

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

AUGUST 2008

Selected financial data

	In PLN '000		In EUR '000***	
	Second quarter growing period from 01/01/08 to 30/06/08	Second quarter growing period from 01/01/07 to 30/06/07	Second quarter growing period from 01/01/08 to 30/06/08	Second quarter growing period from 01/01/07 to 30/06/07
Data related to summary consolidated financial statements				
Interest income	1,095,247	942,858	314,943	244,987
Fee and commission income	383,419	430,237	110,254	111,791
Profit before tax	441,215	549,617	126,873	142,810
Net profit	350,058	439,570	100,661	114,216
Increase of net cash	(919,495)	898,743	(274,132)	238,659
Total assets*	38,294,016	38,907,984	11,416,736	10,862,084
Financial liabilities valued at amortized cost*	27,427,288	28,000,003	8,176,998	7,816,863
Shareholders' equity	5,231,003	5,216,797	1,559,538	1,385,309
Share capital	522,638	522,638	155,816	138,785
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	40.04	39.93	11.94	10.60
Capital adequacy ratio (%)*	11.63	12.86	11.63	12.86
Capital adequacy ratio based on Tier 1 capital (%)*	11.81	13.06	11.81	13.06
Earnings per ordinary share (PLN / EUR)	2.68	3.36	0.77	0.87
Diluted net profit per ordinary share (PLN / EUR)	2.68	3.36	0.77	0.87

Data related to summary financial statements of the Bank

Interest income	1,062,868	922,516	305,633	239,702
Fee and commission income	352,588	390,467	101,388	101,457
Profit before tax	481,850	549,420	138,558	142,758
Net profit	394,197	439,243	113,353	114,131
Increase of net cash	(914,665)	914,998	(272,692)	242,976
Total assets*	37,089,808	38,008,361	11,057,721	10,610,933
Financial liabilities valued at amortized cost*	26,630,383	27,443,267	7,939,414	7,661,437
Shareholders' equity	5,151,671	5,098,642	1,535,887	1,353,933
Share capital	522,638	522,638	155,816	138,785
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	39.43	39.02	11.75	10.36
Capital adequacy ratio (%)*	11.16	12.06	11.16	12.06
Capital adequacy ratio based on Tier 1 capital (%)*	12.10	13.10	12.10	13.10
Earnings per ordinary share (PLN / EUR)	3.02	3.36	0.87	0.87
Diluted net profit per ordinary share (PLN / EUR)	3.02	3.36	0.87	0.87
Declared or distributed dividends per ordinary share (PLN / EUR)**	4.75	4.10	1.42	1.09

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

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

*** The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 30 June 2008 - PLN 3.3542 (as at 31 December 2007: PLN 3.5820, and PLN 3.7658 at 30 June 2007); for the income statement - the arithmetic average of month - end NBP exchange rates in first and second quarter 2008 - PLN 3.4776 (in first and second quarter 2007: PLN 3.8486).

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Consolidated income statement*In thousands of PLN*

	Second quarter period from 01/04/08 to 30/06/08	Second quarter growing period from 01/01/08 to 30/06/08	Second quarter period from 01/04/07 to 30/06/07	Second quarter growing period from 01/01/07 to 30/06/07
Interest and similar income	551,784	1,095,247	482,034	942,858
Interest expense and similar charges	(227,233)	(448,562)	(188,806)	(360,015)
Net interest income	324,551	646,685	293,228	582,843
Fee and commission income	190,499	383,419	219,240	430,237
Fee and commission expense	(26,898)	(53,884)	(34,021)	(66,577)
Net fee and commission income	163,601	329,535	185,219	363,660
Dividend income	4,716	4,716	792	801
Net income on financial instruments and revaluation	90,012	215,143	136,907	242,025
Net gain on investment debt securities	3,132	29,095	307	10,740
Net gain on investment (capital) instruments	-	(168)	37,328	43,993
Other operating income	33,396	61,160	28,507	53,400
Other operating expenses	(8,909)	(19,446)	(16,802)	(27,638)
Net other operating income	24,487	41,714	11,705	25,762
General administrative expenses	(357,445)	(742,512)	(355,075)	(701,281)
Depreciation expense	(24,291)	(49,831)	(27,128)	(55,485)
Profit / (loss) on sale of tangible fixed assets	753	1,447	258	(590)
Net impairment losses	(15,903)	(36,134)	25,481	45,663
Operating income	213,613	439,690	309,022	558,131
Share in profits / (losses) of undertakings accounted for under the equity method	460	1,525	(8,993)	(8,514)
Profit before tax	214,073	441,215	300,029	549,617
Income tax expense	(44,122)	(91,157)	(57,909)	(110,047)
Net profit	169,951	350,058	242,120	439,570
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		2.68		3.36
Diluted net profit per ordinary share (in PLN)		2.68		3.36
Including:				
Net profit due to shareholders of dominant entity		350,058		439,570
Net profit due to minority shareholders		-		-

Consolidated balance sheet

<i>In thousands of PLN</i>	31/06/2008	31/12/2007
ASSETS		
Cash and balances with central bank	2,443,861	3,321,503
Financial assets held-for-trading	4,312,394	5,135,708
Debt securities available-for-sale	6,753,584	6,467,638
Equity investments valued at equity method	56,252	58,388
Other equity investments	20,609	21,909
Loans and advances	21,887,666	21,205,373
<i>to financial sector</i>	7,768,005	8,718,832
<i>to non-financial sector</i>	14,119,661	12,486,541
Property and equipment	597,661	612,797
<i>land, buildings and equipment</i>	572,469	587,769
<i>investment property</i>	25,192	25,028
Intangible assets	1,282,934	1,284,078
Deferred income tax assets	361,354	374,468
Other assets	565,056	413,477
Non-current assets held-for-sale	12,645	12,645
Total assets	38,294,016	38,907,984
LIABILITIES		
Financial liabilities held-for-trading	3,825,553	4,373,146
Financial liabilities valued at amortized cost	27,427,288	28,000,003
<i>deposits from</i>	26,086,306	26,896,411
<i>financial sector</i>	5,547,092	7,085,042
<i>non-financial sector</i>	20,539,214	19,811,369
<i>other liabilities</i>	1,340,982	1,103,592
Provisions	50,016	37,548
Income tax liabilities	266	101,889
Other liabilities	1,759,890	792,314
Total liabilities	33,063,013	33,304,900
EQUITY		
Issued capital	522,638	522,638
Share premium	3,029,703	3,028,809
Revaluation reserve	(280,422)	(182,450)
Other reserves	1,619,574	1,454,355
Retained earnings	339,510	779,732
Total equity	5,231,003	5,603,084
Total liabilities and equity	38,294,016	38,907,984

Consolidated statement of changes in equity

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2007	522,638	3,027,470	(81,501)	1,407,081	542,115	-	5,417,803
Valuation of financial assets available-for-sale	-	-	(115,950)	-	-	-	(115,950)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(13,763)	-	-	-	(13,763)
Deferred income tax on valuation of financial assets available-for-sale	-	-	25,676	-	-	-	25,676
Foreign exchange gains and losses	-	-	-	(577)	(258)	-	(835)
Net profit	-	-	-	-	439,570	-	439,570
Dividends to be paid	-	-	-	-	(535,704)	-	(535,704)
Transfer on capital	-	1,339	-	39,867	(41,206)	-	-
Closing balance as at 30 June 2007	522,638	3,028,809	(185,538)	1,446,371	404,517	-	5,216,797

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2008	522,638	3,028,809	(182,450)	1,454,355	779,732	-	5,603,084
Valuation of financial assets available-for-sale	-	-	(91,859)	-	-	-	(91,859)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(29,095)	-	-	-	(29,095)
Deferred income tax on valuation of financial assets available-for-sale	-	-	22,982	-	-	-	22,982
Foreign exchange gains and losses	-	-	-	(2,570)	-	-	(2,570)
Net profit	-	-	-	-	350,058	-	350,058
Dividends paid / to be paid	-	(615)	-	-	(620,982)	-	(621,597)
Transfer on capital	-	1,509	-	167,789	(169,298)	-	-
Closing balance as at 30 June 2008	522,638	3,029,703	(280,422)	1,619,574	339 510	-	5,231,003

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

	Second quarter growing period from 01/01/08 to 30/06/08	Second quarter growing period from 01/01/07 to 30/06/07
Cash at the beginning of reporting period	3,746,323	1,321,162
Cash flows from operating activities	(1,125,989)	816,639
Cash flows from investing activities	(14,687)	(30,480)
Cash flows from financing activities	221,181	112,584
Cash at the end of reporting period	2,826,828	2,219,905
Increase / (decrease) in net cash	(919,495)	898,743

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

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

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

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

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

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

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

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

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		30.06.2008	31.12.2007
<i>Entities fully consolidated</i>			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy - Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxemburg	100.00	100.00
PPH Spomasz Sp. z o.o. (under liquidation)	Warsaw	100.00	100.00
<i>Entities accounted for under the equity method</i>			
Handlowy Inwestycje Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.A.r.l.	Luxembourg	100.00	100.00
Bank Rozwoju Cukrownictwa S.A.	Poznań	100.00	100.00

In the second quarter of 2008 there were no changes in the holding of shares in subordinates.

2. Basis of preparation of the report

The interim consolidated financial statements of the Group for the reporting period ending on 30 June 2008 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

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

The interim consolidated financial statements of the Group for the second quarter 2008 have been prepared in accordance with accounting principles adopted and summarized in the interim consolidated financial statements of the Group for the period ending 31 December 2007.

