



INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
OF THE CAPITAL GROUP OF  
BANK HANDLOWY W WARSZAWIE S.A.  
FOR THE THIRD QUARTER 2009

NOVEMBER 2009

**Selected financial data**

	PLN '000		EUR '000***	
	Third quarter growing period from 01.01.09 to 30.09.09	Third quarter growing period from 01.01.08 to 30.09.08	Third quarter growing period from 01.01.09 to 30.09.09	Third quarter growing period from 01.01.08 to 30.09.08
<b>Data related to summary condensed consolidated financial statements</b>				
Interest income	1,598,660	1,671,879	363,390	488,183
Fee and commission income	482,499	557,665	109,676	162,836
Profit before tax	516,479	713,877	117,400	208,449
Net profit	402,860	565,886	91,574	165,237
Total income	494,180	582,861	112,332	170,193
Increase of net cash	(2,754,212)	(1,944,919)	(626,057)	(570,642)
Total assets*	38,403,500	42,550,345	9,094,752	10,198,050
Liabilities due to Central Bank*	255,080	-	60,408	-
Financial liabilities valued at amortized cost*	27,319,343	29,345,498	6,469,792	7,033,242
Shareholders' equity	6,124,253	5,564,348	1,450,351	1,632,588
Share capital	522,638	522,638	123,772	153,343
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	46.87	42.59	11.10	12.49
Capital adequacy ratio (%)*	15.15	12.07	15.15	12.07
Earnings per ordinary share (PLN / EUR)	3.08	4.33	0.70	1.26
Diluted net profit per ordinary share (PLN / EUR)	3.08	4.33	0.70	1.26
<b>Data related to summary condensed financial statements of the Bank</b>				
Interest income	1,557,263	1,620,013	353,980	473,038
Fee and commission income	445,266	514,103	101,213	150,116
Profit before tax	526,858	744,816	119,760	217,484
Net profit	414,191	603,161	94,149	176,121
Total income	505,467	622,245	114,897	181,693
Increase of net cash	(2,754,160)	(1,940,145)	(626,045)	(569,241)
Total assets*	37,152,470	41,245,371	8,798,482	9,885,287
Liabilities due to Central Bank*	255,080	-	60,408	-
Financial liabilities valued at amortized cost*	26,583,997	28,292,118	6,295,647	6,780,778
Shareholders' equity	6,049,237	5,477,690	1,432,586	1,607,162
Share capital	522,638	522,638	123,772	153,343
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	46.30	41.92	10.96	12.30
Capital adequacy ratio (%)*	15.10	11.69	15.10	11.69
Earnings per ordinary share (PLN / EUR)	3.17	4.62	0.72	1.35
Diluted net profit per ordinary share (PLN / EUR)	3.17	4.62	0.72	1.35
Declared or distributed dividends per ordinary share (PLN / EUR)**	-	4.75	-	1.39

\* Comparable data according to balance sheet as at 31 December 2008.

\*\* The presented ratios are related to, respectively: paid dividends in 2008 from the appropriation of the 2007 profit. The Management Board of the Bank on the meeting on 18 June 2009, according to Resolution no 26a/2009, has recommended not to pay off the dividend from 2008 profit.

\*\*\* The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 30 September 2009 - PLN 4.2226 (as at 31 December 2008: PLN 4.1724; as at 30 September 2008 - PLN 3.4083); for the income statement - the arithmetic average of month - end NBP exchange rates in first, second and third quarter 2009 - PLN 4.3993 (in first, second and third quarter 2008: PLN 3.4247).

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**Condensed consolidated income statement**

PLN '000

	Third quarter period from 01.07.09 to 30.09.09	Third quarter growing period from 01.01.09 to 30.09.09	Third quarter period from 01.07.08 to 30.09.08	Third quarter growing period from 01.01.08 to 30.09.08
Interest and similar income	514,836	1,598,660	576,632	1,671,879
Interest expense and similar charges	(138,504)	(448,350)	(241,619)	(690,181)
<b>Net interest income</b>	<b>376,332</b>	<b>1,150,310</b>	<b>335,013</b>	<b>981,698</b>
Fee and commission income	176,180	482,499	174,246	557,665
Fee and commission expense	(26,440)	(77,810)	(24,105)	(78,129)
<b>Net fee and commission income</b>	<b>149,740</b>	<b>404,689</b>	<b>150,141</b>	<b>479,536</b>
Dividend income	515	6,440	368	5,084
Net income on financial instruments and revaluation	74,393	188,970	156,045	371,188
Net gain on investment debt securities	20,908	56,153	8,293	37,388
Net gain on investment (capital) instruments	-	3,437	-	(168)
Other operating income	130,537	178,887	18,600	79,721
Other operating expenses	(15,091)	(32,924)	(7,367)	(26,774)
<b>Net other operating income</b>	<b>115,446</b>	<b>145,963</b>	<b>11,233</b>	<b>52,947</b>
General administrative expenses	(312,735)	(995,157)	(343,125)	(1,085,639)
Depreciation expense	(15,405)	(58,245)	(24,081)	(73,912)
Profit / (loss) on sale of tangible fixed assets	86	2,189	1,267	2,714
Net impairment losses	(55,456)	(388,452)	(22,638)	(58,772)
<b>Operating income</b>	<b>353,824</b>	<b>516,297</b>	<b>272,516</b>	<b>712,064</b>
Share in profits / (losses) of undertakings accounted for under the equity method	691	182	4	1,813
<b>Profit before tax</b>	<b>354,515</b>	<b>516,479</b>	<b>272,520</b>	<b>713,877</b>
Income tax expense	(69,213)	(113,619)	(56,805)	(147,991)
<b>Net profit</b>	<b>285,302</b>	<b>402,860</b>	<b>215,715</b>	<b>565,886</b>
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		<b>3.08</b>		<b>4.33</b>
Diluted net profit per ordinary share (in PLN)		<b>3.08</b>		<b>4.33</b>
Including:				
Net profit due to shareholders of dominant entity		402,860		565,886
Net profit due to minority shareholders		-		-

**Condensed consolidated statement of comprehensive income**

<i>PLN '000</i>	Third quarter period from 01.07.09 to 30.09.09	Third quarter growing period from 01.01.09 to 30.09.09	Third quarter period from 01.07.08 to 30.09.08	Third quarter growing period from 01.01.08 to 30.09.08
<b>Net income</b>	<b>285,302</b>	<b>402,860</b>	<b>215,715</b>	<b>565,886</b>
<b>Other comprehensive income:</b>				
Valuation of financial assets available for sale	84,275	91,276	117,055	19,083
Difference in exchange rates	(1,698)	44	462	(2,108)
<b>Other comprehensive income after tax</b>	<b>82,577</b>	<b>91,320</b>	<b>117,517</b>	<b>16,975</b>
<b>Total income</b>	<b>367,879</b>	<b>494,180</b>	<b>333,232</b>	<b>582,861</b>
Including:				
Comprehensive income due to shareholders of predominant unit		494,180		582,861
Comprehensive income due to minority shareholders		-		-

**Condensed consolidated balance sheet**

	State as at	30.09.2009	31.12.2008
<i>PLN '000</i>			
<b>ASSETS</b>			
Cash and balances with central bank		805,116	3,530,977
Financial assets held-for-trading		6,323,191	7,885,488
Debt securities available-for-sale		13,333,386	10,814,828
Equity investments valued at equity method		56,652	56,469
Other equity investments		24,140	11,095
Loans and advances		14,834,919	17,581,499
<i>to financial sector</i>		1,656,791	3,695,522
<i>to non-financial sector</i>		13,178,128	13,885,977
Property and equipment		523,913	571,947
<i>land, buildings and equipment</i>		505,605	553,639
<i>investment property</i>		18,308	18,308
Intangible assets		1,280,343	1,283,326
Deferred income tax assets		405,228	336,290
Other assets		793,043	443,159
Non-current assets held-for-sale		23,569	35,267
<b>Total assets</b>		<b>38,403,500</b>	<b>42,550,345</b>
<b>LIABILITIES</b>			
Liabilities due to Central Bank		255,080	-
Financial liabilities held-for-trading		3,629,321	6,806,790
Financial liabilities valued at amortized cost		27,319,343	29,345,498
<i>deposits from</i>		26,102,289	27,857,332
<i>financial sector</i>		7,767,549	7,922,260
<i>non-financial sector</i>		18,334,740	19,935,072
<i>other liabilities</i>		1,217,054	1,488,166
Provisions		39,092	24,578
Income tax liabilities		307	77
Other liabilities		1,036,104	747,593
<b>Total liabilities</b>		<b>32,279,247</b>	<b>36,924,536</b>
<b>EQUITY</b>			
Issued capital		522,638	522,638
Share premium		3,030,546	3,029,703
Revaluation reserve		(52,834)	(144,110)
Other reserves		2,223,924	1,627,692
Retained earnings		399,979	589,886
<b>Total equity</b>		<b>6,124,253</b>	<b>5,625,809</b>
<b>Total liabilities and equity</b>		<b>38,403,500</b>	<b>42,550,345</b>

**Condensed consolidated statement of changes in equity**

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	<b>Total equity</b>
<b>Balance as at 1 January 2009</b>	<b>522,638</b>	<b>3,029,703</b>	<b>(144,110)</b>	<b>1,627,692</b>	<b>589,886</b>	-	<b>5,625,809</b>
Total income	-	-	91,276	44	402,860	-	494,180
Valuation of capital rewards program, including:	-	-	-	4,320	-	-	4,320
- valuation change	-	-	-	5,688	-	-	5,688
- income tax respite	-	-	-	(1,368)	-	-	(1,368)
Dividend to be paid	-	-	-	-	(56)	-	(56)
Transfer on capital	-	843	-	591,868	(592,711)	-	-
<b>State as at 30 September 2009</b>	<b>522,638</b>	<b>3,030,546</b>	<b>(52,834)</b>	<b>2,223,924</b>	<b>399,979</b>	-	<b>6,124,253</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	<b>Total equity</b>
<b>Balance as at 1 January 2008</b>	<b>522,638</b>	<b>3,028,809</b>	<b>(182,450)</b>	<b>1,454,355</b>	<b>779,732</b>	-	<b>5,603,084</b>
Total income	-	-	19,083	(2,108)	565,886	-	582,861
Dividend paid / to be paid	-	(615)	-	-	(620,982)	-	(621,597)
Transfer on capital	-	1,509	-	167,789	(169,298)	-	-
<b>State as at 30 September 2008</b>	<b>522,638</b>	<b>3,029,703</b>	<b>(163,367)</b>	<b>1,620,036</b>	<b>555,338</b>	-	<b>5,564,348</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	<b>Total equity</b>
<b>Balance as at 1 January 2008</b>	<b>522,638</b>	<b>3,028,809</b>	<b>(182,450)</b>	<b>1,454,355</b>	<b>779,732</b>	-	<b>5,603,084</b>
Total incomes	-	-	38,340	5,548	600,434	-	644,322
Dividend paid	-	(615)	-	-	(620,982)	-	(621,597)
Transfer on capital	-	1,509	-	167,789	(169,298)	-	-
<b>State as at 31 December 2008</b>	<b>522,638</b>	<b>3,029,703</b>	<b>(144,110)</b>	<b>1,627,692</b>	<b>589,886</b>	-	<b>5,625,809</b>

**Condensed consolidated statement of cash flows**

<i>PLN '000</i>	Third quarter growing period from 01.01.09 to 30.09.09	Third quarter growing period from 01.01.08 to 30.09.08
<b>Cash at the beginning of reporting period</b>	<b>3,607,530</b>	<b>3,746,323</b>
Cash flows from operating activities	(2,489,126)	(1,459,778)
Cash flows from investing activities	(21,267)	(67,511)
Cash flows from financing activities	(243,819)	(417,630)
<b>Cash at the end of reporting period</b>	<b>853,318</b>	<b>1,801,404</b>
<b>Increase / (decrease) in net cash</b>	<b>(2,754,212)</b>	<b>(1,944,919)</b>

## ***Supplementary notes to the condensed consolidated financial statements***

### **1. General information about the Bank's Capital Group**

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

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

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

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

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

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

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

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

The Group consists of the following subordinated entities:

<b>Subsidiaries</b>	<b>Registered office</b>	<b>% of votes at the General Meeting of Shareholders</b>	
		<b>30.09.2009</b>	<b>31.12.2008</b>
<b><i>Entities fully consolidated</i></b>			
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
<b><i>Entities accounted for under the equity method</i></b>			
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 2009 there were no changes in structure of the Group's units.

