 16.53% and was 2.28 percentage point lower comparing to the end of 2010, mainly because of the slight increase of total capital requirement (primarily due to higher credit risk capital requirement by 17% caused by an increased portfolio of risk-weighted assets and off-balance-sheet commitments). Own funds remained almost unchanged.

Capital adequacy ratio*

PLN '000	30.09.2011	31.12.2010
I Own funds in total, including:	4,362,456	4,384,927
Reduction of basic and supplementary funds		
investments in financial entities	56,781	56,332
intangible assets, including:	1,289,171	1,285,757
goodwill	1,245,976	1,245,976
II Risk-weighted assets and off-balance-sheet commitments (bank portfolio)	18,442,959	15,766,225
III Total capital requirements, including:	2,111,629	1,865,353
credit risk capital requirements (II*8%)	1,475,437	1,261,298
counterparty risk capital requirements	140,410	98,223
capital requirements for excess of exposures' concentration limit and large exposures' limit	55,178	44,066
total market risk capital requirements	55,804	72,382
operational risk capital requirements	360,531	361,165
other capital requirements	24,269	28,219
Współczynnik wypłacalności (I/III*12,5)	16.53%	18.81%

*Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 76/2010 of the Commission for Banking Supervision dated 10 March 2010 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (KNF Official Journal No. 2. item 11).

7 Segmental reporting

Operating segment is a separable component of the Group engaged in business activity, generating income and incurring expenses (including those on intragroup transactions between segments), whose operating results are regularly reviewed by the Management Board - as chief operating decision-maker of the Group, in order to allocate resources and assess its performance.

The Group is managed in the area of two operating segments – Corporate Banking and Consumer Banking. The valuation of segment's assets and liabilities as well as calculation of its results is based on Group's accounting policies, including intragroup transactions between segments.

The allocation of Group's assets, liabilities, income and expenses to operating segments was made on the basis of internal information prepared for management purposes. Transfer of funds between Group's segments is based on prices derived from market rates. The transfer prices are calculated using the same rules for both segments and any difference results only from maturity and currency structure of assets and liabilities.

Corporate Banking

Within the Corporate Banking segment the Group offers products and renders services to business entities, self-government units and public sector. Apart from traditional banking services consisting in credit and deposit activities, the segment provides services in the area 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 as well as obtaining and underwriting financing via public and non-public issue of financial instruments. The activities also comprise proprietary transactions on the capital, debt and derivative instruments market. Products and services are available through distribution channels tailored to client's needs, not only through branch network and direct contact with customers, but also effective remote channels such as telephone and electronic banking.

Consumer Banking

Within the Consumer Banking segment the Group provides products and financial services to individuals as well as micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from keeping bank accounts and providing an extensive credit and deposit offer, it also offers cash loans, mortgage loans and credit cards, provides asset management services and acts as agent in investment and insurance products sale. 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 as well.

The Group conducts its operations solely on the territory of Poland.

Consolidated income statement of the Group by business segment

For the period	01.01. – 30.09.2011			01.01. – 30.09.2010		
	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<i>PLN '000</i>						
Net interest income	483,661	568,149	1,051,810	531,432	594,327	1,125,759
Internal interest income, including:	7,799	(7,799)	-	14,346	(14,346)	-
Internal income	7,799	-	7,799	14,346	-	14,346
Internal expenses	-	(7,799)	(7,799)	-	(14,346)	(14,346)
Net commission income	239,128	254,066	493,194	221,742	258,648	480,390
Dividend income	1,314	4,374	5,688	2,775	3,141	5,916
Net income on trade financial instruments and revaluation	200,393	22,469	222,862	208,705	20,745	229,450
Net gain on debt investment securities	18,934	-	18,934	102,506	-	102,506
Net gain on capital investment instruments	-	-	-	277	2,239	2,516
Net other operating income	17,854	(17,831)	23	33,240	(23,022)	10,218
General administrative expenses	(442,477)	(586,894)	(1,029,371)	(449,570)	(527,049)	(976,619)
Depreciation expense	(20,258)	(24,201)	(44,459)	(22,785)	(24,777)	(47,562)
Profit / (loss) on sale of fixed assets	93	2,030	2,123	(80)	(187)	(267)
Net impairment losses	12,819	(86,614)	(73,795)	(7,601)	(221,857)	(229,458)

For the period	01.01. – 30.09.2011			01.01. – 30.09.2010		
	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<i>PLN '000</i>						
Operating income	511,461	135,548	647,009	620,641	82,208	702,849
Share in net profits (losses) of entities valued at equity method	513		513	214	-	214
Profit before tax	511,974	135,548	647,522	620,855	82,208	703,063
Income tax expense			(132,189)			(143,057)
Net profit			515,333			560,006

State as at	30.09.2011			31.12.2010		
	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<i>PLN '000</i>						
Assets, including:	32,613,310	5,581,086	38,194,396	31,735,154	5,782,386	37,517,540
Assets valued at equity method	56,780	-	56,780	56,332	-	56,332
Fixed assets held-for-sale	-	9,901	9,901	-	9,901	9,901
Liabilities, including:	29,849,828	8,344,568	38,194,396	28,916,979	8,600,561	37,517,540
Obligations	25,366,618	6,601,323	31,967,941	24,594,934	6,429,671	31,024,605

8 Activities of the Group

1. Corporate Banking

1.1. Summary of segment results

<i>PLN '000</i>	Q3 2011	Q3 2010	Change	
			PLN '000	%
Net interest income	162,293	179,922	(17,629)	(9.8%)
Net fee and commission income	72,109	72,895	(786)	(1.1%)
Dividend income	31	70	(39)	(55.7%)
Net income on trade financial instruments and revaluation	83,146	65,707	17,439	26.5%
Net gain on debt investment securities	7,600	44,814	(37,214)	(83.0%)
Net other operating income	3,160	11,217	(8,057)	(71.8%)
Total income	328,339	374,625	(46,286)	(12.4%)
General administrative expenses and depreciation	(155,900)	(157,046)	1,146	(0.7%)
Profit/(loss) on sales of tangible fixed assets	(22)	19	(41)	(215.8%)
Net impairment losses	11,637	(1,096)	12,733	(1161.8%)
Share in net profits (losses) of entities valued at equity method	197	372	(175)	(47.0%)
Profit before tax	184,251	216,874	(32,623)	(15.0%)
Cost / Income	47%	42%		

The main factors that determined the gross profit of Corporate Banking for the third quarter of 2011 as compared to the corresponding period of 2010 were:

- decline in net interest income as a result of lower income from debt securities (lower risk profile with shortened duration of securities and consequently a decline of yields) and, to a

smaller extent, an increase of interest expense from financial sector deposits (mainly as a consequence of growing interest rates). The impact of the above factors was partially compensated by the increase of income from corporate loans (an effect of growing volumes by 27.5% YoY);

- decline in net fee and commission income driven by lower income from payment orders and an increase of contributions towards The National Depository of Securities (KDPW). This was largely offset by the growth of income from custody services driven by the growth of assets under custody as well as greater number of transactions in the third quarter of 2011;
- increase of net income on trade financial instruments and revaluation mainly due to better result both on the customer business and the Bank's proprietary management;
- decline of net gain on debt investment securities resulting mainly from macroeconomic changes (rise of interest rates) as well as changes in portfolio risk profile (shortened duration of securities);
- decline of general administrative expenses stemming mainly from lower staff expenses along with decrease in building maintenance and rent-related expenses;
- decline of net impairment losses caused by the improved quality of corporate loan portfolio.