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2008 to 30 June 2008. Comparable financial data is presented for the period from 1 January 2007 to 30 June 2007 and for the Balance sheet according to situation on 31 December 2007.

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

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

The macroeconomic fundamentals of the Polish economy deteriorated substantially in the course of the second quarter of 2008. Industrial production increased by an average 8.2% YOY, primarily due to dynamic activity of the processing industry while the rate of growth of the mining sector remained weaker (average of 4.8% YOY). At the same time, continued strong demand supported high construction sector growth, which increased by an average 20.2% YOY in the second quarter of the year.

Consumer price index (CPI) in the second quarter of 2008 remained above 4% YOY, reaching in the month of June 4.6 per cent. mark. Inflation continued to climb driven by raising prices of food (average of 7.0%), fuels and such categories as household accommodation and energy carriers (average of 8.0%). CPI exceeded the inflation target of the central bank, which as set at 2.5%, with acceptable deviation range of +/-1%. In June the Monetary Policy Council brought the reference rate up by 25 bps – to 6.0% justifying their decision, among others, by the need to curtail inflation and inflationary expectations.

Increased investor interest in emerging economies in evidence in the second quarter of 2008 contributed to substantial strengthening of Polish zloty; along with other Central European currencies. Euro weakened against zloty from 3.53 at the end of March to 3.35 at the end of June. The substantial appreciation of the local currency was supported by the current and the expected interest rate increases in Poland.

The Warsaw Stock Exchange (WSE) Equity Indices, as at 30 June 2008

Index	30.06.2008	31.03.2008	QOQ Percentage Change	30.06.2007	YOY Percentage Change
WIG	41,146.26	48,011.28	(14.3%)	66,077.69	(37.7%)
WIG-PL	40,550.50	47,529.93	(14.7%)	66,175.48	(38.7%)
WIG20	2,591.09	2,981.07	(13.1%)	3,759.28	(31.1%)
mWIG40	2,649.88	3,363.11	(21.2%)	5,684.46	(53.4%)
sWIG80	11,346.34	14,067.15	(19.3%)	21,381.65	(46.9%)
Sector specific sub-indices					
WIG-Banks	6,009.90	6,630.64	(9.4%)	8,783.89	(31.6%)
WIG-Construction	6,754.71	8,654.27	(21.9%)	11,685.96	(42.2%)
WIG-Developers	2,896.05	3,941.76	(26.5%)	6,463.06	(55.2%)
WIG-IT	1,302.84	1,647.06	(20.9%)	2,291.18	(43.1%)
WIG-Media	3,435.90	4,138.07	(17.0%)	4,349.56	(21.0%)
WIG-Fuel industry	2,320.08	2,858.56	(18.8%)	3,761.01	(38.3%)
WIG-Food industry	2,306.41	2,897.56	(20.4%)	4,703.03	(51.0%)
WIG-Telecommunications	1,206.28	1,234.89	(2.3%)	1,404.89	(14.1%)

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

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

	Q2 2008	Q1 2008	QOQ Percentage Change	Q2 2007	YOY Percentage Change
Shares (PLN m)	69,231	101,192	(31.6%)	122,671	(43.6%)
Bonds (PLN m)	715	1,084	(34.0%)	1,032	(30.7%)
Futures and options contracts ('000 units)	2,626	3,521	(25.4%)	1,870	40.4%

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

The unfavourable sentiment which continued to prevail in the financial markets translated into reduced investor activity. Equity trading volumes in the second quarter of 2008 exceeded PLN 69 billion. Compared to the earlier quarter this represented a decline of near 32%, whereas compared to the second quarter of 2007 equity trading volumes fell by approximately 44%.

Volume of trading in futures and options contracts reached 2,626 million transactions, which represented an over 25% decline over the first quarter of 2008.

Reduced investor interest in the bond market was also observed. Volume of trading in debt securities reached PLN 715 million (minus 34% compared to the first quarter of 2008 and minus 31% YOY).

4. Banking Sector

The Polish banking sector retained high rate of growth, in spite of turbulences in the global financial markets. Net financial result of the banking sector after the second quarter of 2008 reached a high level of PLN 4.6 billion, which was a 30% increase over that of the second quarter of 2007. Revenue of the banking sector increased by 23% YOY as total costs rose by 15% YOY, thus improving the cost to income ratio from 54% in the second quarter of 2007 to 52% in the second quarter of 2008. Significant revenue growth

contributors included improved interest income (27% YOY) and gains on shares and equities (96% YOY).

The consistent growth in banking sector earnings has been driven by strong asset growth, by 21% YOY. Volume of corporate loans grew by 24% YOY and 6% QOQ, whereas value of corporate deposits grew at a lower rate, both in YOY and QOQ terms (6% and 3% respectively), which testifies of continuing demand for development capital. The portfolio of retail loans also grew (by 38% YOY and 7% QOQ), with mortgage lending growing by 42% YOY and 6% QOQ respectively. In retail deposits the banking sector registered substantial growth of 23% YOY and 3% QOQ, which was driven by continuing uncertainty prevailing in the global financial markets, sharp stock market declines and the resultant deteriorating yields achieved by investment funds. These conditions induced many customers to amortise their investment units in search for safer forms of capital investment, such as bank deposits, which have been bearing higher interest, because of growing interest rates and intense competition in the banking sector. Total of PLN 5.2 billion in net terms was withdrawn from investment funds in the second quarter of 2008, while the total volume of bank deposits grew by PLN 7.8 billion.

5. Financial analysis of the Group's Results

■ Balance sheet

As at the end of the second quarter of 2008 total assets amounted to PLN 38.3 billion as compared with PLN 38.9 billion as at the end of 2007 and decreased by PLN 0.6 billion (or 1.5%). The decline was caused by a lower balance in the current account with the National Bank of Poland as at 30 June 2008 than it was on 31 December 2007 (down by PLN 0.9 billion, or 26%). The change in the balance is a result of the current management of the regulatory provision at the NBP account while keeping an average monthly balance at the declared level. The decline was also caused by decrease in financial assets held for trading (down by PLN 0.8 billion, or 16%).

On the other hand, an increase was recorded in loans and advances to non-financial sector, which amounted to PLN 14.1 billion as at the end of Q2, 2008 (up by PLN 1.6 billion or 13%).

Loans and advances to non-financial sector, net

PLN m	30.06.2008	31.12.2007	Change	
			PLN m	%
<i>Corporate banking clients</i>	8,940	7,767	1,173	15.1%
<i>Retail banking customers, including:</i>	5,179	4,719	460	9.8%
<i>Credit cards</i>	2,025	1,830	195	10.7%
<i>Cash loans to customers</i>	2,709	2,432	277	11.4%
Total	14,120	12,486	1,634	13.1%

The main driver of the growth in this group of assets was the rise in corporate loans by PLN 1.2 billion (or 15%). In consumer lending the growth was recorded primarily in cash loans to individual customers and in overdrafts on credit cards.

Loans and advances to non-financial sector, gross

PLN m	30.06.2008	31.12.2007	Change	
			PLN m	%
<i>Not at risk of impairment</i>	13,849	12,217	1,632	13%
<i>At risk of impairment</i>	1,644	1,635	9	1%
Total	15,493	13,852	1,641	12%
Impairment	1,374	1,366	8	1%
Loans and advances to non-financial sector, net	14,120	12,486	1,634	13%
Provision coverage ratio	84%	84%		

On liabilities side, the biggest change (up by PLN 1 billion, or 122%) was recorded in other liabilities, due primarily to booking of the dividend amount from 2007 profit, as well as growth in interbank settlements.

At the same time, there was a decrease in financial liabilities valued at amortized cost. Moreover there was significant decrease in deposits from banks, down by PLN 1.6 billion (or 43%), above all in the group of term deposits. Simultaneously deposits from non- financial sector rose by PLN 0.7 billion (or 4%), out of which current accounts of retail banking customers only grew by PLN 0.6 billion.

Deposits of non-financial sector

PLN m	30.06.2008	31.12.2007	Change	
			PLN m	%
Current accounts:	8,661	8,050	611	8%
<i>Corporate banking clients</i>	3,999	4,029	(30)	(1%)
<i>Retail banking customers</i>	4,662	4,021	641	16%
Deposits:	11,863	11,748	115	1%
<i>Corporate banking clients</i>	9,536	9,506	30	0%
<i>Retail banking customers</i>	2,327	2,242	85	4%
Accrued interest	15	13	2	16%
Total	20,539	19,811	728	4%

Income statement

In the second quarter of 2008 the Group reported consolidated net income of PLN 170 million, down by PLN 72 million (or 30%) compared to the second quarter of 2007. At the same time, Group revenue decreased by PLN 55 million (or 8%) to PLN 610 million. The major impact on lower revenue and thus on consolidated net income (compared to the second quarter of 2007) had a decrease in treasury income (down by PLN 44 million or 32%). Moreover, in the second quarter of 2008 there was recorded negative amount of PLN 16 million of net impairment losses, while in the second quarter of 2007 the amount of net impairment losses had a positive impact on Group's result (up by PLN 25 million), all together, in a year over year perspective, this position contributed to the lowering of the quarterly income before tax by another PLN 41 million.

Both, in the second quarter of 2008 and the second quarter of 2007 there were several significant one-off transactions, that had an impact on the Group's results.