### **2. Conformity statement**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*, as 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 2008.



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

### **3. Principles accepted at composition of report**

The condensed interim consolidated financial statements of the Group for the third quarter of 2009 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 2008 and they take into consideration:

- the change, in reporting according to operation segments related to IFRS 8 '*Operating Segments*', which came into effect on 1 January 2009 and replaced IAS 14 '*Segment reporting*'. Detail information about segments is presented in Note No. 7.

- application of the Interpretation No. 13 of the International Financial Reporting Interpretations Committee "*Customer Loyalty Programmes*" (IFRIC 13). The interpretation deals with the way the transaction income should be recognized in case the customers are granted customer loyalty award credits, which is considered a separate component of a transaction. In view of that the transaction income should be split between award credits and other sale transaction components. The part attributable to the award credits, determined in respect of their fair value, is deferred until the obligations to customers resulting from award credits are fulfilled. The Group grants its customers loyalty award credits in transactions made by credit cards. The impact of the adoption of IFRCI 13 is not significant in respect of the consolidated financial statement.

Other standards, amendments to the standards and IFRIC interpretations recently endorsed or awaiting endorsement are either not relevant to the Group's activity or would not have a material impact on the financial statements.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2009 to 30 September 2009. Comparable financial data is presented for the period from 1 January 2008 to 30 September 2008 and for Balance sheet as at 31 December 2008.

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

### **4. Macroeconomic trends and conditions prevailing in money, FX and capital markets**

Although the economic activity in Poland in the third quarter of 2009 was rather weak relative to equivalent periods of previous years, early signs of economic recovery were in evidence. Industrial production declined by an average of 1.9% YOY while in the second quarter of 2009 it fell by 7.3% YOY. The slower rate at which industrial production contracted was an effect of such factors as the timid recovery of the West European economies and the rather weak rates of exchange of the Polish zloty, which increased competitiveness of Polish export goods. The construction sector recorded a notable rebound, with its production in third quarter 2009 rising by an average of 9.1% YOY as compared to the mere 0.4% YOY in the second quarter of 2009.

The continuing economic downturn continued to ease pay raise pressures. Average wage in the enterprise sector rose in the third quarter of 2009 by 3.4% YOY, with employment in the sector declining by an average of 2.3%. As in the second quarter of 2009, inflation in the period July-September 2009 persisted somewhat above the upper end of the target range set by the National Bank of Poland (NBP) and reached an average of 3.6%. This relatively high average inflation was fuelled primarily by food and fuel price increases.

In response to the continuing economic deceleration, throughout the period of the third quarter of 2009 the Polish Monetary Policy Council held the key reference rate at a historically low 3.5%. As in the earlier quarters of the year, the monetary authorities continued to feed the banking system with Polish zloty and foreign currency liquidity by organizing repo and FX swap transactions.

As the financial markets gradually regained stability and the global sentiment improved, the Polish zloty and the other currencies of the CEE region strengthened. Also the stable fundamentals of the Polish economy and the improved current balance of payments contributed to strengthening of the domestic currency. As a result the EUR/PLN exchange rate reached at the end of September 2009 PLN 4.20 compared to PLN 4.45 at the end of the second quarter of 2009. The currency also strengthened against the U.S. dollar, with the USD/PLN exchange rate sliding from PLN 3.17 at the end of June 2009 to PLN 2.87 at the end of third quarter 2009.

As the Polish Monetary Policy Council held interest rates low, the market rates in the third quarter of 2009 declined accordingly. However, the high risk premium combined with the announced intention of the Polish government to increase the year 2010 budget deficit to PLN 52 billion (from PLN 27 billion in 2009) limited the decline of the Polish bond yields. As a result, in the third quarter of 2009 the two-year bond yields declined from 5.44% to 5.11% at the end of September 2009 while 10-year bond yields remained practically unchanged at around 5.73%. The short-term WIBOR interbank rates persisted visibly above the reference rate of the National Bank of Poland.

In the third quarter of 2009 the Polish capital market continued the positive trend that began in March. In the three months of the third quarter of 2009 all the main indices of the Warsaw Stock Exchange (WSE) rose at double-digit rates. Among them, the mWIG40 midcaps index registered the highest gains (27.7%), with WIG20 closing the quarter ended on 30 September 2009 with 17.7% gain to its value at the end of the second quarter of 2009. Gains of sWIG80 on year over year basis are particularly impressive; compared to September 2008 the index soared by over 19%. Meanwhile WIG20 continued "in the red" (8% YOY) whereas mWIG40 remained on practically unchanged. Looking at the respective market sectors, the growth leaders in the third quarter of 2009 were the ones that most painfully experienced the consequences of the economic downturn, i.e. Banks (39.4% QOQ) and Developers (38.8% QOQ). In turn, the lowest growth rates were achieved in the third quarter of 2009 by Telecommunications (6.5% YOY) and Construction (6.8% QOQ).

Returning investment capital flows had a significant impact on WSE trading, and largely translated into increased demand for equities. As a result, the third quarter of 2009 was one of the best periods in the history of this national bourse. Not without significance was also the fact that (according to DMBH estimates) net inflows to domestic investment funds in August 2009 alone exceeded PLN 1.1 billion (of which approximately PLN 0.8 billion was invested in funds with exposures to the equities market). Also worth noting is the fact that the State Treasury divested a number of minority interests in public companies, among others, in Pekao, BPH, BZ WBK and Mondi Świecie.

In the entire third quarter of 2009 only one company was floated on the main floor of WSE while two were withdrawn from market trading. As at the end of September 375 companies were traded on WSE, with combined market capitalization nearing PLN 686 billion (+25% QOQ and -9% YOY), of which PLN 347 billion were domestic entities.

#### **Warsaw Stock Exchange (WSE) Equity Indices, as at 30 September 2009**

Index	30.09.2009	30.06.2009	QOQ	30.09.2008	YOY
			Percentage Change		Percentage Change
WIG	37,580.32	30,419.03	23.5%	37,367.33	0.6%
WIG-PL	36,796.94	30,052.78	22.4%	37,207.87	(1.1%)
WIG20	2,192.37	1,862.36	17.7%	2,384.22	(8.0%)
mWIG40	2,258.99	1,769.47	27.7%	2,252.23	0.3%
sWIG80	11,298.36	9,319.96	21.2%	9,460.33	19.4%

<b>Index</b>	<b>30.09.2009</b>	<b>30.06.2009</b>	<b>QOQ Percentage Change</b>	<b>30.09.2008</b>	<b>YOY Percentage Change</b>
<b>Sector specific sub-indices</b>					
WIG-Banks	5,182.25	3,716.62	39.4%	5,956.56	(13.0%)
WIG-Construction	5,444.55	5,095.62	6.8%	6,021.32	(9.6%)
WIG-Chemicals	3,422.08	2,935.30	16.6%	3,563.97	(4.0%)
WIG-Developers	2,905.23	2,092.49	38.8%	2,119.62	37.1%
WIG-IT	1,249.91	1,100.47	13.6%	1,264.77	(1.2%)
WIG-Media	3,027.70	2,476.95	22.2%	3,332.55	(9.1%)
WIG-Fuel industry	2,222.47	2,065.02	7.6%	2,401.14	(7.4%)
WIG-Food industry	2,879.13	2,290.99	25.7%	1,837.85	56.7%
WIG-Telecommunications	1,095.91	1,029.39	6..%	1,308.86	(16.3%)

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

### **Volumes of trade in shares, bonds and derivative instruments on WSE in the third quarter of 2009**

	<b>Q3 2009</b>	<b>Q2 2009</b>	<b>QOQ Percentage Change</b>	<b>Q3 2008</b>	<b>YOY Percentage Change</b>
Shares (PLN '000)	100,486	84,871	18.4%	77,035	30.4%
Bonds (PLN '000)	764	748	2.1%	666	14.6%
Futures contracts (‘000 units)	7,515	6,895	9.0%	3,654	105.7%
Options contracts (‘000 units)	227.5	202.3	12.5%	188.8	20.5%

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

The return of positive sentiment towards the equities market encouraged investor to buy. As a result, equities trading in the months of July through to September 2009 exceeded PLN 100 billion, which represented growth of 18.4% over the second quarter of 2009 and of 30.4% YOY.

The debt securities trading market grew by PLN 16 million QOQ (or 2.1%) to reach total of PLN 764 million. Investors' activity in the bond market increased by 14.6% as compared to the third quarter of 2008.

Also the futures and options market gained from increased investor interest. Volume of futures contracts rose more than twofold compared to equivalent period a year earlier and reached 7,515 million units. In quarter over quarter terms, volume of trade in these contracts increased by 9%. The third quarter of 2009 saw double-digit gains in volume of options contract trading, both on QOQ and YOY basis: by 12.5% and 20.5% respectively.

## **5. Banking sector**

Following a period of extreme volatility in the Polish banking sector experienced at the turn of the year 2008 to 2009, the situation stabilized in the third quarter of 2009. In spite of the fact that the conditions prevailing in the economy are still substantially different from those the banks experienced over their record earnings periods, gradual improvement in results of the financial sector is by now in evidence.

In the third quarter of 2009 the banking sector's net profit stood at PLN 2.7 billion and was 33% lower than this generated in equivalent period a year earlier, yet represented an improvement of 15% over the result achieved in the second quarter of 2009. Income of the sector fell by 5% YOY, which was driven primarily by a decreases of FX income (-23% YOY) and net fee and commission income (-4% YOY) resulting from fierce competition for customers' deposits and also lower volume growth.

Strong cost discipline and implementation of cost-cutting initiatives by banks led to significant slowdown of expense growth. The operating costs in the third quarter of 2009 decreased by 4% over those recorded in equivalent period of the year 2008. High cost of risk remains the key problem of Polish banking sector, as it reduces its net income in a material way. Net impairment losses in the third quarter of 2009 amounted to PLN 2.5 billion and were 118% higher than in the third quarter of 2008.

In the third quarter of 2009, the Polish currency appreciated markedly compared to the exchange rates prevailing at the end of June 2009. This in combination with the overall tightening in the lending policies pursued by the banks led to a 0.5% decline in total balance sheet footing of the sector on QOQ basis. In spite of that fact, the YOY change in the assets held by the sector was still high and reached 12%. The third quarter of 2009 saw an overall 2% QOQ decline in volume of corporate loans outstanding while the YOY growth in this category remained in the positive territory and reached 6% (though the PLN denominated loans remained almost flat). Loans to individuals grew by 1% QOQ and by 28% YOY (while the rate of growth of PLN denominated loans to individuals was 6% QOQ and 20% YOY respectively).

The revival of stock exchange, appreciation of Polish zloty and problems with access to loans brought to a stop the growth of deposit base in the banking sector. The volume of retail deposits at the end of third quarter of 2009 did not change as compared to second quarter of 2009, while the corporate deposits fell by 1% QOQ.

## 6. Financial analysis of the Group's Results

### ▪ Balance sheet

At the end of the third quarter of 2009 total assets amounted to PLN 38.4 billion as compared with PLN 42.6 billion at the end of 2008 and decreased by PLN 4.1 billion (or 10%). The biggest impact had a decrease of cash and balances with central bank (down by PLN 2.7 billion, or 77%), which results from lower volume on current nostro account of the Bank in NBP and a fall of loans and advances to banks (decrease by PLN 1.8 billion, or 61%). The portfolio of financial assets held for trading fell as well (down by 1.6 billion, or 20%), mostly due to fall in volume of interest rate and FX derivatives. At the same time a growth of debt securities available for sale was recorded (up by PLN 2.5 billion, or 23%), resulting mainly from higher balance of short-term cash bills.