1.2. Corporate and Investment Bank and the Capital Markets

Corporate and Commercial Bank

Corporate banking activities of the Bank include comprehensive financial services provided to the largest Polish companies and strategic enterprises with a strong growth potential, as well as to the largest financial institutions and public sector companies.

At the end of the third quarter of 2011, the number of corporate clients (including customers of the Corporate Bank, global clients and corporate clients) was almost 8,000, which means that it grew slightly compared to the previous quarter when it was 7,900. Under the Corporate Bank (small and medium companies, large enterprises and public sector) the Bank served over 6,000 clients at the end of the third quarter of 2011 (which is an insignificant growth compared to 6,000 clients served at the end of the previous quarter).

What Corporate Bank clients have in common is their demand for advanced financial products and consultancy on financial services. In that area, the Bank provides coordination of investment banking, 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 come from a combination of expertise and experience of the Bank and its cooperation within the global Citigroup structure.

The table below presents balances of assets and liabilities in the particular segments in the management view.

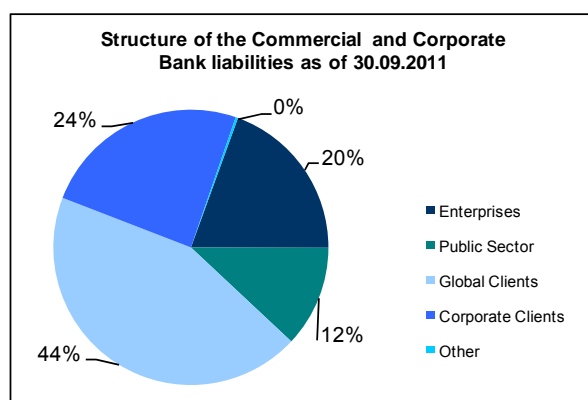
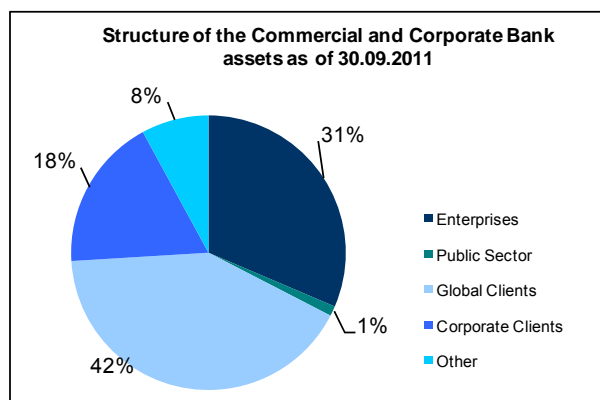
Assets

<i>PLN million</i>	30.09.2011	30.06.2011	Change	31.12.2010	Change
	(1)	(2)	(1)/(2)	(3)	(1)/(3)
Enterprises, including:	2,697	2,506	8%	1,957	38%
SMEs	1,431	1,324	8%	1,007	42%
MMEs	1,266	1,182	7%	950	33%
Public Sector	101	156	(35%)	112	(10%)
Global Clients	3,562	3,207	11%	2,818	26%
Corporate Clients	1,551	1,099	41%	1,297	20%
Other*	680	664	2%	845	(19%)
Total Corporate and Commercial Bank	8,591	7,632	13%	7,029	22%

Liabilities

PLN million	30.09.2011 (1)	30.06.2011 (2)	Change (1)/(2)	31.12.2010 (3)	Change (1)/(3)
Enterprises, including:	2,760	2,692	3%	3,110	(11%)
SMEs	2,094	1,955	7%	2,175	(4%)
MMEs	666	737	(10%)	935	(29%)
Public Sector	1,690	1,811	(7%)	2,958	(43%)
Global Clients	6,213	6,345	(2%)	7,866	(21%)
Corporate Clients	3,459	3,442	0%	2,940	18%
Other*	39	37	6%	73	(46%)
Total Corporate and Commercial Bank	14,161	14,327	(1%)	16,947	(16%)

* Includes customers under restructuring and customers of Handlowy Leasing sp. z o.o., not being customers of the Bank.



Key transactions in Corporate and Commercial Bank in the third quarter of 2011:

- The Bank together with other banks concluded an annex to the agreement with a fuel and gas sector client for the purchase of bonds issued by the said client. The annex increased the commitment of the Bank to purchase coupon bonds and bonds up to PLN 750 million, valid through 31 July 2015;
- The Bank concluded an agreement with a corporate client for an investment loan of USD 75.2 million falling due in 2016;
- In September 2011, Wałbrzych joined the group of towns served by the Bank. By virtue of a four-year agreement Citi Handlowy will provide current operational services, including a current account overdraft for the Wałbrzych Commune – Town of Wałbrzych and 38 business units – the total of around 150 accounts. Besides, the Bank will serve cash operations, including deposits made by inhabitants of the Town and the Commune. Additionally, the Bank won a contest for offers for social payment services for the Municipal Social Welfare Centre, where it will serve Prepaid Cards for beneficiaries of the said centre;
- In the third quarter of 2011, the Bank was mandated by a global client from the agricultural processing sector to perform an acquisition of WSE listed company's shares (the call to sell served by DMBH to be closed in the fourth quarter of 2011);
- The Bank was awarded several key contracts under tender procedures for serving retail stores in Poland.

Investment Banking

In the third quarter of 2011, the Bank's Investment Banking retained its strong position in terms of key transactions in the area of both capital market and acquisition. The Investment Banking team, together with Dom Maklerski Banku Handlowego S.A., advised the State Treasury as Global Offering Coordinator and Co-Bookrunner in the transaction of sale of Bank PKO BP shares. Due to the

situation on global capital markets, the transaction was suspended and its performance will depend on improvement of the situation on capital markets.

As regards the M&A area, the Investment Banking Team is present as a buy-side advisory for clients who are interested in the purchase of companies during the largest sales processes, covering public and private companies, that are currently performed in Poland. The success of the Investment Banking team in the third quarter of 2011 was advising the company from the energy industry in the purchase of shares in another company from the energy sector. The value of the transaction was PLN 1.44 billion.