In second quarter of 2008 the additional operating income of PLN 11 million was booked due to favourable for the Bank court decision and finalizing of legal proceedings, whereas in the second quarter of 2007 a number of significant one-off transactions were reported:

- PLN 34 million gain on sale of minority shares of NFI Empik Media & Fashion by Handlowy Investments S.A., subordinate entity of the Bank,
- PLN 4 million profit on sale of MasterCard shares,
- provisioning of PLN 10 million due to penalty imposed by Office of Competition and Consumer Protection regarding the proceeding on "interchange" fees in the banking sector.

Excluding the one-offs, the income before tax reported by the Group in the second quarter of 2008 and compared to the numbers of the second quarter of 2007 decreased by as much as PLN 70 million, or 26%, while the net income accounted for PLN 161 million, and decreased by PLN 59 million (27%) as compared to the corresponding period of the previous year.

In the first half of 2008 and compared to the first half of 2007, both net income and income before tax, decreased by 20%, and accounted correspondingly for PLN 350 million and PLN 441 million. Additionally to the one-off transactions, that were reported in the second quarters of 2008 and 2007, in first quarter of 2008 a provision for employment restructuring was developed and negatively impacted Group's results (down by PLN 30 million), whereas in the first quarter of 2007 the transaction of selling minority shares of

Stalexport S.A. was performed bringing an additional income of PLN 6.7 million.

Excluding the material one-off transactions' impact the Group's net result reported in the first half of 2008 accounted for PLN 365 million and was by PLN 47 million (or 11%) lower than in the corresponding period of 2007.

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

- The net interest income amounting to PLN 325 million in comparison with PLN 293 million recorded in the second quarter of 2007 (up by PLN 31 million i.e. 11%), resulting mainly from the rise in interest income from credit cards, consumer and corporate loans, as well as higher income from regulatory provision at the NBP account, partly offset by the increase in cost of finance deposits of non-financial sector, which was related to the growing portfolio of saving accounts, and non-bank financial institutions:

<i>PLN '000</i>	01.04- 30.06.2008	01.04 - 30.06.2007	Change	
			PLN m	%
<i>Interest and similar income from:</i>				
Central Bank	12,157	7,983	4,174	52.3%
Placements in banks	82,858	83,123	(265)	(0.3%)
Loans and advances, of which:	355,381	269,116	88,925	33.0%
<i>Financial sector</i>	4,592	4,370	222	5.1%
<i>Non-financial sector, including:</i>	350,789	264,746	86,043	32.5%
<i>on credit cards</i>	86,766	60,482	26,284	43.5%
Debt securities available-for-sale	82,994	106,240	(23,246)	(21.9%)
Debt securities held-for-trading	18,394	15,572	2,822	18.1%
Total	551,784	482,034	72,410	15.0%
<i>Interest expense and similar charges on:</i>				
Operations with the Central Bank	-	(12)	12	-
Deposits from banks	(11,635)	(36,129)	24,494	(67.8%)
Deposits from financial sector (excl. banks)	(29,867)	(18,161)	(11,706)	64.5%
Deposits from non-financial sector	(175,408)	(127,635)	(47,773)	37.4%
Loans and advances received	(10,323)	(6,869)	(3,454)	50.3%
Total	(227,233)	(188,806)	(38,427)	20.4%
Net interest income	324,551	293,228	31,323	10.7%

- The net fee and commission income amounting to PLN 164 million in comparison with PLN 185 million reported in the second quarter of 2007 (down by PLN 22 million, or 12%), caused primarily by a decrease in fee and commission income from insurance and investment products in retail banking, as well as from brokerage operations and custody services;

Fee and commission income

<i>PLN '000</i>	01.04 - 30.06.2008	01.04 - 30.06.2007	Change <i>PLN '000</i>	%
<i>Fee and commission income</i>				
Insurance and investment products	63,652	72,832	(9,180)	(12.6%)
Payment and credit cards	42,644	48,287	(5,643)	(11.7%)
Transaction services	32,961	33,447	(486)	(1.5%)
Custody services	19,578	25,134	(5,556)	(22.1%)
Brokerage operations	13,003	20,733	(7,730)	(37.3%)
Other	18,661	18,807	(146)	(0.8%)
Total	190,499	219,240	(28,741)	(13.1%)
<i>Fee and commission expense</i>				
Payment and credit cards	(14,956)	(18,197)	3,241	(17.8%)
Brokerage operations	(7,026)	(8,722)	1,696	(19.4%)
Other	(4,916)	(7,102)	2,186	(30.8%)
Total	(26,898)	(34,021)	7,123	(20.9%)
<i>Net fee and commission income</i>				
Insurance and investment products	63,652	72,832	(9,180)	(12.6%)
Payment and credit cards	27,688	30,090	(2,402)	(8.0%)
Transaction services	32,961	33,447	(486)	(1.5%)
Custody services	19,578	25,134	(5,556)	(22.1%)
Brokerage operations	5,977	12,011	(6,034)	(50.2%)
Other	13,745	11,705	2,040	17.4%
Total	163 601	185,219	(21,618)	(11.7%)

- Net income on financial instruments and revaluation amounting to PLN 90 million as compared to PLN 137 million in the second quarter of 2007 (down by PLN 47 million, or 33%), partly offset by the growth of income in the area of investment debt securities (by PLN 3 million). Lower result on financial instruments available for sale and revaluation was caused by higher volatility on debt securities markets and global aversion to risk;
- Net other operating income of PLN 24 million in comparison with PLN 12 million in the second quarter of 2007. Higher result in the Corporate Banking Sector reported in the second quarter of 2008 results from more than in 2007 significant releases of provisions for disputable issues on one hand (among others there was an additional operating income of PLN 11 million due to favorable for the Bank court verdict and termination of one of the court proceedings), and on the other hand, lower other operating expenses;
- In comparison to the second quarter of 2007, in the second quarter of 2008 the Group reported slight decrease in general administrative expenses and overheads together with depreciation expenses (by 0.1%), which amounted to PLN 382 million. Although staff expenses grew by PLN 3 million (or 1.7%), this growth was fully compensated by the decline in depreciation expenses (by PLN 2.8 million, or 10.5%) and administrative expenses (by PLN 0.7 million or 0.4%). Similarly to the past quarters the trends regarding expenses were maintained in both banking sectors. Corporate Banking Sector reported a decline in expenses as compared to the second quarter of 2007 (down by PLN 13 million, or 7%), while Consumer Bank expenses increased by PLN 12 million (or 6%);

General administrative expenses and depreciation expense

<i>PLN '000</i>	01.04. - 30.06.2008	01.04. - 30.06.2007	Change <i>PLN '000</i>	%
Staff expenses	182,629	179,551	3,078	1.7%
Remuneration costs	143,417	136,551	6,866	5.0%
Perks and rewards	39,212	43,000	(3,788)	(8.8%)
Administrative expenses	174,816	175,524	(708)	(0.4%)
Telecommunication fees and hardware purchases	37,026	45,754	(8,728)	(19.1%)
Advisory, audit, consulting and other services	29,213	35,038	(5,825)	(16.6%)
Building maintenance and rent	27,678	26,001	1,677	6.4%
Marketing	19,885	15,431	4,454	28.9%
Transaction costs	15,599	17,152	(1,553)	(9.1%)
Postal services	8,351	7,442	909	12.2%
Training and education	3,390	2,997	393	13.1%
Other expenses	33,674	25,709	7,965	31.0%
Depreciation/amortization of tangible and intangible assets	24,291	27,128	(2,837)	(10.5%)
Total	381,736	382,203	(467)	(0.1%)

- Net impairment losses of PLN 16 million compared to the net recovery of PLN 25 million in the second quarter of 2007, which is an effect of lower repayments of loans at risk of impairment in the Corporate Banking Sector on the one hand, and on the other of higher provisions in the Consumer Banking Sector, due to an increase in IBNR provision, resulting from the loan portfolio growth and growing share of irregular loans, but also standardization of the impairment prerequisites for portfolios of a similar risk characteristic in the Consumer Banking Sector.

- Ratios

In the second quarter basic financial ratios present as follows:

Financial ratios	Q2 2008	Q2 2007
ROE */	14.9%	15.7%
ROE **/	1.9%	2.0%
ROA	62.5%	57.4%
Cost / Income	63.7%	59.9%
Cost / Income (excluding one-off transactions) ***/	69%	63%
Loans to non-financial sector / Deposits from non-financial sector	36%	32%
Loans to non-financial sector/ Total assets	53%	44%
Net interest income / Revenue	27%	28%

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

**/ one-off transactions:

second quarter 2008: PLN 11 million booked to operating income at court ruling favorable to the Bank ending a dispute.

second quarter 2007:

- PLN 34 million income on sale of shares in NFI Empik Media&Fashion by Handlowy Investments S.A.

