

BUSINESS AND GEOGRAPHICAL SEGMENTS REPORTING

1. Business segments

The business activities of the Group are dominated by the activity of its parent entity – Bank Handlowy w Warszawie SA, a full-service universal bank providing a wide range of banking products in the area of commercial and investment banking and retail banking. This business distinction is reflected in the Bank's organisational structure, which consists of two main business units: the Corporate and Investment Banking Sector and the Consumer Banking Sector, and the Management and Support Sector providing internal services to both business units.

In light of the above, the reporting breakdown of the Group's activity into segments was made as follows:

- Corporate and Investment Banking – comprising financial results made by the Bank on servicing economic entities including companies, enterprises, cooperatives, small businesses, non-profit organisations, non-bank financial institutions and the government sector as well as on transactions conducted in the interbank market and the share in the result of entities providing leasing services,
- Retail Banking – comprising of financial results made by the Bank on servicing individual customers and small enterprises within CitiBusiness,
- Brokerage – comprising the financial result of Dom Maklerski Banku Handlowego S.A. consolidated in full,
- Leasing – comprising the participation in profit/(loss) of leasing subsidiaries accounted for under the equity method
- Other Activity – comprising the participation in profit/(loss) of other subordinated undertakings accounted for under the equity method. Due to the immaterial impact of this item on the financial result of the Capital Group it was decided to refrain from allocating it to the above-mentioned business activity segments,
- Other Items Contributing To The Financial Result – comprising goodwill amortisation arising on the merger with Citibank (Poland) S.A. on February 28, 2001, and the corporate income tax.

Profit before taxation was determined for three major segments, namely Corporate and Investment Banking, Consumer Banking and Brokerage, based on calculation of external/internal income and expense as well as net movement in specific provisions and revaluation of financial assets.

The pool rates for determination of internal income and expense are based on market interest rates.

The financial result made by Corporate and Investment Banking segment, as represented by the segment profit before taxation in the amount of PLN 274.0 million, was a dominant component of the Group's financial result for 2004. On the other hand, the expenses related to the intensive roll-out of CitiFinancial network adversely affected the Consumer Banking profitability.

Financial results of the Capital Group by main business segments

	Corporate and Investment Bank	Retail Banking	Brokerage House	Bank Handlowy w Warszawie SA Capital Group
Interest Income	1,050,034	,597,284	5,843	1,653,161
Interest expenses	(598,281)	(154,818)	(793)	(753 892)
Net interest income	451,753	442,466	5,050	899,269
Fee and commission income	300,245	301,198	54,411	655,854
Fee and commission expenses	(2,889)	(49,743)	(12,758)	(65,390)
Net fee and commission income	297,356	251,455	41,653	590,464
Income from shares and other securities	16,526			16,526
Net profit on financial operations	46,541	4,435	789	51,765
Net profit on foreign exchange	320,769	39,586	(3)	360,352
Revenue on banking activity	1,132,944	737,943	47,489	1,918,376
Other operating income	(25,502)	46	(1,652)	(27,108)
Amortisation	(105,413)	(36,111)	(655)	(142,179)
General expenses	(721,804)	(520,653)	(21,861)	(1,264,318)
Net movement in provisions and revaluation	(5,360)	(3,486)	85	(8,761)
Profit before taxation	274,865	177,739	23,406	476,010
Participation in profit/(loss) of subordinated undertakings accounted for under the equity method				61,872
Corporate income tax				(123,668)
Net profit				414,214

	Corporate and Investment Banking	Consumer Banking	Brokerage House	Other	Bank Handlowy w Warszawie SA Capital Group
Segment assets	29,297,874	2,581,782	361,540		
Investments in subordinated undertakings accounted for under the equity method				407,536	
Other Assets				1,171,200	
Total Consolidated Assets	29,297,874	2,581,782	361,540	1,578,736	33,819,932
Segment Liabilities	21,076,796	6,322,077	268,274		
Shareholders' Capital			93,266	6,059,519	
Other Liabilities					
Total Consolidated Liabilities	21,076,796	6,322,077	361,540	6,059,519	33,819,932

2. Geographical segments

The Group of Bank Handlowy operates exclusively in the territory of Poland. No significant connection between the location of the Group's business outlets and the risk and profitability of their activities was identified. Therefore, it was decided that the Group would refrain from presenting the geographical breakdown of its financial results.