Treasury Products

- In the third quarter of 2011, the Bank recorded growth in the volume of FX transactions with corporate clients by 28% compared to the third quarter of 2010 and by 12% compared to the second quarter of 2011;
- CitiFX Pulse, an electronic FX platform – in the third quarter of 2011 the volume of transactions made via an electronic platform grew by 5% compared to the previous quarter. In the third quarter of 2011 clients started to use more actively a new functionality introduced only this year and consisting of a possibility to place currency orders. Compared to the second half of 2011 this type of transactions grew by 81%;
- The volume of transactions on Treasury bonds concluded with financial institutions in the third quarter of 2011 grew by 45% compared to the corresponding period of the previous year;
- The Bank maintained its leading position as the arranger of the issue of bonds and deposit certificates for banks. According to the Rating&Market report of FitchRatings as at the end of September 2011 the Bank had almost 44% share in that market.

Global Transaction Services (GTS)

The Bank is a leading institution providing transaction banking services in Poland. In parallel with traditional banking services, it delivers modern liquidity management solutions as well as mass payments and receivables management products.

GTS offers the following products and services:

- Cash management products: deposits and current accounts, liquidity management products, MicroPayments, electronic banking;
- Card products;
- Payments and receivables: Unikasa, Direct Debit;
- Cash products;
- EU-related advisory;
- Trade finance products.

In the third quarter of 2011, the following changes were made to the range of GTS:

- MicroPayments – the Bank implemented an interest calculation tool for individual deposits, referred to as the Interest Calculator. Information about the amount of interest can be obtained by calling or mailing CitiService – Customer Service Department of the Bank. Such solution will make the product more attractive by saving client's time and improving communication with the Bank;
- Card products – to strengthen the position of the Bank in the card segment, it implemented changes enabling clients to contact the Bank in a faster and easier manner through communication channels such as Internet or telephone (among others the Bank introduced a possibility to clarify all current issues connected with card services via a special encrypted mailbox). As a result of those activities, among others, in the third quarter of 2011 the value of non-cash trade made with business cards (Visa Business charge cards and guarantee cards)

grew by 15% and the number of active cards increased by 13% compared to the corresponding period of 2010.

Other business achievements of the Transaction Services:

- MicroPayments

In the third quarter of 2011, the balances kept under Micropayments grew by nearly 10% (QoQ). That strengthened the position of the Bank as a leader in the market segment in which it offers MicroPayments. Micropayments are used by institutions and entities which accept cash deposits from various payers and have the obligation of returning these together with accrued interest.

- Electronic Banking

- The total number of transactions processed electronically by CitiDirect system in the third quarter of 2011 was 5.8 million, which means a 5% growth compared to the third quarter of 2010.
- As at the end of the third quarter of 2011, the number of corporate clients using the system actively stayed at a stable and high level of almost 5,000.
- As at the end of the third quarter of 2011, the number of corporate clients activated in the CitiDirect e-banking system grew by 7% compared to the end of the third quarter of 2010, and amounted to almost 11,500.
- The share of bank statements delivered to customers through electronic means only stayed at a high level of around 90%.
- In the third quarter of 2011, the Bank carried on its Client Academy project. The purpose of the project is to improve effectiveness of use of the CitiDirect functionality. In the third quarter of 2011 over 300 individual training sessions were conducted, which is a sixfold growth compared to the corresponding period of 2010.

- Card products

- The Bank is the leader on the pre-paid card market in Poland. According to data available at the end of the second quarter 2011 the share of the Bank in prepaid card trade in the Polish market was over 40%.
- The number of Visa Business debit cards issued by the Bank in the business segment grew by over 4% in the third quarter of 2011 compared to the end of the second quarter of 2011.

- Unikasa

Unikasa, a payment processing network enabling payment for products and services, is present in around 400 locations across the country. Unikasa clients can also pay their bills in more than 1,000 customer service points of the Unikasa partner network.

- Direct Debit

In the third quarter of 2011, the Bank maintained its leader position by settling the highest number of transactions as the creditor's bank.

- Speed Collect

SpeedCollect is a service that allows automatic booking of receivables. In the third quarter of 2011 the Bank maintained its leading position in the Polish market as regards the volume of processed transactions.

- Cash Products

The third quarter of 2011 was another period of growth in the volume of cash deposited with the Bank by corporate clients, as compared to the corresponding period of 2010. The key area of cash transactions, i.e. over-the-counter deposits in a closed form, grew by 5% compared to the third quarter of 2010.

- Trade Finance Products
 - according to data available at the end of the second quarter of 2011 the share of the Bank in the trade finance market in terms of turnovers under receivables discount transactions was 7.6% and it grew significantly compared to 6.4% in the first quarter of 2011 and 4.5% in the second quarter of 2010;
 - factoring turnovers of the Bank in the third quarter of 2011 amounted to PLN 1.5 billion and were 92% higher than in the corresponding period of 2010;
 - the Bank's assets in the area of trade finance products were 79% higher as at the end of the third quarter of 2011 compared to the third quarter of 2010;
 - in the third quarter of 2011, the value of issued letters of credit grew by 23% compared to the previous quarter. The market share of the Bank in this area is stable and amounts to around 15%;
 - major transactions related to structured trade finance services in the third quarter of 2011:
 - non-recourse structured receivables financing agreement for a Polish manufacturer of alcohol,
 - financing for suppliers to a global plant fat manufacturer under a loyalty program agreement,
 - purchase of receivables and financing for distributors of a pest control products manufacturer based on the first loss guarantee mechanism.

Custody services

The Bank has a leading position on the market of banks-custodians in Poland. It offers custody services to both foreign institutional investors and domestic financial entities, including in particular pension funds, investment funds and unit-linked insurance funds.

As at 30 September 2011, the Bank maintained 14,300 securities accounts.

At the same time, the Bank was the custodian bank for five Open Pension Funds (OFE): AMPLICO OFE, AVIVA OFE AVIVA BZ WBK, ING OFE, Pekao OFE, Nordea OFE and two employee pension funds: PZU "Słoneczna Jesień" Employee Pension Fund and Telekomunikacja Polska S.A. Employee Pension Fund.

The Bank was the custodian bank for mutual funds and sub-funds managed by the following Investment Fund Corporations (TFI): BZ WBK TFI S.A., PKO TFI S.A., PIONEER PEKAO TFI S.A., LEGG MASON TFI S.A. and AVIVA INVESTORS POLAND TFI SA.

Brokerage services

The Group offers brokerage services in the capital market through Dom Maklerski Banku Handlowego S.A. ("DMBH"), a wholly-owned subsidiary of the Bank.