- PLN 4 million income on sale of shares in MasterCard

- PLN 10 million provision for a penalty imposed by the Office of Competition and Consumer Protection on 'interchange' fees

***/ Comparable balance sheet data as at 31 December 2007

Group employment

<i>In full time job equivalents (FTJE)</i>	H1 2008	H1 2007	Zmiana	
			FTJEs	%
Average employment in the quarter	5,709	5,661	48	1
Average employment in the term	5,772	5,644	128	2
Average employment at the term end	5,616	5,657	(41)	(1)

As at 30 June 2008, capital adequacy ratio of the Group stood at 11.63%, down by 1.23 percentage points compared with the end of 2007, which was primarily caused by the increase in the capital requirement to cover operational risk as well as the increase in capital requirements to cover credit risk and counterparty risk

Capital adequacy ratio

<i>PLN '000</i>	30.06.2008	31.12.2007
Own funds for the calculation of capital adequacy ratio	3,541,588	3,434,911
Risk-weighted assets and off-balance sheet liabilities (bank portfolio)	20,523,738	17,444,865
Total capital requirements, of which:	2,436,237	2,137,404
- credit risk capital requirements	1,641,899	1,395,589
- counterparty risk capital requirements	178,605	123,926
- excess concentration and large exposures risks capital requirements	101,397	356,051
- total market risk capital requirements	155,040	253,531
- operational risk capital requirements	347,112	-
- other capital requirements	12,184	8,307
Capital adequacy ratio	11.63%	12.86%

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

6. Segmental reporting

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

- *Corporate Bank*

Within the Corporate Bank segment the Group offers products and renders services to business entities, self-government units and the public sector. Apart from traditional banking services covering lending and deposit activities, the segment provides services in the areas of cash management, trade financing, leases, brokerage and custody services in respect of securities and offers treasury products on financial and commodity markets. In addition, the segment offers a wide range of investment banking services on the local

and international capital markets, including advisory services and obtaining and underwriting financing via public and non-public issue of financial instruments. The activities also comprise proprietary transactions in the capital, debt and derivative instruments market. The products and services are available through distribution channels tailored to client needs, both through the branch network, direct contact with customers and modern and effective remote channels such as telephone and electronic banking.

- Consumer Bank

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

The valuation of segment assets and liabilities, income and segment results is based on the Group's accounting policies.

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

Consolidated income statement by business segment

For the period	01.01 – 30.06.2008			01.01 – 30.06.2007		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>w tys. zł</i>						
Net interest income	267,271	379,414	646,685	259,102	323,741	582,843
Net fee and commission income	134,575	194,960	329,535	155,175	208,485	363,660
Dividend income	2,469	2,247	4,716	784	17	801
Net income on traded financial instruments and revaluation	197,581	17,562	215,143	225,602	16,423	242,025
Net gain on investment (deposit) securities	29,095	-	29,095	10,740	-	10,740
Net gain on investment (capital) instruments	(168)	-	(168)	40,204	3,789	43,993
Net other operating income	42,427	(713)	41,714	33,332	(7,570)	25,762
General administrative expenses	(331,013)	(411,499)	(742,512)	(327,292)	(373,989)	(701,281)
Depreciation expense	(34,119)	(15,712)	(49,831)	(39,348)	(16,137)	(55,485)
Profit / (loss) on sale of tangible fixed assets	1,223	224	1,447	(616)	26	(590)
Net impairment losses	8,887	(45,021)	(36,134)	52,169	(6,506)	45,663
Operating income	318,228	121,462	439,690	409,852	148,279	558,131
Share in profits (losses) of undertakings accounted for under the equity method	1,525	-	1,525	(8,514)	-	(8,514)
Profit before tax	319,753	121,462	441,215	401,338	148,279	549,617
Income tax expense			(91,157)			(110,047)
Net profit			350,058			439,570

As at:	30.06.2008		31.12.2007			
Assets, including	32,871,460	5,422,556	38,294,016	34,030,227	4,877,757	38,907,984
<i>Non-current assets held-for-sale</i>	12,645	-	12,645	12,645	-	12,645
Liabilities	29,963,049	8,330,967	38,294,016	31,464,198	7,443,786	38,907,984

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

1. Corporate Bank

- *Summary results*

PLN '000	Q2. 2008	Q2 2007	Change	
			PLN '000	%
Net interest income	127,793	129,552	(1,759)	(1%)
Net fee and commission income	64,301	78,192	(13,891)	(18%)
Dividend income	2,469	784	1,685	215%
Net income on traded financial instruments and revaluation	80,760	128,022	(47,262)	(37%)
Net gain on debt investment securities	3,132	307	2,825	920%
Net gain on equity investment instruments	-	33,539	(33,539)	(100%)
Net other operating income	25,290	21,373	3,917	18%
Total income	303,745	391,769	(88,024)	(22%)
General administrative expenses and depreciation	(173,809)	(186,713)	12,904	(7%)
Profit / (loss) on sale of tangible fixed assets	600	249	351	141%
Net impairment losses	8,501	27,572	(19,071)	(69%)
Share in profits / (losses) of undertakings accounted for under the equity method	460	(8,993)	9,453	(105%)
Profit before tax	139,497	223,884	(84,387)	(38%)
Cost / Income	57%	48%		

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

- Decrease in net interest income resulting mainly from decrease in traded financial instruments (down by PLN 2.2 million, or 24%), despite the rise in interest income from loans due to loan portfolio growth as well as higher income from placements in banks,
- Decrease in net fee and commission income caused by lower incomes on custody and brokerage services
- Decrease of treasury result, primarily due to the lower result on own Bank positions, in spite of higher result on investment debt securities.
- Decrease in general administrative expenses, overheads and depreciation expense primarily due to lower staff costs, as well as lower technological, outsourcing and staff business-linked expenditures
- Net recoveries in the position of net impairment losses, lower than in the previous year, which is a result of lower actual repayments of corporate loans at risk of impairment.

a) Transaction Servicing

- Payments and Receivables

Speedcollect

In the second quarter of 2008 Speedcollect was expanded to include a new functionality. Previously the product supported only domestic mass payments. Starting with this quarter the Bank is able to settle mass payments in currencies. This applies to both overseas payments and internal domestic settlements in foreign currencies.

Direct Debit

In the second quarter of 2008 the Bank registered slight increase in the volume of direct debit served transactions. The Bank's market share stands at 40%. As a member of the Coalition for Direct Debit the Bank cooperates actively with other market participants for the purpose of developing that product further. The Coalition's most recent initiative involves replacement of the paper-based approvals exchanged between banks with electronic approval messages. The joint project aims at development of an electronic approvals exchange platform. It is expected that the system acceptance testing will be conducted in the third quarter of 2008.

Domestic Bank Transfers

In the second quarter of 2008 the Bank registered near 8% growth in the number of serviced domestic bank transfer payments compared to the first quarter of 2008 and over 9% growth compared to the equivalent period a year earlier.

Foreign Bank Transfers

Bank Handlowy w Warszawie S.A. joined the Target2 clearing system. The Target2 platform supports settlement of high value euro transactions in real time within the European Union. As a result of implementation of Target2 the Bank's clients are able to execute transactions in euro in a way that is more reliable and secure. Previously the payment transfer process between respective EU countries required involvement of various clearing systems, whereas after implementation of Target2 a single common platform came into operation.

The Bank continues to expand its transfer payments offer. As it takes advantage of the possibilities provided by collaboration within the global structures of Citigroup, the Bank is able to offer its clients settlements in such exotic currencies as the Korean won, the Indian rupee or the Mexican peso. At the client's request the Bank can provide any of over 80 currencies available in its offer. In the second quarter of 2008 the Bank's offer was expanded to include the possibility of settling payments in the Chinese yuan. This may prove to be the Bank's strength as it allows it to acquire new clients involved in trade with the dynamically developing Chinese economy.

Electronic Postal Cash Transfer

In the second quarter of 2008 the Bank once again registered growth in the number of executed Electronic Postal Cash Transfers. In that time the number of Electronic Postal Cash Transfers was over 11% higher than a year earlier. Value of executed Electronic Postal Cash Transfers also increased by over 23% YOY.

- Liquidity and Cash Management Products

Liquidity Management

The Bank is a leading institution on the Polish banking market in the field of corporate liquidity management. Many local and international capital groups committed management of their cash pooling structures with the Bank. Another phase of building experience in this field was to commission structures of

actual cash pooling for first clients. The solution is based on the subrogation mechanism, regulated by the Polish Civil Code and involves actual zero netting of balances on accounts of respective group participants. As a result of implementation of the actual cash pooling structures at the end of each working day the negative balances of the structure participants are replenished to zero, whereas surpluses on the accounts of the remaining participants are booked to the designated single account. The benefit accruing from implementation of the new solution is actual balancing of accounts on accounts of the group participants. The advantage of actual over virtual cash pooling is the actual consolidation of funds within the entire capital group on a single bank account. This facilitates more effective management of financial flows and centralisation of financial management within the entire capital group.

Reserved Account

In the second quarter of 2008 the Bank continued activities of promoting the reserved account. The leading dailies with national circulation ran publications aimed at popularising the product. The reserved account can serve as a risk curtailing instrument in trade transactions. Structure of the reserved account involves commitment to the Bank of the role of a guardian of the interests of respective transaction parties. The reserved account agreement concluded between the supplier, the buyer and the Bank constitutes the basis for settlement of a transaction on terms and conditions established between the parties, with the Bank performing the role of the agreement executor. The solution is particularly useful whenever funds applied to execution of a specific transaction need to remain under strict control and be used in compliance with the purposes the transaction parties agree.

MicroPayments

In the second quarter of 2008 the Bank continued promoting the MicroPayments product (*Mikrowpłaty*), which it added to its offer in early 2007. MicroPayments allow courts and prosecution administrations to calculate and charge court deposit and bail interest at individual case level. Intensified sales activity enabled the Bank to substantially expand the customer base: to sign 15 new agreements. As a result, at the end of June 2008 the Bank provided MicroPayments to 47 entities, which represents growth of 47% compared to the first quarter of 2008.

- Electronic Banking

At the end of the second quarter of 2008 the number of corporate clients with access to the CitiDirect internet banking system increased by nearly 17% compared to the end of the second quarter of 2007 and presently exceeds 8,000.