### Loans and advances, net

	30.09.2009	31.12.2008	Change	
PLN '000			PLN '000	%
<b>Loans and advances to non-financial sector</b>				
Corporate customers*	7,545,973	8,425,549	(879,576)	(10.4%)
Individual customers, including:	5,632,155	5,460,428	171,727	3.1%
Credit cards	2,492,884	2,215,099	277,785	12.5%
Cash loans to customers	3,039,597	2,984,266	55,331	1.9%
<b>Total</b>	<b>13,178,128</b>	<b>13,885,977</b>	<b>(707,849)</b>	<b>(5.1%)</b>
<b>Loans and advances to financial sector</b>				
Banks and other monetary financial institutions	1,178,206	3,017,740	(1,839,534)	(61.0%)
Non-banking financial institutions	478,585	677,782	(199,197)	(29.4%)
<b>Total</b>	<b>1,656,791</b>	<b>3,695,522</b>	<b>(2,038,731)</b>	<b>(55.2%)</b>
<b>Total loans and advances</b>	<b>14,834,919</b>	<b>17,581,499</b>	<b>(2,746,580)</b>	<b>(15.6%)</b>

\* Corporate customers include enterprises, public sector, public and private entities, cooperatives, individual enterprises, non-commercial institutions operating for households

**Loans and advances to non-banking sector, gross**

<i>PLN '000</i>	<b>30.09.2009</b>	<b>31.12.2008</b>	<b>Change PLN '000</b>	<b>%</b>
Not at risk of impairment, including:	13,039,832	14,082,832	(1,043,000)	(7.4%)
Non-financial sector				
<i>corporate customers</i>	6,962,649	7,977,384	(1,014,735)	(12.7%)
<i>individual customers</i>	5,598,900	5,429,682	169,218	3.1%
At risk of impairment, including	1,690,062	1,927,552	(237,490)	(12.3%)
Non-financial sector				
<i>corporate customers</i>	1,164,925	1,504,747	(339,822)	(22.6%)
<i>individual customers</i>	500,514	347,430	153,084	44.1%
Dues related to matured derivative transactions	244,809	14,127	230,682	(1,632.9%)
<b>Total</b>	<b>14,974,703</b>	<b>16,024,511</b>	<b>(1,049,808)</b>	<b>(6.6%)</b>
Impairment, including:	1,317,990	1,460,752	(142,762)	(9.8%)
Dues related to matured derivative transactions	130,458	2,197	128,261	(5,838.0%)
<b>Loans and advances to non-banking sector, net</b>	<b>13,656,713</b>	<b>14,563,759</b>	<b>(907,046)</b>	<b>(6.2%)</b>
<b>Provision coverage ratio</b>	<b>70%</b>	<b>76%</b>		
<b>Nonperforming loans (NPL)</b>	<b>11,5%</b>	<b>12,0%</b>		

On liabilities side, the biggest change (down by PLN 3.2 billion, or 47%) was recorded in financial liabilities held-for-trading primarily due to the fall in volume of interest rate and FX derivatives. The decrease in liabilities valued at amortized cost resulted mainly from lower volume of corporate time deposits (down by PLN 2.2 billion, or 22%) as of 30.09.2009, however the average corporate deposits volume remained stable in the third quarter 2009.

**Deposits**

<i>PLN '000</i>	<b>30.09.2009</b>	<b>31.12.2008</b>	<b>Change PLN '000</b>	<b>%</b>
<b>Non-financial sector</b>				
<b>Current accounts, including:</b>	<b>8,479,421</b>	<b>7,476,940</b>	<b>1,002,481</b>	<b>13.4%</b>
<i>corporate customers</i>	4,218,082	4,295,684	(77,602)	(1.8%)
<i>individual customers</i>	4,261,339	3,181,256	1,080,083	34.0%
<b>Deposits, including:</b>	<b>9,834,417</b>	<b>12,431,216</b>	<b>(2,596,799)</b>	<b>(20.9%)</b>
<i>corporate customers</i>	7,930,528	10,139,873	(2,209,345)	(21.8%)
<i>individual customers</i>	1,903,889	2,291,343	(387,454)	(16.9%)
<b>Accrued interest</b>	<b>20,902</b>	<b>26,916</b>	<b>(6,014)</b>	<b>(22.3%)</b>
<b>Total</b>	<b>18,334,740</b>	<b>19,935,072</b>	<b>(1,600,332)</b>	<b>(8.0%)</b>
<b>Financial sector</b>				
<i>Banks and other monetary financial institutions</i>	2,941,733	3,341,920	(400,187)	(12.0%)
<i>Non-banking financial institutions</i>	4,825,816	4,580,340	245,476	5.4%
<b>Total</b>	<b>7,767,549</b>	<b>7,922,260</b>	<b>(154,711)</b>	<b>(2.0%)</b>
<b>Total deposits</b>	<b>26,102,289</b>	<b>27,857,332</b>	<b>(1,755,043)</b>	<b>(6.3%)</b>

▪ Income statement

In the third quarter of 2009 the Group reported consolidated net income of PLN 285.3 million, up by PLN 69.6 million (or 32%) compared to the third quarter of 2008. At the same period, the Group's revenue increased by PLN 76.2 million (or 11.5%) to PLN 737.3 million.

In the third quarter of 2009 a significant one-off event, having a positive impact on Group's results, was recorded. Corrections to tax settlements of value added tax have been made and the Bank filed a motion for assertion of the excess payments for the years 2005-2008. The amount of single impact of the event on gross profit for third quarter of 2009 concerning the corrections of previous years amounted to PLN 115 million (out of which: PLN 112 million increase of operational revenue, PLN 3 million decrease of depreciation).

After excluding the impact of the one-off event, gross profit achieved by the Group in the third quarter of 2009 was lower by PLN 32.9 million (or 12%) as compared to third quarter of 2008, while the net profit amounted to PLN 192.9 million, down PLN 22.9 million YoY (or 11%).

The main determinants of the Group's operating result for the third quarter of 2009 (beyond one-off event) as compared to the corresponding period of 2008 were:

- the net interest income amounting to PLN 376.3 million in comparison with PLN 335.0 million recorded in the third quarter of 2008 (up by PLN 41 million, or 12%), stemming mainly from lower cost of nonfinancial sector deposits as well as higher income from debt securities (primarily increase the balance of short term cash bills).

### Interest income

<i>PLN '000</i>	<b>01.07 - 30.09.2009</b>	<b>01.07 - 30.09.2008</b>	<b>Change</b>	
			<b>PLN '000</b>	<b>%</b>
<b><i>Interest and similar income from:</i></b>				
Central Bank	8,103	14,320	(6,217)	(43.4%)
Placements in banks	7,703	73,380	(65,677)	(89.5%)
Loans and advances, of which:	312,503	380,955	(68,452)	(18.0%)
<i>Financial sector</i>	8,122	2,791	5,331	191.0%
<i>Non-financial sector, including:</i>	304,381	378,164	(73,783)	(19.5%)
<i>on credit cards</i>	91,449	91,830	(381)	(0.4%)
Debt securities available-for-sale	147,104	85,449	61,655	72.2%
Debt securities held-for-trading	39,423	22,528	16,895	75.0%
<b>Total</b>	<b>514,836</b>	<b>576,632</b>	<b>(61,796)</b>	<b>(10.7%)</b>
<b><i>Interest expense and similar charges on:</i></b>				
Operations with Central Bank	(7,202)	-	(7,202)	-
Deposits from banks	(8,559)	(18,272)	9,713	(53.2%)
Deposits from financial sector (excl. banks)	(27,433)	(35,604)	8,171	(22.9%)
Deposits from non-financial sector	(91,627)	(177,456)	85,829	(48.4%)
Loans and advances received	(3,683)	(10,287)	6,604	(64.2%)
<b>Total</b>	<b>(138,504)</b>	<b>(241,619)</b>	<b>103,115</b>	<b>(42.7%)</b>
<b>Net interest income</b>	<b>376,332</b>	<b>335,013</b>	<b>41,319</b>	<b>12.3%</b>

- Stable net fee and commission income amounting to PLN 149.7 million in comparison with almost the same level reported in the third quarter of 2008 - decrease in fee and commission income from investments and insurance products in retail banking was compensated by increase from higher commissions on payment and credit cards and brokerage operations;

### Fee and commission income

PLN '000	01.07 -	01.07 -	Change	
	30.09.2009	30.09.2008	PLN '000	%
<b>Fee and commission income</b>				
Insurance and investment products	41,294	50,284	(8,990)	(17.9%)
Payment and credit cards	51,738	41,953	9,785	23.3%
Transaction services	32,066	33,039	(973)	(2.9%)
Custody services	16,638	18,820	(2,182)	(11.6%)
Brokerage operations	15,024	12,785	2,239	17.5%
Other	19,420	17,365	2,055	11.8%
<b>Total</b>	<b>176,180</b>	<b>174,246</b>	<b>1,934</b>	<b>1.1%</b>
<b>Fee and commission expense</b>				
Payment and credit cards	(16,311)	(12,779)	(3,532)	27.6%
Brokerage operations	(4,422)	(6,955)	2,533	(36.4%)
Other	(5,707)	(4,371)	(1,336)	30.6%
<b>Total</b>	<b>(26,440)</b>	<b>(24,105)</b>	<b>(2,335)</b>	<b>9.7%</b>
<b>Net fee and commission income</b>				
Insurance and investment products	41,294	50,284	(8,990)	(17.9%)
Payment and credit cards	35,427	29,174	6,253	21.4%
Transaction services	32,066	33,039	(973)	(2.9%)
Custody services	16,638	18,820	(2,182)	(11.6%)
Brokerage operations	10,602	5,830	4,772	81.9%
Other	13,713	12,994	719	5.5%
<b>Total</b>	<b>149,740</b>	<b>150,141</b>	<b>(401)</b>	<b>(0.3%)</b>

- Net income on financial instruments and revaluation amounting to PLN 74.4 million as compared to PLN 156.0 million in the third quarter of 2008 (down by PLN 81.7 million) stemming mainly from lower FX options income;
- Net income in the area of investment debt securities amounting to PLN 20.9 million as compared to PLN 8.3 million in the third quarter of 2008 as a result of higher level of turnover on treasury bonds portfolio;
- In comparison to the third quarter of 2008, in the third quarter of 2009 the Group reported decrease in general administrative expenses and overheads together with depreciation expenses (down by PLN 39.0 million, or 11%) due to lower depreciation expenses, staff expenses and advisory services expenses as well as other external services expenses. Significant impact on lower depreciation had one off event (decrease by c.a. PLN 3 million).

**General administrative expenses and depreciation expense**

PLN '000	01.07 -	01.07 -	Change	
	30.09.2009	30.09.2008	PLN '000	%
<b>Staff expenses</b>	<b>164,464</b>	<b>178,448</b>	<b>(13,984)</b>	<b>(7.8%)</b>
Remuneration costs	131,026	137,260	(6,234)	(4.5%)
Perks and rewards	33,438	41,188	(7,750)	(18.8%)
<b>Administrative expenses</b>	<b>148,271</b>	<b>164,677</b>	<b>(16,406)</b>	<b>(10.0%)</b>
Telecommunication fees and hardware purchases	41,881	40,126	1,755	4.4%
Advisory, audit, consulting and other services	29,004	34,028	(5,024)	(14.8%)
Building maintenance and rent	29,257	28,044	1,213	4.3%
Marketing	7,711	11,810	(4,099)	(34.7%)
Transaction costs	14,066	15,860	(1,794)	(11.3%)
Postal services	8,130	8,410	(280)	(3.3%)
Training and education	1,618	3,176	(1,558)	(49.1%)
Banking supervision	(410)	1,977	(2,387)	(120.7%)
Other expenses	17,014	21,246	(4,232)	(19.9%)
<b>Depreciation/amortization of tangible and intangible assets</b>	<b>15,405</b>	<b>24,081</b>	<b>(8,676)</b>	<b>(36.0%)</b>
<b>Total</b>	<b>328,140</b>	<b>367,206</b>	<b>(39,066)</b>	<b>(10.6%)</b>

- Net impairment losses of PLN 55.5 million compared to the PLN 22.6 million in the third quarter of 2008. The higher net impairment losses were mainly caused by quality's deterioration of consumer loans and credits cards portfolio in the Consumer Banking Sector. In the Corporate Banking Sector the level of net impairment losses remained at comparable, low level (PLN 4.2 million in the third quarter 2009 vs. PLN 4.0 million in the third quarter 2008). As a result of the restructuring and risk mitigation activities, stabilization of corporate portfolios was achieved.