In the third quarter of 2011, DMBH acted as an intermediary in 12% of secondary equities trading, thus achieving the first position on the market. Over the analyzed period the value of equity trades executed via DMBH on the Warsaw Stock Exchange was PLN 17.3 billion (growth by 18.5% compared to the corresponding period of the previous year). The value of trading on WSE went up by 34.1% compared to the corresponding period in 2010.

The number of brokerage accounts with DMBH at the end of the third quarter of 2011 amounted to 9,100, up by 10.5% compared to the end of the third quarter of the previous year.

In the third quarter of 2011 the number of companies for which DMBH acts as a Market Maker still placed it among the leading brokerage houses that perform that function on the WSE. As in previous years, the DMBH Market Maker actively supported the liquidity of the market.

At the end of the third quarter of 2011 DMBH acted as a Market Maker for 36 companies, which constitutes 7.1% of all WSE listed shares and ranks DMBH as the fourth among brokerage houses in Poland. Additionally, DMBH acted as a Market Maker for WIG20 futures contracts.

In the third quarter of 2011, DMBH did not participate in organization of OTC securities trades.

DMBH is specialized in serving both domestic and foreign institutions, therefore the activity of this segment of investors (dependent on the flow of new capital and economic situation in the WSE) has the biggest impact on the operations of DMBH.

Summary Income Statement and Balance Sheet*

Company's Name	Headquarters	Participation interest of the Bank in equity %	Balance	Equity as at	Net financial
			sheet as at 30.09.2011 PLN '000	30.09.2011 PLN '000	result for 01.07- 30.09.2011 PLN '000
Dom Maklerski Banku Handlowego S.A.	Warszawa	100.00	930,866	108,830	4,768

*Unaudited data

Leasing services

The Group offers leasing services through Handlowy Leasing Sp. z o.o. ("Handlowy-Leasing", "HL"), a wholly-owned subsidiary of the Bank.

The value of new leases contracted in the third quarter of 2011 was PLN 47.9 million compared to PLN 32.7 million worth of contracts executed in the third quarter of 2010, which means an increase by 47%.

The structure of the aforesaid assets was as follows:

- the share of transport vehicles stood at 56%,
- the share of machinery and equipment stood at 44%.

Net asset value of leases

PLN million	Q3 2011	Q3 2010	Change	
			PLN million	%
Value of leases contracted in the period:	47.9	32.7	15.2	46%
for vehicles	27.0	17.6	9.4	53%
for machinery and equipment	20.9	15.1	5.8	38%

In the third quarter of 2011, HL pursued its strategy, the main assumption of which is selling leasing products to the clients of the Bank and strengthening the Handlowy-Leasing brand recognition among those clients.

Summary Income Statement and Balance Sheet*

Company's Name	Headquarters	Participation interest of the Bank in equity %	Balance	Equity as at	Net financial
			sheet as at 30.09.2011 PLN '000	30.09.2011 PLN '000	result for 01.07- 30.09.2011 PLN '000
Handlowy-Leasing Sp. z o.o.	Warszawa	100.00	815,523	156,294	3,223

*Unaudited data

2. Consumer Banking

2.1. Summary of the segmental results

PLN '000	Q3 2011	Q3 2010	Change	
			PLN '000	%
Net interest income	194,228	198,975	(4,747)	(2.4%)
Net fee and commission income	83,773	90,649	(6,876)	(7.6%)
Net income on trade financial instruments and revaluation	9,037	7,098	1,939	27.3%
Net other operating income	(7,065)	(4,250)	(2,815)	66.2%
Total income	279,973	292,472	(12,499)	(4.3%)
General administrative expenses and depreciation	(203,169)	(190,537)	(12,632)	6.6%
Profit/(loss) on sale of tangible fixed assets	(131)	(69)	(62)	89.9%
Net impairment losses	(28,119)	(62,179)	34,060	(54.8%)
Profit before tax	48,554	39,687	8,867	22.3%
Cost/Income	73%	65%		

The main factors that determined the gross profit of Consumer Bank in the third quarter of 2011 as compared to the corresponding period of 2010 were:

- decline in net interest income through a lower exposure in cash loans in selected customer segments in line with the Bank's strategy. Decline was partially compensated by the increase of interest income from credit cards, growth of mortgage loan portfolio and significantly lower interest expenses. The latter was an effect of consistent focus on operating accounts coupled with pricing policy regarding time deposits and saving accounts;
- decrease of net fee and commissions income resulting from lower commissions from distribution of investment products (customer preference of safer products with lower margins) along with drop of income from credit cards' annual fees following promotional offers aimed at increasing acquisition. These factors were partially balanced by increasing income from credit card transactions;
- growth of expenses mainly related to investments in distribution channels supporting sales of credit cards, operating accounts and mortgage loans, together with minor increase of marketing expenditures;
- decline of net impairment losses, caused by consistently improving quality of cash loans and credit cards portfolios, partially due to earlier changes in credit policy (such as strategic decrease of higher risk segments in retail credit portfolio).

2.2. Selected business data

	Q3 2011	Q2 2011	Q3 2010	Change QoQ	Change YoY
Number of individual customers*	982,830	987,079	1,017,080	(4,249)	(34,250)
Number of current accounts, including:	645,735	628,483	561,408	17,252	84,327
number of operating accounts	162,756	153,742	116,930	9,014	45,826
Number of operating accounts newly acquired uring the reported period	29,496	32,124	20,852	(2,628)	8,644
Number of saving accounts	221,810	217,882	203,714	3,928	18,096
Number of credit cards, including:	864,842	871,299	923,791	(6,457)	(58,949)
co-branded cards	487,954	483,932	526,770	4,022	(38,816)
Number of active credit cards	649,074	620,373	668,964	28,701	(19,890)

	Q3 2011	Q2 2011	Q3 2010	Change QoQ	Change YoY
Number of debit cards, including:	473,513	468,882	441,260	4,631	32,253
PayPass cards	303,074	269,742	125,873	33,332	177,201

* The comparative data for Q2 2011 differ from the data presented in the Q2 2011 Consolidated Report due to a change in the calculation methodology.

The number of all individual clients at the end of the third quarter of 2011 was almost 983,000 compared to 1,017,000 in the corresponding period of 2010. In the same period the number of operational accounts grew significantly (by 39% YoY) up to 163,000 at the end of the third quarter of 2011.

2.3. Business activities and achievements

Credit cards

As at the end of the third quarter of 2011, the number of credit cards amounted to 864,800, which means a slight fall (by 0.7%) compared to the second quarter of 2010 and 6.4% decrease compared to the third quarter of 2010. According to the data available as at the end of the second quarter of 2011, despite a lower number of credit cards in the portfolio, Bank's share in the credit card market in terms of the number of issued cards increased to 10.3% at the end of the second quarter of 2011 from 9.9% at the end of the second quarter of 2010. Additionally, the Bank maintained its leading position on the credit card market in terms of transaction value – the Bank's share amounted to 22.6% according to the data available as at the end of the second quarter of 2011.