In the second quarter of 2008 the system processed nearly 6 million transactions. In the equivalent period of 2007 that number stood at 5.4 million transactions, which represents growth of nearly 11%.

The share of electronically delivered bank statements remained high and stood at 86%.

- Card Products

In the second quarter of 2008 the Bank continued strengthening its position of leadership on the prepaid payment cards market. Its market share stands at 71%. Prepaid cards are frequently used under loyalty and promotional programs. The Bank's prepaid cards are also used as instruments for distribution of social benefits. As at the end of June 2008 total number of prepaid payment cards issued by the Bank exceeded 395,000.

As at the end of the second quarter of 2008 the number of issued business cards reached 17,600, which represents growth of 13% compared to equivalent period of a year earlier. The Bank has made efforts in order to support the high rate of growth.

- Trade Finance Products

In the second quarter of 2008 the Bank continued actions aimed at intensifying sales, improving efficiency and reducing loan loss risk.

The Bank redesigned the operational model for servicing trade finance products. The expected savings will be a factor improving the product profitability. An initiative was undertaken with the aim of better utilising the global resources of Citi in this respect. The highly developed Citi network is going to be used as a platform for expansion of trade finance services, particularly for increasing the number of the letters of credit (L/Cs) notified via the Citi network.

The most noteworthy trade finance transactions and achievements of the second quarter of 2008 included:

- launch of a no recourse trade receivables discounting programme for a telecommunication services leader;
- intensification of Supplier Financing Programs, resulting in closing of 38 true factoring agreements;
- confirmation of an L/C for a global telecommunications and IT leader;
- underwriting a securities issue for a multinational machinery engineering manufacturer; and
- issuance of a series of L/Cs for leading companies and institutions, particularly representatives of steel, crude and cosmetics trading sectors.

- EU Office

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

In the context of that campaign, representatives of the Bank participated in a series of regional conferences devoted to the issues of improving efficiency of the work of local government administration and to effective methods of delivery of social and unemployment benefits. The seminars brought together representatives of Second Tier Local Government Labour Offices and Municipal Social Assistance Centres.

In its Krakow and Kielce branches the Bank held EU Advisory Open Days. These were aimed at disseminating information on the ways and means of fundraising for own investment projects, including adsorption of EU funds. The campaign was addressed to small and medium enterprise sector firms, with tens of regionally based firms participating.

The EU Office also organised participation of the Bank's representatives in the expert days held at the Warsaw School of Economics. The expert days events focused on the opportunities for appropriation of the EU funds earmarked for business start-ups, operation and development.

As EU funds for enterprises became available, the Bank commenced a relevant advisory and information campaign among its clients. This resulted in closing of a new series of advisory agreements by the end of the second quarter of 2008.

b) Capital Markets and the Corporate and Investment Bank

- *Treasury*

In the field of FX market transactions the second quarter of 2008 was characterised by raise in the number of active clients by approximately 7% compared to equivalent quarter of 2007 accompanied by revenue growth of over 16%. This confirms continuation of the growth trend in the field of FX transactions executed with non-banking sector clients.

The interest of clients in the Bank's internet platform dedicated to execution of FX transactions also continued growing in the second quarter of 2008. The clients' appreciation for the opportunity of closing this type of transactions in a quick and comfortable way, at attractive prices and on an extensive range of products continues to increase. This fact finds its confirmation in the approximately 65% raise in the number of clients, which took place in quarter in YOY terms. Volume of transactions closed via the platform rose by

116% compared to equivalent period a year earlier. The Bank has continued the strategy of developing this internet platform as it has proven to be an excellent tool for acquisition of new clients and a good fit with the Bank's extensive product offer.

The FX market futures and options transactions continue to meet with unabating interest. Clients ever more frequently take advantage of that product for the purpose of hedging their FX risk exposures. Growth in trading volumes and stability of revenue generation attest to that: in the second quarter of 2008 this product registered volume growth of above 30% YOY.

In the second quarter of 2008 the Bank also registered stable demand for the derivatives market transactions, with volume rising by 3% YOY.

- *Corporate and Investment Bank*

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

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

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

The noteworthy transactions of the second quarter of 2008 included issuance of a 5-year bond for TVN S.A. with total nominal value of PLN 500 million, with June 2013 redemption date. The issue constitutes the first tranche of a Bond Issue Program of PLN 1 billion. Its purposes include early partial or full repayment of a 10-year Eurobond issued in 2003 and financing of general corporate goals, in that acquisition of a 25% interest in the "n" digital television platform. The Bank acted as the transaction Co-arranger.

The Bank continues to maintain its position of leadership in innovation on the increasingly competitive Polish financial market as it continues to develop its product offer in all of the key areas of banking.

- *Commercial Bank*

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

In the second quarter of 2008 the Bank serviced accounts of approximately 7,800 clients, as compared to approximately 25,000 entities operating in the entire Polish market that meet the abovementioned criterion.

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

Within the SME segment the Bank serves clients with annual sales of PLN 8 million to PLN 75 million, within the MME segment those with annual sales of PLN 75 million to PLN 1 billion whilst within the Global Clients segment it provides services to clients with global relations with the Citigroup (typically daughter companies of multinational corporations).

This organisational structure allows the Bank to provide companies of respective client segments with more individualised service and to achieve a better fit between its offering and the clients' broad product needs. The Bank has a network of 18 dedicated corporate centres located in the country's main commercial centres.

Additionally, substantial part of its retail network is equipped to serve corporate clients. In total, clients of that segment are served by 120 branches throughout Poland.

With the client acquisition approach revised in 2007 and as a result of efficient execution of a number of acquisition campaigns, such as Online Trading or Supplier Financing Programs addressed to preselected groups of potential clients, the Bank was able to acquire in the second quarter of the year 344 new clients (59% of that number directly through the abovementioned marketing campaigns).

Number of acquired Clients */

	Q2 2008	Q2 2007	Change	
			Amount	%
Number of clients/companies acquired in a given period	344	362	(18)	(5%)
% of clients actively cooperating with the Bank	53.8%	44.2%	9.6%	21.7%

*/ excluding Global Clients

Compared to the end of the second quarter of 2007, the Commercial Bank registered 11.2% raise in assets, with the SME segment expanding by 13.4%, the MME segment by nearly 25% and the Public Sector by as much as 41.8%. Compared to asset balances as at the end of 2007, the highest growth in the second quarter of 2008 occurred in the Global Clients segment (nearly 20%) and the MME segment (9.2%).

Total assets

PLN m	30.06.2008	31.12.2007	Change		30.06.2007	Change	
			30.06.2008/ 31.12.2007			30.06.2008/ 30.06.2007	
			Amount	%		Amount	%
Total Commercial Bank	7,400	6,406	994	15.5%	6,653	747	11.2%
Including:							
SMEs	897	884	13	1.5%	791	106	13.4%
MMEs	1,846	1,691	155	9.2%	1,478	368	24.9%
Public Sector	78	80	(2)	(2.5%)	55	23	41.8%
Global Clients	3,755	3,131	624	19.9%	3,689	66	1.8%

Compared to the end of the second quarter of 2007, the Commercial Bank registered small decline of 2.1% in deposits, this in spite of dynamic raise of nearly 85% in the current and term deposit accounts of the Public Sector, primarily a result of the new transaction banking offer (MicroPayments).

Total liabilities

PLN m	30.06.2008	31.12.2007	Change		30.06.2007	Change	
			30.06.2008/ 31.12.2007			30.06.2008/ 30.06.2007	
			Amount	%		Amount	%
Total Commercial Bank	13,540	14,103	(563)	(4.0%)	13,827	(287)	(2.1%)
Including:							
SMEs	1,786	1,868	(82)	(4.4%)	1,772	14	0.8%
MMEs	1,330	1,558	(228)	(14.6%)	1,420	(90)	(6.3%)
Public Sector	1,584	835	749	89.7%	857	727	84.8%
Global Clients	8,809	9,822	(1 013)	10.3%	9,747	(938)	(9.6%)

With the unique distribution channel the FX transacting platform represents in market terms (referred to as OLT), the Commercial Bank in the second quarter of 2008 registered 17% YOY growth in value of FX transactions executed by the SME segment clients and 191% growth in value of such transactions executed by the Public Sector entities.

Key initiatives of the second quarter of 2008

The Bank launched another supplier finance program for Poland's leading hypermarket chain and acquired 6 new clients in the process.

In the MME segment the Bank entered into a number of significant fund management agreements, as a result of which the number of MMEs cooperating with the Bank in an active way increased by 15.

In the second quarter of 2008 a series of initiatives focusing on the corporate customer service model with the aim of maximising the corporate service platform efficiency and general operational efficiency entered their final implementation phase. The project involved, among others, launch of an integrated service platform for micro-enterprises and firms with turnover of up to PLN 75 million, which would enable comprehensive and dynamic cooperation with the SME segment.

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

In the second quarter of 2008 DMBH acted as an intermediary in 13.3% of secondary equities trading transactions compared to 7.9% in the equivalent period of 2007, which gives DMBH the position of leadership among the securities brokerage houses active in the Polish market. Value of equities trade generated via DMBH on the Warsaw Stock Exchange (WSE) reached PLN 9,180 million compared to PLN 9,948 the second quarter of 2007 while trading over the entire WSE market amounted to PLN 69,231.7 million, which was a decline of 44.9% compared to equivalent period a year earlier, when trading reached PLN 125,573.7 million.