- Ratios

In the third quarter of 2009 basic financial ratios present as follows:

Financial ratios	Q3 2009	Q3 2008
ROE *	8.0%	15.2%
ROA	1.0%	2.0%
Cost / Income	45%	56%
Cost / Income (excluding one off event)**	53%	56%
Loans to non-financial sector / Deposits from non-financial sector***	72%	70%
Loans to non-financial sector/ Total assets ***	34%	33%
Net interest income / Revenue	51%	51%
Net fee and commission income / Revenue	20%	23%

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

\*\* One-off event in Q3 2009: VAT overpayment correction.

\*\*\* Comparable balance sheet data as of 31 December 2008.



**Group employment**

<i>In full time job equivalents (FTE)</i>	01.01. – 30.09. 2009	01.01. – 30.09. 2008	Change	
			FTEs	%
Average employment in the third quarter	5,305	5,643	(338)	(6.4%)
Average employment in the period	5,364	5,731	(367)	(6.8%)
Average employment at the term end	5,260	5,626	(366)	(7.0%)

As of September 30, 2009, capital adequacy ratio of the Group amounted to 15.15% and was 3.08 percentage points higher compared to the end of 2008, which was mainly caused by increase of own funds due to retaining entire 2008 net income. As of September 30, 2009 total capital requirement as well as particular capital requirements did not change significantly in comparison to end of 2008.

**Capital adequacy ratio**

<i>PLN '000</i>		30.09.2009*	31.12.2008**
<b>I</b>	<b>Own funds for the calculation of capital adequacy ratio. including:</b>	<b>4,362,538</b>	<b>3,675,517</b>
	Less in core and supplementary funds		
	- interests in subordinated financial entities	56,652	56,469
	- intangible assets. including:	1,280,343	1,283,326
	<i>goodwill</i>	1,245,976	1,245,976
<b>II</b>	<b>Risk-weighted assets and off-balance sheet liabilities (bank portfolio)</b>	<b>18,491,100</b>	<b>19,867,900</b>
<b>III</b>	<b>Total capital requirements. of which:</b>	<b>2,303,614</b>	<b>2,435,448</b>
	- credit risk capital requirements (II*8%)	1,479,288	1,589,432
	- counterparty risk capital requirements	158,523	272,222
	- excess concentration and large exposures risks capital requirements	68,725	82,835
	- total market risk capital requirements	122,128	132,313
	- operational risk capital requirements	345,885	347,112
	- other capital requirements	129,065	11,534
<b>Capital adequacy ratio (I/III*12.5)</b>		<b>15.15%</b>	<b>12.07%</b>

\* *Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 380/2008 of the Commission for Banking Supervision dated 17 December 2008 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (...)* (KNF Official Journal No. 8. item 34).

\*\**Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 1/2007 of the Commission for Banking Supervision dated 13 March 2007 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (...)* (NBP Official Journal No. 2. item 3).

## 7. Segmental reporting

Since 1 January 2009 the Group has applied International Financial Reporting Standards (IFRS) 8 “*Operating segments*”. According to the Standard operating segment is a separable component of the Group that engages in business activities from which it earns revenues and incurs expenses (including 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 respect of two operating segments – Corporate Bank and Consumer Bank. The valuation of segment assets and liabilities, income and segment results is based on the Group’s accounting policies, including intragroup transactions between segments.

The allocation of assets, liabilities, revenues and expenses to operating segments was performed based on internal information prepared for the purpose of management reporting. Transfer of funds between the Group segments is based on prices derived from market prices. The transfer prices are calculated using the same rules for both segments and any difference result only from maturity and currency structure of assets and liabilities.

### *- Corporate Bank*

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

### *- Consumer Bank*

Within the Consumer Bank segment the Group provides products and financial services to individuals and also to micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from maintaining bank accounts and providing an extensive lending and deposit offer, it also offers cash loans, mortgage loans and credit cards, as well as provides asset management services and acts as agent in the sale of investment and insurance products. Customers of the Consumer Bank have the branch network, ATMs, telephone services, and electronic banking services at their disposal and a network of financial agents offering products of this segment.

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

**Consolidated income statement by business segment**

For the period	01.01 – 30.09.2009			01.01 – 30.09.2008		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>PLN '000</i>						
Net interest income	577,947	572,363	1,150,310	395,729	585,969	981,698
<i>Internal interest income, including:</i>						
<i>Internal income</i>	32,970	(32,970)	-	(15,769)	15,769	-
<i>Internal expenses</i>	-	(32,970)	(32,970)	(15,769)	-	(15,769)
Net commission income	181,670	223,019	404,689	196,423	283,113	479,536
<i>Internal commission income, including:</i>						
<i>Internal income</i>	7,801	(7,801)	-	2,246	(2,246)	-
<i>Internal expenses</i>	-	(7,801)	(7,801)	-	(2,246)	(2,246)
Dividend income	3,704	2,736	6,440	2,837	2,247	5,084
Net income on traded financial instruments and revaluation	158,910	30,060	188,970	343,503	27,685	371,188
Net gain on investment (deposit) securities	56,153	-	56,153	37,388	-	37,388
Net gain on investment (capital) instruments	3,437	-	3,437	(168)	-	(168)
Net other operating income	99,442	46,521	145,963	56,328	(3,381)	52,947
General administrative expenses	(445,839)	(549,318)	(995,157)	(485,905)	(599,734)	(1,085,639)
Depreciation expense	(37,633)	(20,612)	(58,245)	(49,950)	(23,962)	(73,912)
Profit / (loss) on sale of tangible fixed assets	2,114	75	2,189	2,263	451	2,714
Net impairment losses	(235,154)	(153,298)	(388,452)	4,859	(63,631)	(58,772)
<b>Operating income</b>	<b>364,751</b>	<b>151,546</b>	<b>516,297</b>	<b>503,307</b>	<b>208,757</b>	<b>712,064</b>
Share in profits (losses) of undertakings accounted for under the equity method	182	-	182	1,813	-	1,813
<b>Profit before tax</b>	<b>364,933</b>	<b>151,546</b>	<b>516,479</b>	<b>505,120</b>	<b>208,757</b>	<b>713,877</b>
Income tax expense			(113,619)			(147,991)
<b>Net profit</b>			<b>402,860</b>			<b>565,886</b>
<b>State as at:</b>						
		<b>30.09.2009</b>			<b>31.12.2008</b>	
<b>Assets, including</b>	<b>32,356,680</b>	<b>6,046,820</b>	<b>38,403,500</b>	<b>36,664,647</b>	<b>5,885,698</b>	<b>42,550,345</b>
<i>Assets valued by the equity method</i>	56,652	-	56,652	56,469	-	56,469
<i>Non-current assets held-for-sale</i>	23,569	-	23,569	35,267	-	35,267
<b>Liabilities, including:</b>	<b>29,558,186</b>	<b>8,845,315</b>	<b>38,403,500</b>	<b>34,703,600</b>	<b>7,846,745</b>	<b>42,550,345</b>
<i>Obligations</i>	25,498,385	6,780,862	32,279,247	30,766,848	6,157,688	36,924,536

## 8. Activities of the Group in the third quarter of 2009

### 1. Corporate Bank

- *Summary segmental results*

PLN '000	Q3 2009	Q3 2008	Change	
			PLN '000	%
Net interest income	192,147	128,458	63,689	50%
Net fee and commission income	66,688	61,988	4,700	8%
Dividend income	515	368	147	40%
Net income on traded financial instruments and revaluation	64,825	145,923	(81,098)	(56%)
Net gain on debt investment securities	20,908	8,293	12,615	152%
Net other operating income	64,846	13,900	50,946	367%
<b>Total income</b>	<b>409,929</b>	<b>358,930</b>	<b>50,999</b>	<b>14%</b>
General administrative expenses and depreciation	(152,931)	(170,722)	17,791	(10%)
Profit / (loss) on sale of tangible fixed assets	218	1,039	(821)	(79%)
Net impairment losses	(4,211)	(4,028)	(183)	5%
Share in profits / (losses) of undertakings accounted for under the equity method	691	4	687	17,175%
<b>Profit before tax</b>	<b>253,696</b>	<b>185,223</b>	<b>68,473</b>	<b>37%</b>
<b>Cost / Income</b>	<b>37%</b>	<b>48%</b>		

The main factors that determined the gross profit of the Corporate Banking for the third quarter of 2009 as compared to the corresponding period of 2008:

- Increase in net interest income resulting mainly from lower cost of non-financial deposits as well as higher income from debt securities (primarily increase the balance of short term cash bills);
- Increase in net fee and commission income caused by higher income on brokerage services;
- Decrease of net income on traded financial instruments and revaluation stemming mainly from lower FX options income;
- Increase in net income in the area of investment debt securities as a result of higher level of turnover on treasury bonds portfolio;
- Decrease of general administrative expenses, overheads and depreciation expense primarily due to lower external services expenses, staff costs as well as lower transaction cost;
- Stable level of net impairment losses (PLN 4.2 million in the third quarter 2009 vs. PLN 4.0 million in the third quarter 2008). As a result of the restructuring and risk mitigation activities, stabilization of corporate portfolios was achieved;
- Increase in net other operating income due to one-off event (c.a. PLN 55 million positive impact in the third quarter 2009)

#### a) Transaction Services

The Bank offers comprehensive, differentiated and modern products in the area of trade and transaction services to corporate customers. In parallel with traditional banking services, such as current bank accounts, domestic and international money transfers or accepting deposits, it delivers modern liquidity management solutions as well as mass payments and receivables management products. By combining the traditional with the best of modern banking solutions, the Bank has pursued with effective consistency the strategy of broadening its product offer, through inclusion of truly innovative services. The Bank is a leader in delivery of innovative transaction services to the market and the products recently implemented in this area have further strengthened its position.

- *Liquidity and Cash Management Products*

The Bank supplies innovative corporate liquidity management solutions. It continues to expand its offer of such liquidity and cash management products with the aim of meeting the expectations of its clients. The liquidity and cash management product range includes among others:

- virtual cash pooling;
- actual cash pooling; and
- actual cash pooling without reverse bookings.

By using these cash pooling structures, clients benefit as they reduce their overall debt vis-à-vis the Bank and manage their funds more effectively. Drawing on its extensive experience, the Bank can deliver effective liquidity management services of consistently high quality.

Preservation of strong relationships with clients is the Bank's priority. In the third quarter of 2009 the corporate clients who maintain predefined levels of liquid funds on current accounts with the Bank were able to take advantage of reduced account management fees. This new approach to account maintenance fees forms part of a broader loyalty program, which will enable our clients to take full advantage of the transaction products available from the Bank while optimizing the fees for the use of such products.

- *Electronic Banking*

CitiDirect is the primary electronic banking system the Bank offers its corporate clients. At the end of the third quarter of 2009 the number corporate clients operating the CitiDirect internet banking system rose by 10% compared to the end of the third quarter of 2008 and exceeded 10,000.

The number of transactions processed electronically by CitiDirect remained at a high level and neared 5.5 million in the third quarter of 2009.

The share of bank statements delivered only in the electronic form remained high; reaching approximately 90%.

- *Payments and Receivables*

*Unikasa*

Unikasa is a mass payments market brand of high recognition. It is perceived as a modern product that facilitates servicing of the Bank clients' receivables while allowing payers settlement of their bills for products and services in the most frequently visited locations, such as hyper- and supermarket chains throughout the country. In a new development, the Unikasa Network services have become available to smaller retail trade and service outlets; this through the Unikasa Partner solution. The Bank's counterparties can also choose to use the Unikasa Network infrastructure to form their own branded networks. Unikasa is now present in over 250 cities throughout Poland, in close to 450 locations.

In parallel to processes of establishing new service points and acquiring new invoice issuers, the Bank has continued the work focusing on increasing the operational efficiency and optimizing the operating costs of the network. In the third quarter of 2009 the Bank completed the process of migrating the Unikasa Network support functions to a new supplier of technological solutions. Collaboration with a new vendor opens up new product development opportunities.