In the third quarter of 2011, the following changes were made in the range of the credit cards offered by the Bank:

- on 1 August 2011, the Bank in cooperation with Wizz Air Hungary Airlines Ltd. launched a new credit card – Citibank Wizz Air World Mastercard. The new card allows collecting points in the Wizz Air Partner Program, which may be exchanged for free air tickets. Besides, holders of those cards are exempted from the booking fee when buying air tickets through the wizzair.com website;
- in reaction to increase in interest rates by the Polish Monetary Policy Council in the second and third quarter of 2011, the Bank increased nominal interest rates on credit cards twice in the third quarter of 2011 by the total of 3 p.p. up to 24%.

Bank accounts

- **Current accounts:** As at the end of the third quarter of 2011, the number of current accounts held by individual clients grew by 15% compared to the corresponding period of 2010 and at the end of the third quarter of 2011 it amounted to 645,700 (561,400 in the third quarter of 2010), including over 455,000 accounts denominated in PLN (389,000 in the third quarter of 2010) and over 190,000 accounts denominated in foreign currencies (172,000 in the third quarter of 2010). The total balance in current accounts grew by 15% and exceeded PLN 2.1 billion while in the third quarter of 2010 it was PLN 1.8 billion.
- **Savings accounts:** at the end of the third quarter of 2011 the number of savings accounts was 221,800 with the total balance of PLN 2.5 billion compared to 203,700 with the total balance of PLN 2.4 billion in the third quarter of 2010.
- **Changes in the offer:**
 - In August 2011, the Bank introduced revised Terms and Conditions of Bank Accounts and a revised Table of Charges and Fees for accounts and credit lines for individual clients. While increasing selected charges the Bank did not resign from the promotion of "Benefits Package" under which it rewards loyal and active clients (no charge for an account for specified regular inflows, non-cash card transactions or a specified balance on a deposit account);

At the same time new Internet account was introduced to the offer – CitiKonto Direct, aimed at clients who prefer Internet contact with the Bank, and a new savings account – Regular Savings Account (Konto Regularnie Oszczędzające). The maximum interest rate on that account may amount to 4.5% (the base interest rate is 2%);

- In July 2011, the Bank launched another City Payment Card. Following Warsaw and Wrocław, passengers of public transport in Gdańsk-Sopot-Gdynia Tricity may take advantage of the innovative solution of a combined city and payment card. The implementation is accompanied by promotion consisting of 10% discount for the public transport fare for 12 months.

Credit Products

• Cash Loan

In the third quarter of 2011 the Bank changed its cash loan offer to make itself more competitive on the consumer loans market. The changes covered a new pricelist, two new consolidation offers for clients with no credit relation with the Bank and a guaranteed offer (i.e. interest rate and maximum amount available to the client before filing a credit application) for present clients.

• Mortgage Products

- At the end of the third quarter of 2011 the total balance of the mortgage portfolio amounted to PLN 515.9 million, growth by 19.7% compared to the second quarter of 2011.
- Distribution channels: to further enhance the quality of customer service, in September 2011 the Bank implemented a new structure of sale under which it established specialized mortgage centers in its branches, focused on professional services for clients interested in mortgage products. Besides, at the end of the third quarter of 2011 the Bank had over 1,600 agreements concluded with external partners.
- In the third quarter of 2011, new product and price solutions were introduced, covering, among others, the expansion of auxiliary investment and insurance-linked products that support financial security of Bank's clients and a special pricing offer for employees of companies that were awarded with the Top Employers Poland 2011 certificate and included in the prestigious group of the best employers in Poland.

Insurance and Investment Products

- In the third quarter of 2011, the total value of assets under management in investment-linked products (including deposit certificates, dual currency investments, unit-linked deposits and insurance products) bought by clients through the Bank was lower by 9.8% compared to the corresponding period of 2010, which resulted from redemption of structured products at their maturity and disbursements under life insurance with unit-linked insurance funds with a single premium after the end of the liquidation fee period and – to some extent – from a decrease in the value of assets in August and September 2011 due to declines in the stock exchange.
- At the end of the third quarter of 2011, the assets managed under investment funds increased compared to the balance 12 months ago. The value of those assets amounted to PLN 2.2 billion at the end of the third quarter of 2011 compared to PLN 1.9 billion at the end of the comparative period of 2010, i.e. it grew by 16.1%. The biggest inflows were recognized to bond and money market funds.
- In the third quarter of 2011, the Bank concentrated on the offer of long-term savings and investment products, by using a broad range of offered products, in particular investment products in the form of endowment insurance and life insurance with unit-linked insurance funds with a regular premium. In the third quarter of 2011, revenues from the same were 8.9% higher compared to the second quarter of 2011 and 51% higher than in the same period of 2010. The Bank's offer was additionally enhanced in June 2011 with a promotion of 10% lower allocation of first-year premiums – up to the total of 110% – available under newly concluded agreements for life insurance with unit-linked insurance funds with a regular premium – the Optimum Investment Plan.

2.4. Development of distribution channels

Mobile Banking

At the end of the third quarter of 2011, more than 53,000 clients used the Citi Mobile system (the browser version and the application version), including over 9,000 who logged to Citi Mobile for the first time in the third quarter of 2011. The Citi Mobile application was downloaded over 19,000 times as at the end of this period.

In September 2011 the mobile banking functionality was expanded by a discount offer browser operating based on the geo-location mechanism. It allows the users to find the nearest outlet with a valid discount offer for Bank payment card holders.

Citi Mobile was ranked as the third among "The Best Mobile Banking" in the 2011 "Friendly Bank" ranking of Newsweek.

Internet Banking

In the third quarter of 2011, clients were provided with a credit card prize catalogue: World and Wizz Air. The catalogue allows exchanging points, collected under partner programs of those cards, into prizes through Citibank Online.

Indirect and Direct Customer Acquisition

- At the end of the third quarter of 2011, the network of direct sales units comprised 24 sales outlets, including stands located in shopping centers (19), Wizz Air World Mastercard sales stands (4) and a Citibank LOT credit card sales stand at Okęcie airport in Warsaw;
- At the same time, due to distribution channel optimization, the number of sales outlets in shopping centers was reduced and the sale in BP fuel stations and in the ZTM outlets was ended.

3. Branch network

As at the end of the third quarter of 2011, the branch network of the Bank comprised 149 outlets and included the L type outlets (formerly the Corporate Bank, the CitiGold Wealth Management outlets and the Investment Centre), the M type outlets (former multifunctional outlets) and the S type outlets (former CitiFinancial branches).