The number of investment accounts maintained by DMBH as at the end of the second quarter of 2008 stood at 9,970.

The number of companies for which DMBH performs the role of the market maker places DMBH in the lead of the securities brokerage firms performing that function on WSE. The increased activity of DMBH as market maker in early 2008 gave it the second position in the ranking of the brokerage firms providing that service.

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

As at the end of June 2008 net value of leasing receivables reached PLN 1.2 billion, which represents slight growth compared to the value as at the end of March 2008. In YOY terms net leasing receivables grew by 44%.

Value of leasing agreements effected in the course of the second quarter of 2008 reached PLN 163.9 million, which was a 25% decline compared to equivalent period of a year earlier. The observed decline in total assets in leasing resulted in a significant way from: substantial weakening of demand for heavy transport vehicles, clients choosing to postpone their investment decisions, primarily because of plans of drawing on European Union funds, and lower sales to banking clients.

The structure of assets in leasing in the second quarter of 2008 was as follows:

- portfolio continues to be dominated by transport vehicles, primarily heavy vehicles, which currently constitute 64% of total financed movables, of which personal cars represent 16% (PLN 17 million in the second quarter of 2008);
- machinery and equipment, which represent 36% of total fixed assets in leasing.

Leased assets value

PLN m	Q2 2008	Q2 2007	Change	
			PLN m	%
Value of leases contracted in the period	163.9	205.1	(41.2)	(20.1%)
- Vehicles	104.1	124.5	(20.4)	(16.4%)
- Machinery and equipment	59.8	80.6	(20.8)	(25.8%)

In an effort to diversify its portfolio in terms of its risk profile and transaction structure, the Company focused more actively on construction machinery and machine tools (metal, wood and plastic machining). Among others, it participated in such trade fairs as Plastpol, Machtool, Budma, Budmasz, Autostrada and events organised by equipment suppliers.

In the near term, the Company intends to concentrate its activities in the following areas:

- stimulation and development of cross-selling with the Bank;
- further growth of transactions in the private cars sector;
- active collaboration with equipment suppliers, including development of joint offers and promotions; and
- increasing the number of transactions in the construction machinery and machine tools segments.

2. Consumer Bank

- *Summary results*

PLN '000	Q2 2008	Q2 2007	Change	
			PLN '000	%
Net interest income	196,758	163,676	33,082	20%
Net fee and commission income	99,300	107,027	(7,727)	(7%)
Dividend income	2,247	8	2,239	-
Net income on traded financial instruments and revaluation	9,252	8,885	367	4%
Net gain on debt investment securities	-	-	-	-
Net gain on equity investment instruments	-	3,789	(3,789)	(100%)
Net other operating income	(803)	(9,668)	8,865	(92%)
Total income	306,754	273,717	33,037	12%
General administrative expenses and depreciation	(207,927)	(195,490)	(12,437)	6%
Profit / (loss) on sale of tangible fixed assets	153	9	144	Nm
Net impairment losses	(24,404)	(2,091)	(22,313)	Nm
Share in profits / (losses) of undertakings accounted for under the equity method	-	-	-	-
Profit before tax	74,576	76,145	(1,569)	(2%)
Cost / Income	68%	71%		

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

- Net interest income, which continued growth as compared to the corresponding period of 2007 resulting mainly from volume growth in credit cards and cash loans portfolios,
- Net fee and commission income declined as compared to the second quarter of 2007 due to a decrease in sales of insurance and investment products as a result of an unfavourable situation in financial markets,
- Higher expenses caused by an increase in remuneration costs as well as increase in marketing expenses. Growth was partly compensated by savings in other expense categories
- Increase in net impairment losses, to much extent caused by IBNR provision increase, which resulted from the growth in consumer products portfolio as well as from increasing share of irregular loans in the portfolio.

a) Credit Cards

In the second quarter of 2008 the Bank acquired 74,000 new credit cards, 42% more than in the equivalent

period a year earlier and 9% more than in the preceding quarter. Total number of credit cards issued by the Bank at the end of June 2008 stood at 928,000, which is a 27% increase compared to the end of June 2007 and 7% QOQ. The Bank once more retained its position of leadership in terms of card transaction value and customer debt balance while the Citibank Credit Cards remained the most frequently used cards in the market.

The second quarter of 2008 was another period of dynamic growth of the portfolio of co-branded cards. In it the Bank acquired close to 31,000 Citibank-BP Credit Cards, thus increasing the portfolio of these cards to over 215,000. As a result the BP card remains the strongest co-branded card on the market. Sales of Citibank-Plus Credit Cards, which were brought to the market last year, also grew at a dynamic rate. In one year, i.e. from the time of their launch, the portfolio of Citibank-Plus Credit Cards reached over 72,000 while in the second quarter of 2008 alone the Bank issued 21,000 of these cards. Its products allowed the Bank to strengthen its position of leadership in the Polish co-branded cards market.

In the second quarter of 2008 the Bank continued expanding its network of Citibank Credit Cards Discount Program partners. At present, it includes over 3,000 vendor establishments throughout Poland, in which all holders of Citibank Credit Cards can receive discounts of up to 50% on purchases made with their cards.

With the view of increasing customer service efficiency, the Bank implemented in the course of the second quarter of 2008 a new process: courier delivery of completed credit card applications.

b) Other Consumer Bank Products

- *Bank Accounts*

In the second quarter of 2008 the Bank concentrated its efforts on development of its deposit and account products offer and on growing its customer base.

In April the Bank made its innovative Send Cash (*Wyślij gotówkę*) cash transfer service available through Citibank Online, its internet banking channel. These cash transfers are delivered by the Polish postal service letter carriers. In response to the growing interest in this service, both among Polish expatriates sending cash to their relations in Poland and the customers in Poland, the Bank extended the service promotion period: cash transfers can be initiated via the internet free of charge until the end of September 2008.

Also in April the Bank began offering higher interest on deposits set up via the Citibank Online internet banking, one of the highest interest bearing deposit instruments available on the market.

In June, among other things, the Bank increased annual interest on Pound Sterling deposits up to as much as 5.00%, making this the highest interest available on the market. The offer is addressed primarily to Poles living and working in the United Kingdom and those returning from the British Isles.

At the end of June the Bank commenced a unique summer promotional campaign of its Citibank Personal Account and Citibank Credit Card. Under the watchword of Card for the Summer – Card for Years (*Karta na lato – karta na lata*), new customers who open a personal account in any branch of the Bank and obtain a Citibank Credit Card before the end of September 2008 will be offered permanent exemption from the annual credit card fee. The two qualifying conditions include: initiation of the first credit card transaction within 2 months of the issuance date and initiation of pay transfers to the personal account.

The Bank also continued special promotional offers relating to personal accounts with the aim of acquiring new pay transferring customers, e.g. the CitiAccount Plus promotion.

The deposit products are structured in such a way as to form a common offer with unit-linked insurance and structured products. The Bank thereby enables its customers to generate income on both the unit-linked insurance and the structured products as well as on its high interest bearing deposits, which range from 6% up to as much as 12%.

- *Credit Products*

Cash Loan

In the course of the second quarter of 2008 the new product offer enjoyed a stable rate of growth, as reflected by in the increased outstanding loan balance. In April the Bank came out with special price offers aimed at selected segments of Cash Loan customers. In the context of the Citibank at Work Program addressed to employees of a pre-selected group of companies, the Bank prepared the more attractive, lower interest loans while customers applying for a loan via the internet are charged the preparation fee equivalent to just 1 per cent. of the net loan amount.

In April the Bank also continued its nationwide external advertising media campaign with the watchword of Good Bye to Multiple Instalments – Welcome to Cash” (*Żegnajcie liczne raty – witajcie pieniądze*), which supported marketing of a loan product addressed to customers seeking solutions that would enable them to reduce their monthly debt repayment obligations and to acquire additional funds for fulfilment of their plans and needs.

Credit Lines

The Bank continued to promote its unsecured Citibank Credit Line by waiving the annual fee in the first year of its use and decided to extend that promotion until the end of April 2008. As a result sales were maintained at levels of the previous months.

In June the Bank introduced certain modifications to the lending policy and the operational procedures of that line, with the aim of increasing attractiveness of the product and effectively increased its take up. One important change is that the preliminary credit decision in the new process is taken by an officer at branch level (to date both the preliminary and the final decision were adopted centrally). Sales support for the new product took the form of price promotion, which will continue until the end of August 2008. The Bank also continued acquisition of customers for that line through cross-selling.

In the second quarter of 2008 the Bank also made changes to the Secured Credit Line price list in order to increase attractiveness of that product for customers of the CitiGold segment.

Mortgage Products

In the area of mortgage products the Bank continued in the second quarter of 2008 its Open Architecture strategy, meaning that it includes in its offer both proprietary mortgage products (the housing loan granted for the purchase property on the secondary market or for repayment of a mortgage loan and the mortgage secured cash loan granted for repayment of the customer's debts or any other purpose) and mortgage products of selected external partners (Dombank, Nykredit i.e. of banks which specialise exclusively in mortgage products). The Open Architecture strategy provides for meeting the customers' needs and expectations in the best possible way. Through it the customer is provided with a product that best fits their expectations. The Bank plans to continue with the Open Architecture strategy into the future: to maintain own products and to cooperate with external partners.

In June the Bank introduced changes to its mortgage products: it retracted the requirement of providing insurance in case of high loan to value ratio and set a ceiling for that ratio at 90% of property value (housing loan).