*Foreign Bank Transfers*

The Bank aspires to uphold the highest standards in servicing foreign bank transfer payments and to continually tailor the solutions it offers to the possibilities opened by the newly enacted regulations. It successfully completed implementation of SEPA payments. Worth noting here is that the Polish Bank Association recognized the Bank with its *SEPA Leader in Poland* award. In the third quarter of 2009 the Bank continued to work on implementation of the 2007/64/EC Directive of the European Parliament and if the Council of 13 November 2007 on payment services in the internal market, otherwise known as the PSD.

The Directive aims to increase the competitiveness and transparency of the market and to standardize the rights and obligations of the suppliers of payment services and their customers and clients.

#### *Direct Debit*

With its 38% market share, the Bank is a leader of the Polish market in servicing Direct Debit transactions. It is with the aim of retaining its position of leadership in both the transaction processing volumes and the product solution standard, the Bank is developing a solution that will enable it to implement SEPA Direct Debit. The objective of the project is to enable initiation of cross-boarder Direct Debit transactions in accordance with uniform rules applicable throughout the European Union.

#### *Electronic Postal Cash Transfers*

Electronic Postal Cash Transfer is a product addressed to corporate clients who transfer cash funds to individuals. In the third quarter of 2009 the Bank registered approximately 19% raise in the number of effected postal cash transfer transactions over equivalent period a year earlier.

#### *MicroPayments*

In the third quarter of 2009 the Bank continued to strengthen its position of leadership in the market segment in which it offers the MicroPayments product. 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. Courts and prosecution administrations are the clients which use that product.

At the end of the third quarter of 2009 the number of active users of MicroPayments stood at 78, which constitutes twofold growth over equivalent period a year earlier. The Bank continues in its effort to increase the number of new institutions using the service.

- *Card Products*

The Bank occupies the position of indisputable leader in the pre-paid payment cards market in Poland. At the end of the third quarter of 2009 its estimated market share stood at 68%. The Bank's pre-paid charge cards are most frequently used under loyalty, promotional and incentive programs and they have proven an excellent instrument of social benefit distribution. In the third quarter of 2009 the Bank continued to actively promote its pre-paid cards, also among its corporate clients. At the end of September 2009 the number of actively used pre-paid cards stood at nearly 370,000, which represents 27% growth as compared to the number of these cards active at the end of the third quarter of 2008.

The Bank has also sought to strengthen its position in the business cards segment. At the end of the third quarter of 2009 the number of active cards of that type exceeded 17,500, which represents near 4% growth compared to equivalent period in 2008.

Ensuring client satisfaction with service quality is a priority concern of the Bank. In the third quarter of 2009 we once again registered growth in satisfaction of the clients with the business card servicing quality compared to equivalent period a year earlier. This matrix rose by 5.6%, which is a direct effect of the continuous process of upgrading service quality forming part of the Bank's client satisfaction improvement strategy.

- *Cash Products*

The Bank offers its clients a broad range of cash products and solutions. Its product offer is responsive to the needs and requirements of diverse client groups. In addition to corporates, also budgetary units, courts and banks rely on the cash settlements offer of the Bank.

The services of exchange of domestic and foreign legal tender with other banks continued to grow dynamically in the third quarter of 2009. Volume of transactions processed over the period increased six fold compared to equivalent period a year earlier.

- *Trade Finance Products*

The Bank offers a wide range of trade finance products, including: factoring, factoring with insurance, discounting various bills of exchange, supplier financing and distributor financing.

In the third quarter of 2009 the Bank continued to promote factoring as an excellent liquidity management tool. Benefits of such a product are in clear evidence in a market that operates under conditions of restricted supply of credit. The high cost of credit and its limited accessibility are the factors that enhance attractiveness of factoring as an alternative source of funding. The Bank conducted the Builders marketing and sales campaign promoting its factoring services to construction companies operating as contractors for territorial self-government units, primarily in order to promote the Self-Government Factoring product.

In respect of its trade servicing products (letter of credit, collection, guarantee), the Bank seeks to grow the transaction volumes as it takes advantage of its relationships with other banks in the Citigroup network. In the third quarter of 2009 we executed initial transactions within the Asia Relay initiative, which represents an offer addressed to beneficiaries of import L/Cs opened by Bank Handlowy. The Bank applied to the Ministry of Finance for inclusion on the list of institutions authorized to grant customs guarantees – while simultaneously aligning its internal rules to the recent amendments in relevant legislation.

The most noteworthy trade finance achievements of the third quarter of 2009 included:

- Intensified implementation of the Supplier Financing Programs, with the resultant execution of 38 actual factoring agreements;
- Implementation of the first supplier within the Supplier Financing Program for a global food sector leader;
- Implementation of a non-recourse trade receivables discounting program for a packaging sector leader;
- 40% increase in an average trade financing exposure of the Bank; and
- Over twofold growth in the number of granted guarantees compared to the second quarter of 2009.

- *EU Office*

In the third quarter of 2009 the EU Office continued its information initiative among the Bank's clients. It actively informed clients of the benefits of the Bank's EU offer. The collaboration resulted in acquiring of EU funds for a new set of 10 projects designed by the Bank's clients.

In the field of EU funds advisory, the EU Office conducted a campaign addressed to clients of the small and medium enterprise segment. The campaign informed about the possibilities of application for EU funds via the Bank. This resulted in growth of interest among the Bank's clients in utilization of EU funds in their operations, which translated directly into signing of new EU advisory contracts with these clients.

b) Capital Markets and the Corporate and Investment Bank

- *Treasury*

The Bank offers a wide range of services addressed to non-bank clients active in the foreign exchange market with the aim of managing their currency position and investment of currency surpluses. Clients perceive our offer in this field as one that provides well tailored product solutions in combination with satisfying service speed and quality. In the third quarter of 2009 the Bank registered robust result on operations executed with corporate clients in the FX market and retained its established market position.

In a great measure, the Bank owes the good result to its CTI (CitiTreasury Interactive) internet platform. The tool enables internet-based FX trading at market prices while ensuring speed and safety. The clients can use the platform independently: they observe the market and choose the right moment to enter into a transaction, without the need for contacting the Bank's dealer by phone.

The platform continues to enjoy unwavering popularity among the clients. The Bank's income on the FX transactions executed via CTI in the third quarter of 2009 grew by approximately 8% compared to equivalent period a year earlier.

Also, the platform has proven a highly effective client acquisition tool, particularly among those involved in international trade. Further growth in the number of registered user occurred in the period, namely the number clients transacting on line in the third quarter of 2009 increased by approximately 27% compared to the third quarter of 2008.

- *Commercial Bank*

Through its commercial banking franchise the Bank channels comprehensive financial services to the largest Polish companies, strategic companies with strong growth fundamentals as well as the largest financial institutions and public sector companies.

The Bank's position is particularly strong in servicing international corporations and the largest Polish companies. In servicing the largest corporate clients, the Bank has the significant advantage of being a member of Citigroup. The Bank can offer to these clients some unique services that blend its own knowledge of the local business environment with the international experience and global reach of Citigroup.

One common characteristic of the commercial banking clients is their need for advanced financial products and financial services advisory. The Bank provides in that area coordination of treasury and cash management products, and prepares loan offers involving diverse forms of financing. The innovativeness and competitiveness of the novel financing structures on offer come from a combination of local expertise and experience of the Bank and its cooperation within the global Citigroup structure.

The Bank has continued to pursue the strategy of sustainable asset base growth supported through efficient fund allocation, with particular attention to liquidity management.

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

#### **Assets**

<i>PLN '000</i>	30.09.2009	30.09.2008	Change	
			Amount	%
<b>Total Commercial Bank</b>	<b>8,006</b>	<b>9,663</b>	<b>(1,657)</b>	<b>(17%)</b>
Including:				
MMEs and SMEs	1,935	2,344	(409)	(17%)
Public Sector	92	103	(11)	(10%)
Global Clients	2,933	4,168	(1,235)	(30%)
Strategic Clients	2,270	1,893	376	20%

#### **Liabilities**

<i>PLN '000</i>	30.09.2009	30.09.2008	Change	
			Amount	%
<b>Total Commercial Bank</b>	<b>15,904</b>	<b>16,489</b>	<b>(585)</b>	<b>(4%)</b>
Including:				
MMEs and SMEs	2,971	3,575	(604)	(17%)
Public Sector	1,632	1,822	(190)	(10%)
Global Clients	7,703	7,420	283	4%
Strategic Clients	3,536	3,599	(64)	(2%)

#### *Key initiatives in the Small and Medium Enterprises Segment (SMEs)*

The Bank's SME business in the third quarter of 2009 demonstrated stable development, this in spite of the



more challenging economic conditions than in the year 2008.

The positive trend in acquisition of new clients, particularly those representing the smallest microenterprises, is an important achievement. The number of new clients acquired in the third quarter of 2009 was over 30% higher than in equivalent period of 2008.

The solid acquisition results were driven primarily by the changes made to the offer in the first half of 2009, including launches of the special Capital White package offer and of the Dynamic Red package. The release of the newest version of Online Trading, the Bank's FX trading platform, and the more compelling accentuation of the leasing offer marketed together with Handlowy Leasing were of great importance to the larger representatives of the SME segment.

The Bank counts on the positive trend in this segmental business to continue into the next quarter, because it continues to develop and amend the product offer for SMEs and has just began marketing a technological credit line in collaboration with Bank Gospodarstwa Krajowego.

#### *Key initiatives in the Middle Market Enterprises Segment (MMEs)*

The third quarter of 2009 was a good business period for the MME segment. The Bank coordinated the municipal bond issues for Warsaw and Białystok. In the case of Białystok, the Bank was mandated to organize the bond issue programme up to a total amount of PLN 100 million and will act as the Issue Agent, Dealer and Depository. We also conducted an advertising campaign promoting co-operation of the Bank with public sector clients (summary of achievements in the first half of 2009).

#### *Key initiatives in the Strategic Clients Segment*

In the third quarter of 2009 the Bank fully underwrote and coordinated the roads bond issue of Bank Gospodarstwa Krajowego in an amount of PLN 600 million. Moreover, it took a PLN 300 million position in a bond issue programme of one of the domestic power sector majors and executed FX risk hedging transactions for a key gas sector client.

#### *Key initiatives in the Global Clients Segment*

The third quarter of 2009 was a good business period for the Global Clients segment. The Bank entered into collaborative relations with new clients and expanded the scope of its co-operation with its existing clients. We won a number of tendered contracts for provision of banking services, among others, tenders for comprehensive cash handling or leasing transactions. We executed new short-term financing transactions. The global clients continue to be interested in using trade finance transactions, which enable them to gain additional liquidity through their suppliers and/or buyers. A number of international clients joined the group of those who decided to implement our global liquidity and currency flow management solutions.

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

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

In the third quarter of 2009 DMBH acted as an intermediary in 14.1% of secondary equities trading transactions, thus retaining its market leadership. Over the period value of equity trades executed via DMBH on WSE reached PLN 14.2 billion (growth of 62.5% compared to equivalent period of 2008) while trading over the entire WSE market increased by 30.4% compared to equivalent period of 2008.

DMBH was listed as the top securities brokerage house for institutional investors in the market in the Brokerage Houses 2009 ranking of FORBES monthly. It also ranked second in the teams classification.

On 25 August 2009 A-series Certificates of Legg Mason Closed Investment Concentrated Equities Fund were floated on WSE, with DMBH acting as the issue Offeror. The subscription was held in June 2009, with total value of the subscribed certificates amounting to PLN 36,102,000.

The number of investment accounts maintained by DMBH as at the end of the third quarter of 2009 stood at 11,567, which represents growth of 17.0% compared to the end of the third quarter of a year earlier.

Collaborative effort between DMBH and the Bank in acquiring new clients (agreements signed at the Order Acceptance Points in the Bank or PPZ) yielded substantial increase in the number of newly opened investment accounts. The raise in the in the number of accounts opened via PPZ was also stimulated by a number of promotional campaigns, among others, reduced commission rates for transactions executed via DMBH Online Service.