The number of branches

	Q3 2011	Q2 2011	Q3 2010	Change QoQ	Change YoY
Number of outlets:	149	152	155	(3)	(6)
L type	42	43	43	(1)	(1)
M type	89	89	90	-	(1)
S type	18	20	22	(2)	(4)
Other sales / customer service outlets:					
Polkomtel sales points	-	-	51	-	(51)
Plus outlets	-	14	16	(14)	(16)
Outlets of financial brokers (Open Finance, Expander)	126	123	-	3	126
Airports	5	1	5	4	-
BP petrol stations	-	12	32	(12)	(32)
Shopping centres	19	26	7	(7)	12
ZTM points	-	13	-	(13)	-
Number of own ATMs	133	133	157	-	(24)
Euronet ATMs with logo of 'Citi Handlowy'	833	900	940	(40)	(107)
Unikasa	399	383	370	16	29

9 Rating

The Bank has full rating from international rating agencies: Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch").

Fitch assigned the following full rating to the Bank on 22 September 2011:

Long-term IDR	A
Short-term IDR	F1
Viability rating (VR)*	bbb+
Support rating	1

* *Viability rating* is a rating of internal creditworthiness, independent of external circumstances, of a given institution.

The aforesaid rating reflects high liquidity, stable structure of funding, strong capital position of the Bank and a moderate credit risk appetite. Besides, in the opinion of Fitch, stabilization of the quality of assets reflected in lower credit write-offs should have positive impact on results of the Bank in 2011. Long-term and short-term IDRs take account of a high probability of support which the Bank could obtain, if necessary, from its strategic shareholder – Citigroup rated "A+". Those ratings were put on the watch list with a negative outlook. A decision on removing the Bank from the watch list is dependent on removing Citigroup from the same.

Besides, no ratings assigned by Moody's were changed in the third quarter of 2011. The last change in the rating was made on 18 June 2009. At the end of the third quarter of 2011 the following ratings of Moody's were applicable:

Long-term local currency deposit rating	Baa1
Long-term foreign currency deposit rating	Baa1
Short-term local currency deposit rating	Prime-2
Short-term foreign currency deposit rating	Prime-2
Financial standing	D+
<i>Outlook on bank financial strength rating</i>	<i>Negative</i>
<i>Outlook on long-term local currency deposit rating</i>	<i>Negative</i>

10 Financial instruments disclosure

The increase of fair value of financial instruments classified as held-for-trading at 30 September 2011 in comparison to the end of 2010 was connected with high price variability of oil, liquid fuel, gas and precious metals as well as with the change of the interest rates expectations.

The increase of fair value of financial instruments classified as available-for-sale (AFS) was influenced by the rise of involvement in commercial papers and papers denominated in foreign currency, in connection with Group's expectations regarding economic conditions' changes.

Despite persistently high volatility of market factors such as commodity prices and expectations about future interest rates, their impact on change in fair value of Bank's loans and deposits portfolios can be considered negligible - in relation to the size of the respective portfolios - due to their short term nature and relatively stable quality, especially in relation to customer loans.

In the nine-month period of 2011 the Group did not make any changes in principles of financial instruments' classification (presented in the balance sheet at fair value) to the separate categories of fair value establishing method used (level I, level II, level III).

In this period of 2011 the Group effected the transfer of part of financial assets held-for-trading from the categories valued using crucial parameters not originating from the market (level III) to the category of market-originating parameters valuation (level II). The value of financial assets held-for-trading, which were the subject of the transfer, as at 30 September 2011 amounted PLN 7,320. The change of category concerns derivative instruments and results from cessation of one of non-banking clients' influence on valuation of an important credit risk element, which was taken into consideration in valuation as at 31 December 2010.

In the nine-month period of 2011 the Group did not make any changes in financial assets classification that may result from asset's purpose or usage change.

11 Seasonality or periodicity of business activity

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

12 Issue, redemption and repayment of debt and equity securities

Within the Debt Security of the Bank Issue Program, Bank effects the issue of certificates of deposit ('BPW'), total value of which was PLN 24,303 thousand as at 30 September 2011.

PLN '000

Type of debt securities issued	Nominal value	Issuance date	Maturity date
Certificate of deposit	673	02.07.2010	06.01.2012
Certificate of deposit	2,275	04.05.2011	30.10.2012
Certificate of deposit	1,193	01.07.2011	02.04.2012
Certificate of deposit	8,662	01.08.2011	01.08.2012
Certificate of deposit	4,495	01.09.2011	03.09.2012
Certificate of deposit	7,000	26.09.2011	26.09.2012
	24,298		

In the third quarter of 2011 the Bank paid the BPWs off in the amount of PLN 37,955 thousand, whose maturity dates fell respectively on 1 August 2011 and 31 August 2011.

Provided that BPW are held until maturity, at redemption the issuer is obliged to pay the principal, guaranteed interest and premium interest.

13 Paid or declared dividends

Dividends paid

In accordance with General Meeting of Shareholders' Resolution No 29/2011 of 1 June 2011, 2010 profit has been distributed, the resolution of dividend pay-out was adopted as well as dividend date and pay-out date were determined. From 2010 net profit PLN 747,372,912.00 was assigned for the pay-out, which means the pay-out for a single share was PLN 5.72. The number of shares subjected to dividend equals 130,659,600.

The date of determination the right to dividend was set on 16 June 2011. The dividend was paid out on 29 July 2011.

14 Changes in Group's structure

In the third quarter of 2011 the structure of the Group has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

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

As at 30 September 2011 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.

16 Changes in off-balance-sheet commitments

The detailed specification of off-balance-sheet commitments as at 30 September 2011 and changes in comparison with the end of 2010 are as follows:

PLN '000	State as at		Change	
	30.09.2011	31.12.2010	PLN '000	%
Contingent liabilities granted				
financial	10,807,256	10,839,248	(31,992)	(0.3%)
Import letters of credit issued	134,038	145,665	(11,627)	(8.0%)
Credit lines granted	9,978,054	10,333,933	(355,879)	(3.4%)
Subscription of securities granted to other issuers	562,650	359,650	203,000	56.4%
Other	132,514	-	-	-
guarantees	2,273,015	1,787,149	485,866	27.2%
Guarantees granted	2,256,227	1,771,282	484,945	27.4%
Export letters of credit confirmed	3,848	1,647	2,201	133.6%
Other	12,940	14,220	(1,280)	(9.0%)
	13,080,271	12,626,397	453,874	3.6%
Contingent liabilities received				
financial (deposits to receive)	2,488,943	318,701	2,170,242	681.0%
guarantees (guarantees received)	3,095,873	2,769,825	326,048	11.8%
	5,584,816	3,088,526	2,496,290	80.8%
Off-balance transactions (granted/received liabilities)				
Current*	2,966,066	1,604,829	1,361,237	84.8%
Forward **	245,566,078	209,802,627	35,763,451	17.0%
	248,532,144	211,407,456	37,124,688	17.6%

*Foreign exchange and securities transactions with current value date

** Derivatives: FX, interest rate transactions and options

17 Achievement of 2011 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2011.

18 Information about shareholders

As at the day of publishing the Interim Statement for the third quarter 2011 the list of shareholders who held at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

	Value of shares (PLN '000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75.0	97,994,700	75.0
Other Shareholders	130,659	32,664,900	25.0	32,664,900	25.0
	522,638	130,659,600	100.0	130,659,600	100.0

In the period between publishing the interim consolidated financial statements for the second quarter 2011 and publishing this report for the third quarter 2011 the structure of major shareholdings has not undergone any changes.