- *Investment and Insurance Products*

Investment Products

In the second quarter of 2008 the Bank added to its offer of investment funds 7 fund domestic products under management of DWS Polska TFI S.A., among them, the first BRIC (Brazil, Russia, India, China) fund available through the Bank. The newly added umbrella fund provides access to Real Estate and Construction Sector funds with global investment spectra and IT and Infrastructure fund, which invests in the most

innovative sectors of the economy. Another novelty is the Climate Change fund, with strategic focus on technological solutions aimed at prevention of climate change.

Three additional funds were included in the foreign funds offer, all managed by Franklin Templeton Investment Funds: Franklin Natural Resources Fund, Templeton Emerging Markets Smaller Companies Fund and Franklin Templeton Global Fundamental Strategies Fund.

The new offer adds new areas to the customers' investment opportunities and ever better portfolio diversification.

Structured Products

On the back of the success of the earlier series of Investment Life Insurance issues, including the New Energy, BRIC or Agricultural Products and Water, in the second quarter of 2008 the Bank conducted subsequent subscriptions for products of this type:

- in April – Gold and Platinum subscriptions, with Bonus dependent on performance of gold and platinum prices;
- in May and June – Climate Change subscriptions, with Bonus dependent on value evolution of a basket comprised of 40 enterprises involved in recovery and limiting consequences of climate change.

Investment Life Insurance products also formed part of promotional offers together with high interest term deposits, including: 6% and 7% in case of 6-month deposits, 7% and 8% in case of 3-month deposits.

Also, in June the structured products offer was expanded to include the four-year luxury goods linked structured bond. The Luxury Goods Structured Bond is being made available in a public offer (subscription continuing through to 25 July 2008). This product, which will be traded on the Warsaw Stock Exchange (WSE) under the Luxury Goods name, has Barclays Bank PLC as its issuer and Dom Maklerski Banku Handlowego (DMBH) as the issue organiser. The structured bond issue subscriptions are accepted in DMBH customers service points and subscription acceptance points located in the Bank branches.

This new product enables indirect investment in 10 luxury goods manufacturers, with guaranteed return of the invested capital at bond redemption. The bond is tradable at current market price, which provides for liquidity of the invested funds.

In the course of the second quarter of 2008 the Bank increased its offer of structured bonds to near 30. Bonds of this class were offered in PLN, USD, EUR, GBP with durations of up to 5 years, and were linked to various financial instruments.

Insurance Products

In the second quarter of 2008 the Bank registered substantial growth in sales of a new unit-linked life insurance policy product with regular contribution schedule referred to as the Investment Program Plus, originally launched in February 2008. In QOQ terms, average monthly sales of that product in the second quarter of 2008 were two times higher.

The Safe Way accident insurance dedicated to selected Citibank Credit Card holders also sold very well: over 20% of the customers presented with the offer took out the insurance.

Insurance Policy for Good Life Savings Program, Life Insurance and Retirement Insurance was modified. The changes involve, among others, introduction of an additional 25-year insurance period, extension of the age in which the insurance can be taken out, enabling transfer of insurance policy and automatic insurance policy indexation. The changes come into effectiveness as of 1 July 2008.

- *Electronic Banking and Other Remote Service Channels*

In the second quarter of 2008 the Bank enabled its customers to make transfers to foreign recipients in 36 countries. It also enabled an innovative service of internet-based ordering of cash transfers: cash is delivered to the recipient's place of residence speedily and without unnecessary formalities.

As at the end of the second quarter of 2008 the number of registered users of the Citibank Online internet banking service in its new release reached 257,000, which represents 22% QOQ growth and 51% growth compared to the 2007 year-end.

Within the CitiPhone customer service channel in the second quarter of 2008 the Bank registered 32% YOY growth in the number of cash loans sold. In addition, it registered 47% growth in sales of cash transactions within the Comfort Instalment Plan Payments, 35% growth in activations of Online Account Statements and 72% growth in activation of Citibank Online users.

c) *CitiBusiness Micro-Company Banking*

After creating a complete offer of attractive basic services, the Bank commenced preparation of an offer of more specialist products tailored for a narrower group of clients with specific requirements. In April 2008 the Bank launched the CitiBusiness Start-up offer, addressed to companies in existence for less than one year. Within it the new clients receive Credit Card with up to PLN 10,000 limit and an inexpensive CitiBusiness Direct account. Thus, through the low cost banking services combined with easy access to credit we provide young firms with robust basis for development. The Bank reached out to clients with information on this new offer through a radio and internet based marketing campaign. In order to also draw firms operating on the market for longer than one year, the Bank prepared the "Pakiet +" proposal, which provides clients with CitiBusiness or Gold credit card on attractive terms, together with the option of buying inexpensive monthly bank transfer packages. In May CitiBusiness came out with a proposal addressed to housing owners' associations. With this group of clients in mind, the Bank prepared an offer comprised of: a CB Direct account (free of charge over the first 6 months), 3 free of charge ID debit cards and Corporate Savings Account on special terms (4.65% interest from the very first zloty).

The CitiBusiness product offer was further enhanced through the Payments Closed at Declared Amount product, in which the amounts deposited by clients in automated deposit facilities (Cash Deposit Machines, Vaults) are charged to their accounts, thus providing them with near immediate access to the deposited funds. Any discrepancies are adjusted after physical counting of cash payments.

2. Branch network

At the end of the second quarter of 2008 the Bank's branch network comprised 241 outlets and included Corporate Bank branches and Consumer Bank branches as well as those operating under the CitiFinancial brand. The CitiFinancial outlets include 17 that are the CitiFinancial authorised service outlets, at which customers can submit applications for cash loans offered by the Bank. In the course of the second quarter of 2008 the network of the CitiFinancial authorised service outlets grew by 2: in Starogard Gdański and Kwidzyn. At present, the network of branches operating under the CitiFinancial brand includes 117 outlets, including 100 own branches.

In the second quarter of 2008 the Bank continued working on the One Branch Network project. The project tasks included test selling of personal accounts via selected CitiFinancial outlets, which had until then focused exclusively on servicing loan products. In the next quarter additional CitiFinancial outlets will be engaged in selling personal accounts. Plans also involve the launch of account handling services.

Within the framework of the Branch Network Optimisation Project, 2 retail outlets – in Rybnik at 8 Rynek street and in Warsaw at 16 Senatorska street – were expanded and reopened to the Bank customers.

Number of branches as at period end

	Q2 2008	Q2 2007	Change
Number of outlets:	241	236	+5
Retail Bank	86	86	No change
Multifunctional outlets	71	72	(1)
CitiGold Wealth Management	14	13	+1
Investment Centre	1	1	No change
<i>- of which serving Corporate Bank clients</i>	84	82	+2
CitiFinancial	117	111	+6
Branches	100	99	+1
Agencies (partner outlets operating under the CitiFinancial logo)	17	12	+5
Corporate Bank	38	39	(1)
<i>- of which serving Retail Bank customers</i>	38	30	+8
Other sales / customer service outlets:			
Mini-branches (within "Citibank at work")	6	1	+5
BP petrol station sales points	131	47	+84
Supermarket stands	3	6	(3)
Number of own ATMs	163	154	+9
<i>- including those with the deposit function</i>	153	154	(1)

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

- Corporate Bank clients were served by 122 outlets;
- Retail Bank customers were served by 124 outlets; and
- CitiFinancial customers were served by 117 outlets.

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

- in Poland:
 - over 1,399 ATMs of the Bankomat 24/Euronet Sp. z o.o. network; and
 - over 269 ATMs of the e-Card network, including 11 "Citibank at Work" e-Card ATMs
- abroad:
 - all of the CitiShare ATMs (18,000).

8. Seasonality or cyclical nature of business activity

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

9. Issue, buyout and repayment of debt and equity securities

No debt or equity securities were issued, bought out or repaid in the second quarter of 2008.

10. Paid or declared dividends*Declared dividends*

According to Resolution no 10 of Usual General Assembly Meeting of the Bank from 19 June 2008, the following issues were determined: distribution of 2007 Bank profit, the decision about payment of dividend, the day of dividend and the dividend date of payment. Amount of PLN 620,633,100.00 was assigned for Shareholders' dividend payment from the net profit of 2007 (in 2007 net profit for 2006 came to PLN 535,704,360.00), what means that the amount of dividend on share came to PLN 4.75 (in 2006: PLN 4.10).

The date of determination of the right to the dividend was designated on 4 July 2008 and the date of dividend payment as 29 August 2008.

11. Changes in the Group's structure

In the second quarter 2008 non-current assets held-for-sale include two Bank's own property, that fulfils the requirements of IFRS 5 and therefore was reclassified to this group from fixed tangible assets.

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

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

As at 30 June 2008 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

13. Movements in off-balance sheet commitments

As at 30 June 2008 in relation to the end of 2007 there weren't significant changes in range of received and granted conditional obligation.