Some of the key determinants of the income DMBH generated in the third quarter of 2009 included the favorable capital market conditions with clear increase in volumes of traded equities, which was underpinned by the global improvement in investor sentiment as well as the inflow of capital to the local equities market. Another positive factor was the increased interest of the domestic investors in exposure to equities and units of participation in investment funds (according to estimates of DMBH, in August 2009 net capital inflows to exceeded PLN 1.1 billion).

In the third quarter of 2009 DMBH intermediated in a number of transactions in which the State Treasury divested its minority interests in companies. One noteworthy transaction was a one-off sale of a stake in Bank Pekao S.A. valued at PLN 1.1 billion, the largest transaction of its kind on WSE to date.

Equity price pressures can be expected through the upcoming quarters, which will affect particularly companies with the largest market capitalization. There is a number of high value initial public offering coming to the market: PGE in the course of 2009; and Tauron, Polkomtel and PZU potentially in 2010.

At the end of the third quarter of 2009 DMBH performed the role of the Market Maker for 36 companies, which represented close to 10% of all the equities traded on WSE. This number of companies for which DMBH is the Market Maker put DMBH at the very top of the brokerage houses performing that function on WSE. In fact, DMBH ranked first as a Market Maker on WSE in the third quarter of 2009. Additionally, the Own Investments Section acts as the Market Maker for futures and options contracts for the WIG20 index and the Mw20 index units.

In the third quarter of 2009 DMBH was involved in preparation of public offerings which will be announced in the fourth quarter of 2009 and the first quarter of 2010.

Moreover, in the third quarter of 2009 DMBH acted as the co-offerer of the bond offering of the Capital City of Warsaw, which issued 600,000 bonds of nominal value of PLN 1,000 each. Total nominal value of the sold bond was PLN 600,000,000. The bond had been listed on CeTO while since 30 September 2009 they are listed on BondSpot and WSE.

#### Summary Income Statement and Balance Sheet\*

Company name	Headquartered	Participation interest of the Bank in equity %	Balance sheet total as at 30.09.2009 PLN '000	Equity as at 30.09.2009 PLN '000	Net financial result for 01.01-30.09.2009 PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	616,935	89,458	7,007

\* Unaudited unit data

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

The Group operates its leasing business through Handlowy-Leasing Sp. z o.o., a wholly-owned subsidiary of the Bank.

Value of leases contracted in the third quarter of 2009 stood at PLN 75 million, compared to PLN 160 million of new contracts executed in the third quarter of 2008, representing a decline of 53%. Total value of new leasing contracts executed in the first three quarters of the year 2009 was PLN 217.4 million, which represents a decline of 63.2% compared to PLN 590.9 million after the first three quarters of the year 2008.

Distribution of the assets leased in the third quarter of 2009 between respective sector categories was as follows:

- Machinery and equipment dominated representing 79.4% of total financed assets;
- Heavy transport vehicles constituted 13.8% of total financed movables.

#### Net asset value of leases

PLN '000	Q1-Q3 2009	Q1-Q3 2008	Change	
			PLN '000	%
Value of leases contracted in the period	217.4	590.9	(373.5)	(63.2)
- for vehicles	72.2	361.7	(289.5)	(80.0)
- for machinery and equipment	145.2	229.2	(84.0)	(36.7)

The key factor impacting the decline in leased asset value which occurred in the third quarter of 2009 was a change in the scope of acquisition activities. The company focused on increasing operational efficiency within the Group. The overall value of new lease was also affected by the general stagnation prevailing in the leasing sector: decline in excess of 40% over the period.

Among the many measures it implemented, the Company has continued to give priority to quality of the credit portfolio. More specifically, it adjusts its business to the changing economic conditions; assesses risk profiles of all new transaction projects and maintains strict discipline in management of its credit portfolio.

Also, as it seeks to increase interest of the Bank's clients in its offer, Handlowy-Leasing undertakes various actions aimed at improving its offer targeted specifically to those clients. The Company has prepared a novel marketing campaign dedicated to the existing clients of the Bank, which promotes the leasing products under a comprehensive solution for fleet management. The launch of this campaign is scheduled for the beginning of the fourth quarter of 2009.

#### Summary Income Statement and Balance Sheet\*

Company name	Headquartered	Participation interest of the Bank in equity	Balance sheet total	Equity as at	Net financial result
			as at 30.09.2009	30.09.2009	for 01.01-30.09.2009
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	1,330,773	170,782	(3,135)

\* Unaudited unit data

2. Consumer Bank• *Summary segmental results*

<i>PLN '000</i>	<b>Q3 2009</b>	<b>Q3 2008</b>	<b>Change PLN '000</b>	<b>%</b>
Net interest income	184,185	206,555	(22,370)	(11%)
Net fee and commission income	83,052	88,153	(5,101)	(6%)
Net income on traded financial instruments and revaluation	9,568	10,122	(554)	(5%)
Net other operating income	50,600	(2,667)	53,267	n.a.
<b>Total income</b>	<b>327,405</b>	<b>302,163</b>	<b>25,242</b>	<b>8%</b>
General administrative expenses and depreciation	(175,209)	(196,484)	21,275	(11%)
Profit / (loss) on sale of tangible fixed assets	(132)	228	(360)	(158%)
Net impairment losses	(51,245)	(18,610)	(32,635)	175%
<b>Profit before tax</b>	<b>100,819</b>	<b>87,297</b>	<b>13,522</b>	<b>15%</b>
<b>Cost / Income</b>	<b>54%</b>	<b>65%</b>		

The main factors that determined the gross profit of Consumer Bank in the third quarter of 2009 as compared to the corresponding period of 2008:

- Decrease in net interest income compared to the comparable period of the previous year resulting mainly from lower loans' interest (decreasing market interest rates);
- Decrease in fee and commission income resulting mainly from decrease in income from investments and insurance products. This decrease was not fully compensated by increase from higher commissions on payment and credit cards;
- Decrease of expenses as a result of continuation of the optimization process in the scope of branch network, infrastructure and technology as well as lower marketing and acquisition expenses;
- The higher net impairment losses were caused by quality's deterioration of the consumer loans and credits cards portfolio;
- Increase in net other operating income due to one-off event (c.a. PLN 57 million positive impact in the third quarter 2009).

## a) Credit Cards

In the third quarter of 2009 the Bank sold over 33,000 credit cards, with total number of issued credit cards at the end of September 2009 exceeding 1,051,000. Compared to the card portfolio balance as at the end of the previous quarter of 2009 the number of credit cards has fallen by 10,000. This net balance resulted from lower acquisition rates – as the Bank restrained its offering to the higher risk customer segment – and an increase in the number of cancelled cards – as we adjusted our customer retention strategy. The decision to limit the offering to the higher risk customer segment resulted from the fact that as interest rates fell and the macroeconomic uncertainty increased – with the attendant expectations higher loan losses – the Bank would now achieve lower returns on that segment's portfolio.

Approximately 85% of all newly acquired cards are co-branded, which cards now represent 57% of the overall portfolio. Citibank–LOT Credit Cards have met with enormous popularity among our customers, particularly with those who are frequent users of PLL LOT carrier's flight services.

In July 2009 we chose by lot the winners of the AMIGOS Lottery, which was addressed to holders of the Citibank–LOT Credit Cards. The four winners, accompanied by their chosen partners, enjoyed a weekend trip to Barcelona.

In the course of the third quarter of 2009 the Bank also continued developing what is the largest credit card holder rebates and discounts program in the market. By now the discount program covers over 3,700 retail trade and service outlets. In the course of the summer holiday, our customers were provided with a special *Holidays with Discount* offer under which selected shops offered discounts of up to 70%.

b) Consumer Bank

- *Bank Accounts*

In the third quarter of 2009 the Bank consistently implemented its strategy of acquiring and rewarding active customers. The amended Table of Fees and Commissions now states that holders of personal accounts who transfer their pay to the Bank, replenish their accounts on regular basis, make payments with their account linked charge cards or who hold their savings with the Bank can take advantage of reduced or waived account administration fee. These criteria are consistent with previously adopted criteria enabling waiver of the fee normally charged for *SuperSavings Account* or reduction of the fee for the Medical Package. The Bank increased some of its transaction fees while it reduced others and offered its customers free-of-charge account use (the internet channel, the Automatic Banker and the Bank's ATMs). We maintained the commission-free use of the extensive global ATM network for holders of *CitiAccounts* and *CitiOne Direct* (Citi Handlowy, eCard, Euronet) while holders of the *CitiOne* accounts are provided with free-of-charge cash withdrawals throughout the Bank's national ATM network.

The Bank focused its efforts on building up deposit balances. In July 2009 it introduced attractive interest of 6.06% for all new funds collected on the *Savings Accounts*, which was promoted through a billboard campaign of national outreach and through the Internet. At the same time we launched the Win Year's Salary with Citi Handlowy competition, which will continue until November 2009. The persons eligible to participate in the competition include those of the *Citibank Savings Account* holders who deposit there minimum PLN 1,000 of new funds and who at the same time submit catchphrases promoting saving with the Bank. Authors of the 10 most interesting proposals will receive annual salaries of 3,000 per month. In addition to the *Savings Account* product, the Bank provided its customers with attractive interest income on longer tenor term deposits (of three, six, nine and 12 months).

The Bank's offer was further expanded to include innovative solutions. Since the beginning of July 2009 the customers can use debit cards linked to their euro currency accounts for any payments, thus the transactions they execute in the Eurozone are charged directly to their euro accounts, without the need for translation of funds.

The *Cheap Francs* offer also met with the customers' interest. Since July the Bank's customers can buy from it Swiss francs at a 1.5% margin, one of the most attractive offers in this market. At the same time customers can execute transfers in Swiss francs free of charge, among others towards repayment of mortgage loans in other banks.

- *Credit Products*

*Cash Loan*

Between July and September 2009 the Bank introduced to the market a number of special offers addressed to the customers interested in Cash Loan. We continued to pursue our strategy of targeting our product acquisition at the less risky customer segments, among others, through promotion of a special offer addressed to budgetary sector employees. Every customer of at least 27 years of age and minimum two years' employment in public administration was given the opportunity of taking out a loan on preferential terms, including a 50% discount on the origination fee, with the customers who also elect to open an account from which to service the loan with the Bank provided with further 1% discount in the nominal interest rate of the facility. That offer met with extensive response of its target group and consequently will soon become a permanent feature of the Bank's loan offer.

In response to seasonal needs of its customers, the Bank came out with Post-Holiday Loan promotional campaign that included interest reductions of 0.5% to 2% – depending on the loan amount. The campaign received strong media support in the national press and the Internet. Customers were able to take advantage of the promotional offer terms between August and September 2009.

In September 2009 the Bank increased its product distribution capabilities as it put into operation its fully computerized loan sales process.

#### *Credit Line*

In the third quarter of 2009 the Bank provided marketing support to its Citibank Credit Line through the launch of a special Offer of the Month, which involved combined sale of the Personal Account and the Credit Line; on promotional terms. The Bank also offered streamlined Credit Line value increases, which met with strong response of the customer base. The Bank also undertook preparations for marketing of the Credit Line product through the telephone channel; all with the aim of boosting Credit Line sales.

#### *Mortgage Products*

In the area of mortgage products the Bank continued to pursue its Open Architecture strategy, within which it offered products developed by DomBank and Lukas Bank, its specialist partner banks. These products included housing purchase and construction finance, and loans secured on real property granted for debt consolidation or any other purposes. The Bank also worked to finalize adjustments to its Housing Loan offer and to launch Mortgage Secured Loan. Also, in September 2009 the Bank joined the *Rodzina na Swoim* program (government sponsored family homeownership scheme) as it signed an agreement with Bank Gospodarstwa Krajowego S.A. on Application of Interest Subsidy to Housing Finance Interest.

- *Investment Products*

In July 2009 the Bank expanded its portfolio of investment products by adding a number of international mutual funds (Schroders and Templeton managed). As a result customers can buy, redeem or make conversions of units of participation in additional overseas investment funds, such as BlackRock, Schroders or Templeton, both at the Bank branches and via the CitiPhone channel.