19 Ownership of issuer's shares by managing and supervising officers

According to the best knowledge of the Bank – the dominant entity, the number of Bank's shares held by managing and supervising officers is presented below:

Name and surname	Function	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2011	Number of shares on day of publishing the previous Interim Financial Statement for the second quarter 2011
Iwona Dudzińska	Member of the Managing Board	600	600
Andrzej Olechowski	Vice-chairman of Supervisory Board	1,200	1,200
Total		1,800	1,800

Managing and supervising officers have not declared any options for Bank's shares.

20 Information on pending proceedings

In the third quarter of 2011 there was no single proceeding regarding receivables and liabilities of the Bank or its subsidiary pending in court, public administration authority or an arbitration authority, the value of which would equal at least 10% of Bank's equity

The total value of all legal proceedings regarding receivables, with the participation of the Bank and its subsidiaries, in the third quarter 2011 did not exceed 10% of the Bank's equity. The majority of the receivables included in the value of the legal proceeding in the Bank concerns area of validation executory clause of Bank's enforceable title.

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

In the third quarter 2011 the total value of all Bank's and its subsidiaries' commitments due to legal proceedings did not exceed 10% of the Bank's equity capital.

As at 30 September 2011, the Bank was a party to 33 proceedings regarding derivative transactions: in 27 proceedings it acted as a defendant and in 6 - as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of dispute refers mainly to the validity of the derivative transactions and client's liabilities demanded by the Bank with respect to those derivative transactions as well as potential claims regarding invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they question the validity of the agreements, dispute their liabilities towards the Bank and, in some cases, demand payments from the Bank.

As at 30 September 2011, no final settlements regarding the derivative transactions proceedings to which the Bank is a party were made in the court.

The Bank is a party to the proceeding initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa Europay payment system operators and banks - issuers of Visa cards and Europay/ Eurocard/ Mastercard.

This procedure applies to practices limiting the competition on payment-cards market in Poland, by consisting in the joint determination of 'interchange fees' for transactions made by cards of Visa and Europay / Eurocard / Mastercard as well as limiting the access to market for operators who do not belong to the unions of card issuers and against whom proceedings have been initiated. On 22 April 2010 the Court of Appeal overturned the verdict of the Court of Competition and Consumer Protection (SOKiK), sending the case back to the court of first instance. The Bank is awaiting putting on a trial.

In case of legal proceedings involving the risk of cash outflow as a result of meeting Group's commitments, the appropriate provisions are created.

21 Information about significant transactions with related entities dealt on other than market terms

In the third quarter of 2011, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

22 Information about guarantee agreements

At the end of the third quarter of 2011, the total value of sureties and guarantees given by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's shareholders' equity.

23 Other important information

Personal changes in the Bank

On 6 July 2011 Mr Wiesław Smulski resigned from the position of a Member of Bank's Supervisory Board.

On 12 September 2011 Mr Dariusz Mioduski was assigned to the post of a Member of Bank's Supervisory Board.

24 Description of factors and events that might affect the Group's future financial performance

There is still uncertainty on the financial markets regarding public finances of some Eurozone countries. There is a risk of debt restructuring of Greece, Ireland and Portugal in the months to come. Consequently, selected European banks, most exposed to losses due to bonds of the countries on the outskirts of the Eurozone in their portfolio, may be re-capitalized. Those events may contribute to a new growth in aversion to risk, depreciation of zloty, deteriorated situation in the labor market and a declined purchasing power of households.

Interest rate reductions expected in the next year may prove insufficient to mitigate effects of the economic slowdown. At the same time, unlike in 2009, Poland may not afford to loosen its fiscal policy. On the other hand, carrying on a fast tightening of the fiscal policy may lead to an even bigger slowdown of the economic growth. Insufficient tightening of the fiscal policy, required by rating agencies, and pressures on the ratings of Poland could bring about a possible sale of bonds by foreign investors. That could lead to higher costs of financing on financial markets for Polish companies. A need for stronger financial tightening in the conditions of a weak economic growth may force further increases of VAT and income taxes, which would reduce income at the disposal of households.

Over-liquidity on the international financial markets, connected with programs of assets purchase by central banks to stimulate economic growth and reduce financial market disturbances, may result in significant increase in prices of raw materials and continued high inflation. A possible growth in prices could lead to lower real income of households and reduced consumption, and at the same time make the Polish Monetary Policy Council to keep interest rates or to increase the same.

The above factors may have impact on the Group's performance in the coming periods.

Condensed interim financial statements of the Bank for the third quarter 2011

Condensed income statement

	Third quarter period from 01.07.2011 to 30.09.2011	Third quarter accruals period from 01.01.11 to 30.09.11	Third quarter period from 01.07.2010 to 30.09.2010	Third quarter accruals period from 01.01.10 to 30.09.10
<i>PLN '000</i>				
Interest and similar income	478,366	1,391,972	488,518	1,462,435
Interest expense and similar charges	(129,894)	(363,556)	(117,609)	(360,718)
Net interest income	348,472	1,028,416	370,909	1,101,717
Fee and commission income	164,551	497,292	170,022	493,796
Fee and commission expense	(21,679)	(55,594)	(18,888)	(53,648)
Net fee and commission income	142,872	441,698	151,134	440,148
Dividend income	-	26,271	-	12,509
Net income on trade financial instruments and revaluation	101,782	237,283	71,498	229,366
Net gain on debt investment securities	7,600	18,934	44,814	102,506
Net gain on capital investment instruments	-	-	-	2,516
Other operating income	6,825	27,175	16,095	55,365
Other operating expenses	(10,267)	(28,631)	(9,647)	(40,882)
Net other operating income	(3,442)	(1,456)	6,448	14,483
General administrative expenses	(336,489)	(1,001,434)	(322,451)	(947,423)
Depreciation expense	(13,285)	(39,048)	(13,497)	(43,588)
Profit/(loss) on sale of tangible fixed assets	(153)	2,123	(50)	(253)
Net impairment losses	(21,168)	(75,822)	(57,735)	(221,514)
Profit before tax	226,189	636,965	251,070	690,467
Income tax expense	(48,625)	(128,194)	(44,660)	(138,356)
Net profit	177,564	508,771	206,410	552,111
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net earnings per share (in PLN)		3.89		4.23
Diluted net earnings per share (in PLN)		3.89		4.23