The Bank offered 17 different structured bonds, products addressed to the Gold and the Citigold Select customers. The issues were denominated in PLN (nine subscriptions), USD (three subscriptions) and in EUR (five subscriptions). These offerings were placed with customers interested in fixed income products (6-7% per annum) as well as those interested in exposures to equities, currencies or commodities, though with capital protection.

After a break lasting a number of months, the Bank reintroduced in September 2009 the 3-year funded life insurance products. Customers can achieve WIG20 index linked income, while they benefit from capital protection safeguards and life insurance provided by MetLife Towarzystwo Ubezpieczeń na Życie S.A.

- *Insurance Products*

The Bank actively promoted its offer of term deposits prepared for customers executing life insurance policies with a funded pillar, including:

- the Investment Program Plus
- the Global Investment Portfolio
- the Foreign Funds Portfolio
- the Orchid Guaranteed Withdrawals Plan

Each customer taking out the mentioned type of insurance policy within the offer validity period was able to place with the Bank a deposit on promotional terms:

- a 3-month deposit bearing 10% interest;
- a 6-month deposit bearing 8% interest; or
- a 12-month deposit bearing 7% interest.

The deposits could be opened in PLN only.

- *Electronic Banking and Other Remote Service Channels*

The third quarter of 2009 was a period in which the Bank expanded the functionalities of its Citibank Online internet banking. New SEPA standard international fund transfers were introduced, which can be executed in euro currency within the Single Euro Payments Area (SEPA). The Bank also enabled the customers to service their CitiFinancial Cash Loans through the internet channel. A number of changes were also introduced with the aim of facilitating registration in the Electronic Receipt service as well as expediting and facilitating execution of one-off fund transfers via the Rapid Transfers service.

In the third quarter of 2009 the number of registered users of our internet banking service exceeded 518,000, which represents a 6% growth in quarter-over-quarter terms.

At the end of the third quarter of 2009 the number of registered users of the Online Account Statements service (statements in the electronic form) exceeded 432,000, which constitutes a 7% growth over the earlier quarter of 2009.

In August 2009 the CitiPhone round-the-clock telephone access customer service began marketing the CitiAlerts services, which involve transfer of information on the customer's personal account or credit card in the form of an SMS or an e-mail message. Now each customer can sign up for the CitiAlerts service via the Automatic Banker, without the need for assistance of an adviser.

- *Indirect and Direct Customer Acquisition*

In mid-March 2009 the Bank launched an innovative distribution channel dedicated to the sales of credit cards, which offers credit cards through the points of sale of Polkomtel mobile network operator. The new channel has continued to improve its sales results on monthly basis. In September the sales structure was expanded to include salons of the carrier's Subagents as the process of sales-force training for the first group of those salons began. The project is gaining broad based interest of the salon staff, as the ability to execute effective sales of the new product increases. This is evident in the growing number of the accepted cards.

### 3. Branch network

At the end of the third quarter of 2009 the Bank's branch network comprised 234 outlets and included the L type outlets (formerly the Commercial Bank, the CitiGold Wealth Management outlets and the Investment Centre), the M type outlets (former multifunctional outlets), the S type outlets (former CitiFinancial branches) and the T type outlets (the agencies or partner outlets).

In the third quarter of 2009 the Bank continued to optimize its branch network. The process contributed to the increased operational efficiency, the improved marketing and sales and the rationalization of the Bank's property management costs.

The branch network optimization in the third quarter of 2009 included the following:

- the scope of deposit taking services to retail customers was expanded in 18 former S type outlets; thus upgrading them to the M type outlet status;
- merger of an M type outlet in Bielsko-Biała at 14/16 11go Listopada street with an existing S type outlet located in Bielsko-Biała at 28 11go Listopada street;

- merger of an S type outlet in Włocławek at 38 3 Maja street with an existing M type outlet located in Włocławek at 5 Wolności square;
- closing of an M type outlet in Warsaw at 27 Mickiewicza street for reasons beyond the Bank's control and its transfer to a new location at 10 Krasińskiego street;
- closing of operations of an L type outlet in Lublin at 5 Kowalska street due to property sale, with its business consolidated in another L type outlet in Lublin at 55 Krakowskie Przedmieście street;
- due to property lease termination and unattractiveness of the location, an M type outlet located in Wrocław at 9 Grabiszyńska street was closed at the location and its business transferred to a newly refurbished outlet at 20 Kościuszki street.

#### Number of branches at period end\*

	Q3 2009	Q2 2009	Change
<b>Number of outlets:</b>	<b>234</b>	<b>237</b>	<b>(3)</b>
- L type	47	48	(1)
- M type	88	70	+18
- S type	64	84	(20)
- T type	35	35	No change
<b>Other sales / customer service outlets:</b>			
Mini-branches (within "Citibank at Work")	4	5	(1)
BP petrol station sales points	50	182	(132)
Number of own ATMs	162	163	(1)

\* Due to restructuring of the branch network, we are unable to cite comparative data from the equivalent period a year earlier.

## 9. Seasonality or cyclical nature of business activity

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

## 10. Issue, buyout and repayment of debt and equity securities

No debt or equity securities were issued, bought out or repaid in the third quarter of 2009.

## 11. Paid or declared dividends

In accordance with Resolution No. 26a/2009 of the Ordinary General Meeting of the Bank of 18 June 2009 the profit for 2008 was distributed, and a resolution that no dividend for the year 2008 will be paid was adopted. The profit for 2008 was assigned for increasing the shareholders' equity.

## 12. Changes in the Group's structure

In the third quarter of 2009 the structure of the Group has not changed as a result of merger, acquisitions or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

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

As at 30 September 2009 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.



#### 14. Movements in off-balance sheet commitments

As at 30 September 2009 in relation to the end of 2008 there were significant changes in range of granted conditional obligation contains in position of other financial liabilities amount of PLN 3 billion, concerning granted, to the customer of the Bank, promise of covenanting, according to enclose a business of purchase and sale of treasure valuable paper (see note 21).

Other changes in off-balance sheet commitments comparing to the end of 2008, have concerned mainly liabilities related to realization of buying/selling operations, what means decrease of futures transactions amount – concerning transactions FRA and IRS.

The off-balance sheet commitments are as follows:

	30.09.2009	31.12.2008
<i>PLN '000</i>		
<b>Contingent liabilities</b>		
<b>Granted liabilities</b>		
a) financial	14,095,517	11,167,239
<i>Import letters of credit issued</i>	148,276	188,228
<i>Lines of credit granted</i>	10,747,341	10,949,511
<i>Subscription of securities granted to other issuers</i>	199,900	29,500
<i>Others</i>	3,000,000	-
b) guarantees	2,028,784	2,359,209
<i>Guarantees granted</i>	2,019,062	2,349,068
<i>Export letters of credit confirmed</i>	9,722	10,141
	<b>16,124,301</b>	<b>13,526,448</b>
<b>Liabilities received</b>		
a) financial ( <i>deposits to receive</i> )	-	26,000
b) guarantees ( <i>guarantees received</i> )	2,490,768	2,394,584
	<b>2,490,768</b>	<b>2,420,584</b>
<b>Current off-balance sheet transactions*</b>	<b>3,037,544</b>	<b>1,723,887</b>
<b>Forward off-balance sheet transactions**</b>	<b>191,287,387</b>	<b>304,130,335</b>
	<b>212,940,000</b>	<b>321,801,254</b>

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

\*\* Derivatives: FX, interest rate transactions and options

#### 15. Achievement of 2009 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2009.

#### 16. Information about shareholders

As at 30 September 2009 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	97,994,700	75
Other shareholders	130,659	32,664,900	25	32,664,900	25
	<b>522,638</b>	<b>130,659,600</b>	<b>100</b>	<b>130,659,600</b>	<b>100</b>

Since Interim consolidated financial statement for first half of 2009 the structure of major shareholdings hasn't undergone any changes.

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

According to the best knowledge of the Bank – predominating unit, the number of the Bank's shares held by managing and supervising persons, has been presented below:

Name and surname	Function	Number of shares on day of transfer of quarterly report composed on <b>30.09.2009</b>	Number of shares on day of transfer of interim report composed on <b>30.06.2009</b>
Iwona Dudzińska*	Member of the Managing Board	600	-
Andrzej Olechowski	Vice-chairman of Supervisory Board	1,200	1,200
<b>Total</b>		<b>1,800</b>	<b>1,200</b>

\* fulfilling of function from 18 September 2009

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

## 18. Information on pending proceedings

In the third quarter of 2009 there were no proceedings regarding debts of the Bank or a subsidiary of the Bank pending before court, public administration authority or an arbitration authority, the value of which would equal at least 10% of the Bank's equity.

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Bank's equity and equaled PLN 1,043 million.

In the third quarter of 2009, the amount of debts of the Bank has decreased. Moreover, big amount of carrying on voluntary arrangement proceedings and bankruptcy proceedings in which the Bank or its subsidiaries participate as creditors and court proceedings with the participation of the Bank concerning enforcement of clause of feasibility to Bank executive title, is still kept. It should be emphasized that the court proceedings, especially bankruptcy and voluntary arrangement proceedings, are long-lasting and protracted. Due to the lengthiness of proceedings, only a few voluntary arrangement and bankruptcy proceedings result in a final and legally valid court decision within a period shorter than two years (and a majority of them last for a period of four and more years). The report includes some proceedings that started several years ago.

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

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

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

<b>Parties to Proceedings</b>	<b>Litigation Value (PLN '000)</b>	<b>Proceedings Commencement Date</b>	<b>Description of Case</b>
<b>Creditor:</b> Bank Handlowy w Warszawie S.A.	158,534	8 August 1996 – declaration of bankruptcy of customer of the Bank	Case pending. The Bank submitted the receivable to obtain repayment from the bankrupt's assets for arrangement on 14 October 1996. The Bank realized all the collateral. The Bank will probably not receive its receivables. The official receiver expected to complete the bankruptcy proceeding by the end of 2006. The Bank still expects to receive a resolution on completion of the bankruptcy proceeding. The processing is still pending.
<b>Creditor:</b> Bank Handlowy w Warszawie S.A.	44,732	On 22 June 2001, the court declared the debtor bankrupt.	The Bank submitted its receivables to the proceedings. Case pending.
<b>Creditor:</b> Bank Handlowy w Warszawie S.A.	64,837	On 30 June 2009, the court declared the debtor's secondary bankrupt, including liquidation of debtor's property and appointed syndic	The Bank submitted its receivables to the proceedings. Case pending.

In the third quarter 2009, there were no proceedings regarding liabilities of the Bank or a subsidiary of the Bank, the value of which would equal at least 10% of the Bank's equity, pending before court, public administration authority or an arbitration authority.

In the third quarter 2009 the total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities hasn't exceeded 10% of the Bank's equity capital

The target reserves were established in case of legal action concerning risk of Group's commitment appropriations outflow.

### **19. Information about significant transactions with related entities which were deal on other than market terms**

In the third quarter of 2009, the Bank and its subsidiaries enter into transactions with related entities. All transactions with related entities were deal on market terms.

### **20. Information about guarantee agreements**

At the end of the third quarter of 2009, the total value of sureties and guarantees extended by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's consolidated shareholders' equity.

## **21. Other important information**

Following the Program Agreement signed on 28 July 2009 by and between, among others, Bank Gospodarstwa Krajowego and Bank Handlowy w Warszawie S.A., establishing the Bonds Issue Program by Bank Gospodarstwa Krajowego, under the provisions of the aforementioned Agreement, on 6 August 2009 Bank Gospodarstwa Krajowego made an offer to Bank Handlowy w Warszawie S.A. to purchase Series BGKBH0001 bonds totaling PLN 600,000,000.00 and bearing an issue date of 11 August 2009 in the primary market, issued under Art. 9.3) of the Bonds Act of 29 June 1995 (unified text: Journal of Laws of 2001, No. 120 item 1300), and on 7 August 2009 Bank Handlowy w Warszawie S.A. accepted the offer to purchase Series BGKBH0001 bonds in order to sell them to investors in the secondary market. At the same time Bank Handlowy w Warszawie S.A. concluded a number of agreements to sell Series BGKBH0001 bonds in the secondary market effective on the issue date, i.e. 11 August 2009. The Agreement to purchase Series BGKBH0001 bonds from Bank Gospodarstwa Krajowego and the agreements to sell Series BGKBH0001 bonds to investors will be settled on the issue date and at the issue price.