Condensed statement of comprehensive income

	Third quarter period from 01.07.2011 to 30.09.2011	Third quarter accruals period from 01.01.11 to 30.09.11	Third quarter period from 01.07.2010 to 30.09.2010	Third quarter accruals period from 01.01.10 to 30.09.10
<i>PLN '000</i>				
Net income	177,564	508,771	206,410	552,111
Other comprehensive income:				
Valuation of financial assets available-for-sale (net)	(54,798)	(34,549)	4,228	82,322
Total comprehensive income	122,766	474,222	210,638	634,433

Condensed balance sheet

	State as at	30.09.2011	31.12.2010
<i>PLN '000</i>			
ASSETS			
Cash and balances with the Central Bank		1,509,331	3,206,554
Financial assets held-for-trading		5,095,824	3,995,217
Debt securities available-for-sale		13,812,594	13,029,254
Capital investments		307,006	303,165
Loans, advances and other receivables		14,028,961	13,938,510
from financial sector		1,718,023	3,164,818
from non-financial sector		12,310,938	10,773,692
Tangible fixed assets		425,534	431,366
property and equipment		407,226	413,058
investment property		18,308	18,308
Intangible assets		1,287,196	1,283,134
Income tax assets		369,895	305,253
current		134,190	67,171
deferred		235,705	238,082
Other assets		203,789	199,319
Fixed assets held-for-sale		9,901	9,901
Total assets		37,050,031	36,701,673
LIABILITIES			
Financial liabilities held-for-trading		4,238,812	2,804,437
Financial liabilities valued at amortized cost		26,031,261	26,943,235
deposits		25,481,209	26,544,190
from financial sector		7,480,870	6,138,803
from non-financial sector		18,000,339	20,405,387
own issue liabilities		24,303	11,533
other liabilities		525,749	387,512
Provisions		39,527	32,227
Other liabilities		594,279	499,682
Total liabilities		30,903,879	30,279,581
EQUITY			
Share capital		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		(79,397)	(44,848)
Other reserves		2,249,555	2,251,691
Retained earnings		508,771	748,026
Total equity		6,146,152	6,422,092
Total liabilities and equity		37,050,031	36,701,673

Condensed statement of changes in equity

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2011	522,638	2,944,585	(44,848)	2,251,691	748,026	6,422,092
Total comprehensive income	-	-	(34,549)	-	508,771	474,222
Valuation of capital rewards program, including:	-	-	-	(2,789)	-	(2,789)
valuation change	-	-	-	(5,900)	-	(5,900)
deferred income tax	-	-	-	3,111	-	3,111
Dividends paid	-	-	-	-	(747,373)	(747,373)
Transfer to capital	-	-	-	653	(653)	-
Balance as at 30 September 2011	522,638	2,944,585	(79,397)	2,249,555	508,771	6,146,152

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2010	522,638	2,944,585	(81,026)	2,223,274	525,152	6,134,623
Total comprehensive income	-	-	82,322	-	552,111	634,433
Valuation of capital rewards program, including:	-	-	-	815	-	815
valuation change	-	-	-	2,140	-	2,140
deferred income tax	-	-	-	(1,325)	-	(1,325)
Dividends paid	-	-	-	-	(492,587)	(492,587)
Transfer to capital	-	-	-	32,565	(32,565)	-
Balance as at 30 September 2010	522,638	2,944,585	1,296	2,256,654	552,111	6,277,284

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2010	522,638	2,944,585	(81,026)	2,223,274	525,152	6,134,623
Total comprehensive income	-	-	36,178	-	748,026	784,204
Valuation of capital rewards program, including:	-	-	-	(4,148)	-	(4,148)
valuation change	-	-	-	(3,017)	-	(3,017)
deferred income tax	-	-	-	(1,131)	-	(1,131)
Dividends paid	-	-	-	-	(492,587)	(492,587)
Transfer to capital	-	-	-	32,565	(32,565)	-
Balance as at 31 December 2010	522,638	2,944,585	(44,848)	2,251,691	748,026	6,422,092

Condensed summary statement of cash flows

PLN '000	Third quarter accruals	
	period from 01.01.11 to 30.09.11	period from 01.01.10 to 30.09.10
Cash at the beginning of the reporting period	3,301,549	4,133,389
Cash flows from operating activities	(516,768)	(1,511,256)
Cash flows from investing activities	(16,784)	4,942
Cash flows from financing activities	(756,639)	(528,657)
Cash at the end of the reporting period	2,011,358	2,098,418
Increase / Decrease in net cash	(1,290,191)	(2,034,971)

Condensed additional information

1. Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting, adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2010.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is obliged to publish its financial results for the nine-month period ended 30 September 2011 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Condensed interim unconsolidated financial statements of the Bank for the third quarter of 2011 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide separate interim financial statements, on condition that it includes in the consolidated interim financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the condensed interim financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements.

Principles adopted in the preparation process of these condensed interim consolidated financial statement are consistent with the principles, described in the annual unconsolidated financial statements of the Bank as at 31 December 2010.

Other information and explanations concerning these condensed interim consolidated financial statements for the third quarter 2011 contain also all information and explanatory data essential for these condensed interim financial statements.

The summary of Bank's financial results for the third quarter of 2011 is presented below.

Bank's financial results

During the first three quarters of 2011 the Bank has generated profit before tax of PLN 637 million, comparing to PLN 690 million in the corresponding period of 2010. Profit before tax in the third quarter 2011 reached PLN 226 million, while in the third quarter 2010 it was PLN 251 million.

Accrued net income (for the period from January to September 2011) amounted to PLN 509 million,

which means it decreased by PLN 43 million in comparison with the corresponding period of 2010. Net income in the third quarter 2011 totaled PLN 178 million comparing to PLN 206 million in the third quarter 2010.

The following factors had a significant influence on Bank's net income in the third quarter 2011: net write-downs for impairment of financial assets loss lower by PLN 37 million (63.3%), fall in interest and commission income by PLN 31 million (5.9%), rise in banking activity costs and general administrative costs by PLN 14 million (4.1%), decrease of result on financial instruments (trade financial instruments and revaluation, debt securities, investment capital instruments) by PLN 7 million (5.9%), decrease of financial result on other operating income and expenses as well as income on sale of fixed assets by PLN 10 million total and income tax burden rise by PLN 4 million.

The consolidated quarter report for the third quarter of 2011 will be available on the website of Bank Handlowy w Warszawie S.A. at www.citihandlowy.pl

Signature of the Vice Director of
Financial Reporting and Control Department

Signature of the Vice President of
Management Board

Date and signature

Date and signature

10.11.2011

10.11.2011

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