The Management Board of the Bank Handlowy w Warszawie SA („Bank”) informs that on October, 19th 2009, Bank signed with its customer („Customer”) the agreement regarding buy/sell back transactions on Treasury securities (“Agreement”), on the basis of which Bank is obliged to execute with the Customer until November, 26th 2009, buy/sell back transaction on securities in the amount not exceeding PLN 3 billion, on the terms described in details in the Agreement. The Agreement was signed under termination clause that till November 26th at least one buy/sell back transaction on treasury securities should be concluded. Bank, on 20th October 2009, executed with the Customer buy/sell back transaction on securities. Thus no circumstances fulfilled the requirement to resolve the Agreement.

### *Personal changes in Bank management in third quarter*

On 11 September 2009 Mr. Peter Rossiter has lodged resignation from position of Vice-President of the Board of the Bank resulted from 31 October 2009.

On 18 September 2009 Mrs. Iwona Dudzińska was appointed on position of Member of the Board of the Bank.

On 15 September 2009 Mrs. Susan Blaikie has lodged resignation from position of Member of Supervisory Board of the Bank.

On 16 September 2009 Mr. Michael Schlein has lodged resignation from position of Member of Supervisory Board of the Bank.

## **22. Description of factors and events that might affect the Group’s future financial performance**

In spite of evidence of some gradual economic recovery, uncertainty as to further development of demand for Polish commodities persists. The factor will likely contribute to continued deceleration of capital investments and weaker demand for debt financing in the enterprise sector. Deterioration in corporate earnings may be accompanied by growth in unemployment, with the attendant corrosion of individual borrowers’ ability to service their financial obligations.

The events unfolding in some economies of the CEE region, including particularly the Baltic States, can lead to revival of aversion to risk in the financial markets. Combined with the growing borrowing needs of the state budget, that factor increases the risk of volatility in the financial markets.

All of the above factors may affect the Group’s financial performance in the subsequent periods.

**Summary interim financial statements of the Bank for third quarter 2009****Condensed income statement of the Bank – parent company**

<i>PLN '000</i>	Third quarter period from 01.07.09 to 30.09.09	Third quarter growing period from 01.01.09 to 30.09.09	Third quarter period from 01.07.08 to 30.09.08	Third quarter growing period from 01.01.08 to 30.09.08
Interest and similar income	504,216	1,557,263	557,145	1,620,013
Interest expense and similar charges	(137,101)	(442,793)	(235,639)	(674,825)
<b>Net interest income</b>	<b>367,115</b>	<b>1,114,470</b>	<b>321,506</b>	<b>945,188</b>
Fee and commission income	161,171	445,266	161,515	514,103
Fee and commission expense	(22,018)	(63,201)	(17,150)	(54,393)
<b>Net fee and commission income</b>	<b>139,153</b>	<b>382,065</b>	<b>144,365</b>	<b>459,710</b>
Dividend income	263	17,837	-	59,539
Net income on financial instruments and revaluation	73,670	195,285	158,716	370,791
Net gain on investment (deposit) securities	20,908	56,153	8,293	37,388
Net gain on investment (capital) instruments	-	3,437	-	-
Other operating income	133,829	180,942	16,940	74,621
Other operating expenses	(15,494)	(32,018)	(6,546)	(23,829)
<b>Net other operating income</b>	<b>118,335</b>	<b>148,924</b>	<b>10,394</b>	<b>50,792</b>
General administrative expenses	(307,982)	(971,945)	(335,956)	(1,056,832)
Depreciation expense	(14,283)	(55,070)	(23,399)	(72,341)
Profit / (loss) on sale of tangible fixed assets	85	2,196	1,257	2,656
Net impairment losses	(44,720)	(366,494)	(22,210)	(52,075)
<b>Profit before tax</b>	<b>352,544</b>	<b>526,858</b>	<b>262,966</b>	<b>744,816</b>
Income tax expense	(69,197)	(112,667)	(54,002)	(141,655)
<b>Net profit</b>	<b>283,347</b>	<b>414,191</b>	<b>208,964</b>	<b>603,161</b>
Weighted average number of ordinary shares (in pcs)		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		<b>3.17</b>		<b>4.62</b>
Diluted net profit per ordinary share (in PLN)		<b>3.17</b>		<b>4.62</b>

***Condensed statement of comprehensive income***

<i>PLN '000</i>	<b>Third quarter period from 01.07.09 to 30.09.09</b>	<b>Third quarter growing period from 01.01.09 to 30.09.09</b>	<b>Third quarter period from 01.07.08 to 30.09.08</b>	<b>Third quarter growing period from 01.01.08 to 30.09.08</b>
<b>Net income</b>	<b>283,347</b>	<b>414,191</b>	<b>208,964</b>	<b>603,161</b>
<b>Other comprehensive income:</b>				
Valuation of financial assets available for sale (net)	84,275	91,276	117,055	19,084
<b>Total income</b>	<b>367,622</b>	<b>505,467</b>	<b>326,019</b>	<b>622,245</b>

**Condensed balance sheet of the Bank**

	State as at	30.09.2009	31.12.2008
<i>PLN '000</i>			
<b>ASSETS</b>			
Cash and balances with central bank		805,116	3,530,977
Financial assets held for trading		6,311,706	7,884,536
Debt securities available-for-sale		13,333,386	10,814,828
Equity investments		304,925	291,385
Loans and advances		13,865,600	16,322,214
<i>to financial sector</i>		1,895,042	3,836,034
<i>to non-financial sector</i>		11,970,558	12,486,180
Property and equipment		490,009	540,200
<i>land, buildings and equipment</i>		471,701	521,892
<i>investment property</i>		18,308	18,308
Intangible assets		1,276,592	1,279,547
Income tax assets		392,789	325,563
Other assets		348,778	220,854
Non-current assets held-for-sale		23,569	35,267
<b>Total assets</b>		<b>37,152,470</b>	<b>41,245,371</b>
<b>LIABILITIES</b>			
Liabilities to central bank		255,080	-
Financial liabilities held for trading		3,658,967	6,888,344
Financial liabilities valued at amortized cost		26,583,997	28,292,118
<i>deposits from</i>		26,203,816	27,904,792
<i>financial sector</i>		7,904,262	7,994,592
<i>non-financial sector</i>		18,299,554	19,910,200
<i>other liabilities</i>		380,181	387,326
Provisions		39,288	24,552
Other liabilities		565,901	500,907
<b>Total liabilities</b>		<b>31,103,233</b>	<b>35,705,921</b>
<b>EQUITY</b>			
Issued capital		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		(52,834)	(144,110)
Other reserves		2,220,657	1,570,673
Retained earnings		414,191	645,664
<b>Total equity</b>		<b>6,049,237</b>	<b>5,539,450</b>
<b>Total liabilities and equity</b>		<b>37,152,470</b>	<b>41,245,371</b>

**Condensed statement of changes in equity of the Bank**

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	<b>Total Equity</b>
<b>Balance as at 1 January 2009</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(144,110)</b>	<b>1,570,673</b>	<b>645,664</b>	<b>5,539,450</b>
Total income	-	-	91,276	-	414,191	505,467
Valuation of capital rewards program, including:	-	-	-	4,320	-	4,320
- valuation change	-	-	-	5,688	-	5,688
- income tax respite	-	-	-	(1,368)	-	(1,368)
Transfer on capital	-	-	-	645,664	(645,664)	-
<b>Balance as at 30 September 2009</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(52,834)</b>	<b>2,220,657</b>	<b>414,191</b>	<b>6,049,237</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	<b>Total Equity</b>
<b>Balance as at 1 January 2008</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(182,451)</b>	<b>1,382,238</b>	<b>809,068</b>	<b>5,476,078</b>
Total income	-	-	19,084	-	603,161	622,245
Dividend to be paid	-	-	-	-	(620,633)	(620,633)
Transfer on capital	-	-	-	188,435	(188,435)	-
<b>Balance as at 30 September 2008</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(163,367)</b>	<b>1,570,673</b>	<b>603,161</b>	<b>5,477,690</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	<b>Total Equity</b>
<b>Balance as at 1 January 2008</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(182,451)</b>	<b>1,382,238</b>	<b>809,068</b>	<b>5,476,078</b>
Total income	-	-	38,341	-	645,664	684,005
Dividend paid	-	-	-	-	(620,633)	(620,633)
Transfer on capital	-	-	-	188,435	(188,435)	-
<b>Balance as at 31 December 2008</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(144,110)</b>	<b>1,570,673</b>	<b>645,664</b>	<b>5,539,450</b>

**Condensed summary statement of cash flows of the Bank**

<i>PLN '000</i>	Third quarter growing Period from 01.01.09 to 30.09.09	Third quarter growing Period from 01.01.08 to 30.09.08
<b>Cash at the beginning of reporting period</b>	<b>3,607,476</b>	<b>3,741,447</b>
Cash flows from operating activities	(2,719,324)	(1,270,972)
Cash flows from investing activities	(4,177)	(12,401)
Cash flows from financing activities	(30,659)	(656,772)
<b>Cash at the end of reporting period</b>	<b>853,316</b>	<b>1,801,302</b>
<b>Increase / Decrease in net cash</b>	<b>(2,754,160)</b>	<b>(1,940,145)</b>



## ***Condensed additional information***

### **1. Conformity statement**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*, as 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 2008.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No. 33, item 259) the Bank is required to publish the financial results for the nine months ended September 30 2009 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 2009 have been prepared in accordance with the Decree by virtue of which the issuer, which is also a parent entity, is not obliged to provide the interim financial statements, on condition that it includes the condensed interim financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and abbreviated supplementary notes, comprising of information and data significant for the assessment of the financial position of the issuer and its profit or loss, with the interim consolidated financial statements. In addition, it's required to prepare the abbreviated interim financial statements in accordance with accounting principles adopted in the process of preparation of the annual financial statements.

Principles adopted in the process of preparation of these condensed interim unconsolidated financial statements are consistent with the principles, described in the annual unconsolidated financial statements of the Bank as at 31 December 2008.

Other information and explanations to these condensed interim consolidated financial statements for the third quarter of 2009 contain all material information and explanatory data also relevant to the Bank's abbreviated interim financial statements.

A summary of the Bank's financial results for the third quarter of 2009 is presented below.

#### *The Bank's financial results*

For three quarters of 2009 Bank has generated profit before tax of PLN 527 million, that means PLN 218 million decrease (i.e. 29.3%) relatively to the same period of previous year. In third quarter of 2009 Bank has generated profit before tax of PLN 353 million, that means PLN 90 million increase (i.e. 34.1%) relatively to the same period of previous year

For three quarters of 2009 Bank has generated in captivation growing (i.e. period from January till September) net income of PLN 414 million, that means PLN 189 million decrease (i.e. 31.3%) relatively to analogous period of previous year. In third quarter of 2009 Bank has generated net income of PLN 283 million, in comparison with PLN 209 million in the same period of previous year.

The impact on net profit in third quarter of 2009 had: increase of result on interest and commissions by PLN 40 million (i.e. 8.7%), increase of result on remain operative incomes and costs by PLN 108 million, decrease of result on financial instruments (traded financial instruments, revaluation and investment debt securities) jointly by PLN 72 million, decrease of bank's activity and general administrative expenses and depreciation jointly by PLN 37 million (i.e. 10.3%) and increase of net writes off by PLN 22 million.

Above financial results in the third quarter of 2009 includes a significant one-off event, having a positive impact on Bank's results. Corrections to tax settlements of value added tax have been made and the Bank filed a motion for assertion of the excess payments for the years 2005-2008. The amount of single impact of the event on gross profit for third quarter of 2009 concerning the corrections of previous years amounted to PLN 115 million (out of which: PLN 112 million increase of operational revenue, PLN 3 million decrease of depreciation).

The consolidated quarterly report for the third quarter of 2009 will be made available on the website of Bank Handlowy w Warszawie S.A. at [www.citihandlowy.pl](http://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  
03.11.2009

Date and signature  
03.11.2009