The changes in off-balance sheet commitments comparing to the end of 2007, 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:

<i>In thousand of PLN</i>	30/06/2008	31/12/2007
Contingent liabilities		
Granted liabilities		
a) financial	10,781,715	11,192,715
<i>Import letters of credit issued</i>	183,208	146,673
<i>Lines of credit granted</i>	10,502,048	10,874,042
<i>Deposits to be distributed</i>	46,959	-
<i>Subscription of securities granted to other issuers</i>	49,500	172,000
b) guarantees	2,033,640	2,172,079
<i>Guarantees granted</i>	2,015,399	2,158,948
<i>Export letters of credit confirmed</i>	18,241	13,131
	12,815,355	13,364,794
Liabilities received		
a) financial	-	50,000
<i>Deposits granted</i>	-	50,000
b) guarantees	2,892,841	2,573,703
<i>Guarantees received</i>	2,892,841	2,573,703
	2,892,841	2,623,703
Current off-balance sheet transactions*	4,910,085	1,287,297
Forward off-balance sheet transactions**	346,206,621	525,508,982
	366,824,902	542,784,776

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

** Derivatives: FX, interest rate transactions and options

14. Achievement of 2008 forecast results

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

15. Information about shareholders

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

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

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

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

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

17. Information on pending proceedings

In the second quarter of 2008 there were no proceedings regarding debts of the Bank or a subsidiary of the Bank pending before court, public administration authority or an arbitration authority, the value of which would equal at least 10% of the Bank's equity.

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Bank's equity and equaled PLN 1,006 million.

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

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

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

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	158,534	8 August 1996 – declaration of bankruptcy.	Case pending. The Bank submitted the receivable to obtain repayment from the bankrupt's assets for arrangement on 14 October 1996. The Bank realized all the collateral. The Bank will probably not receive its receivables. The official receiver expected to complete the bankruptcy proceeding by the end of 2006. The Bank still expects to receive a resolution on completion of the bankruptcy proceeding.
Creditor: Bank Handlowy w Warszawie S.A.	44,732	On 22 June 2001, the court declared the debtor bankrupt.	The Bank submitted its receivables to the proceedings. Case pending.

In the second quarter 2008, there were no proceedings regarding liabilities of the Bank or a subsidiary of the Bank, the value of which would equal at least 10% of the Bank's equity, pending before court, public administration authority or an arbitration authority.

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

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

18. Information about significant transactions with related entities

In the second quarter of 2008, the Bank and its subsidiaries enter into transactions with related entities. All transactions with related entities resulted from current operating activities and were deal on market terms.

In May 2008 Bank signed with Citibank, N.A. London Branch, the sole shareholder o Citibank Overseas Investment corporation which is a majority shareholder of the bank, Amendment no 1 to the Agreement dated 29 April 2004 concerning the possibility of using by The Bank and all customers, services related to profit from various computer systems for attendance of operative activity of the Bank.

In Amendment no 1 the parties agreed that the payment for 2006 amounted to USD 1,153 thousand.

19. Information about guarantee agreements

At the end of the second quarter of 2008, the total value of sureties and guarantees extended by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's consolidated shareholders' equity.

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

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

- Possible marked slowdown in export growth precipitated by global economic downturn, which can

slow down Poland's economic growth and weaken the labour market conditions;

- The increasing risk aversion prompted volatility in the financial markets that can weaken the propensity of households to use capital market related investment instruments;
- Driven by growing energy prices, inflation could raise, with a possible effect of consolidating high pay raise pressures and translating into deterioration of Polish enterprises' competitive position. Impact of that factor on the on the condition of Polish exporters may prove particularly strong should the Polish currency continue to appreciate; and
- Previous and the possible future interest rate increases enacted by the Monetary Policy Council, which can lead to market rate increases.

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

<i>In thousands of PLN</i>	Second quarter period from 01/04/08 to 30/06/08	Second quarter growing period from 01/01/08 to 30/06/08	Second quarter period from 01/04/07 to 30/06/07	Second quarter growing period from 01/01/07 to 30/06/07
Interest and similar income	535,289	1,062,868	472,021	922,516
Interest expense and similar charges	(223,397)	(439,186)	(188,235)	(358,633)
Net interest income	311,892	623,682	283,786	563,883
Fee and commission income	177,582	352,588	198,483	390,467
Fee and commission expense	(19,898)	(37,243)	(25,329)	(49,549)
Net fee and commission income	157,684	315,345	173,154	340,918
Dividend income	35,875	59,539	22,892	22,901
Net income on financial instruments and revaluation	88,168	212,075	134,701	239,038
Net gain on investment (deposit) securities	3,132	29,095	307	10,740
Net gain on investment (capital) instruments	-	-	3,789	10,454
Other operating income	30,887	57,681	27,122	51,894
Other operating expenses	(7,391)	(17,283)	(15,518)	(24,930)
Net other operating income	23,496	40,398	11,604	26,964
General administrative expenses	(348,594)	(720,876)	(342,761)	(680,190)
Depreciation expense	(23,796)	(48,942)	(26,808)	(54,892)
Profit / (loss) on sale of tangible fixed assets	728	1,399	268	(580)
Net impairment losses	(13,320)	(29,865)	53,238	70,184
Profit before tax	235,265	481,850	314,170	549,420
Income tax expense	(41,632)	(87,653)	(61,924)	(110,177)
Net profit	193,633	394,197	252,246	439,243
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		3.02		3.36
Diluted net profit per ordinary share (in PLN)		3.02		3.36

Balance sheet of the Bank – parent company*In thousands of PLN*

	30/06/2008	31/12/2007
ASSETS		
Cash and balances with central bank	2,443,861	3,321,503
Financial assets held for trading	4,323,432	5,132,265
Debt securities available-for-sale	6,753,584	6,467,638
Equity investments	300,827	302,321
Loans and advances	20,790,258	20,309,005
<i>to financial sector</i>	7,881,231	8,910,556
<i>to non-financial sector</i>	12,909,027	11,398,449
Property and equipment	575,141	601,088
<i>land, buildings and equipment</i>	549,949	576,060
<i>investment property</i>	25,192	25,028
Intangible assets	1,281,681	1,282,811
Income tax assets	354,615	368,497
Other assets	253,764	210,588
Non-current assets held-for-sale	12,645	12,645
Total assets	37,089,808	38,008,361
LIABILITIES		
Financial liabilities held for trading	3,826,333	4,373,146
Financial liabilities valued at amortized cost	26,630,383	27,443,267
<i>deposits from</i>	26,153,436	27,001,251
<i>financial sector</i>	5,644,257	7,243,219
<i>non-financial sector</i>	20,509,179	19,758,032
<i>other liabilities</i>	476,947	442,016
Provisions	48,431	35,331
Income tax liabilities	-	93,351
Other liabilities	1,432,990	587,188
Total liabilities	31,938,137	32,532,283
EQUITY		
Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(280,422)	(182,451)
Other reserves	1,570,673	1,382,238
Retained earnings	394,197	809,068
Total equity	5,151,671	5,476,078
Total liabilities and equity	37,089,808	38,008,361

Statement of changes in equity of the Bank – parent company

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2007	522,638	2,944,585	(81,501)	1,297,175	621,667	5,304,564
Valuation of financial assets available-for-sale	-	-	(121,374)	-	-	(121,374)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(13,763)	-	-	(13,763)
Deferred income tax on valuation of financial assets available-for-sale	-	-	25,676	-	-	25,676
Net profit	-	-	-	-	439,243	439,243
Dividends to be paid	-	-	-	-	(535,704)	(535,704)
Transfer on capital	-	-	-	85,063	(85,063)	-
Closing balance as at 30 June 2007	522,638	2,944,585	(190,962)	1,382,238	440,143	5,098,642
	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2008	522,638	2,944,585	(182,451)	1,382,238	809,068	5,476,078
Valuation of financial assets available-for-sale	-	-	(91,858)	-	-	(91,858)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(29,095)	-	-	(29,095)
Deferred income tax on valuation of financial assets available-for-sale	-	-	22,982	-	-	22,982
Net profit	-	-	-	-	394,197	394,197
Dividends to be paid	-	-	-	-	(620,633)	(620,633)
Transfer on capital	-	-	-	188,435	(188,435)	-
Closing balance as at 30 June 2008	522,638	2,944,585	(280,422)	1,570,673	394,197	5,151,671

Summary statement of cash flows of the Bank – parent company

<i>In thousands of PLN</i>	Second quarter growing Period from 01/01/08 to 30/06/08	Second quarter growing Period from 01/01/07 to 30/06/07
Cash at the beginning of reporting period	3,741,447	1,304,621
Cash flows from operating activities	(905,091)	962,607
Cash flows from investing activities	8,737	(29,914)
Cash flows from financing activities	(18,311)	(17,695)
Cash at the end of reporting period	2,826,782	2,219,619
Increase / Decrease in net cash	(914,665)	914,998

Notes to the Interim Abbreviated Financial Statements of Bank Handlowy w Warszawie S.A. (“the Bank”) for the second quarter of 2008

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

The notes to these interim consolidated financial statements for the second quarter of 2008 contain all material information and explanatory data also relevant to the Bank’s abbreviated interim financial statements. A summary of the Bank’s financial results for the second quarter of 2008 is presented below.

The Bank’s financial results

For two quarters 2008 Bank has generated profit before tax of PLN 482 million, relatively to PLN 549 million in analogous period of previous year. In second quarter 2008 Bank has generated profit before tax of PLN 235 million, relatively to PLN 314 million in analogous period of 2007.

The net profit in increasing formulation (i.e. for period from January to June) amount PLN 394 million, that means PLN 45 million decrease (i.e. 10.3%) relatively to the same period of previous year. The net profit in second quarter 2008 amount PLN 194 million relatively to PLN 252 million in analogous period of 2007.

The factors that determined the net profit of the Bank in second quarter 2008 were: increase of interest and fee and commission income by PLN 13 million (i.e. 2.8%), growth of dividend income by PLN 13 million, increase of result on remaining operational incomes and expenses by 12 million, decrease of income on financial instruments (traded financial instruments and revaluation, debt securities and investments equity) jointly by PLN 47 million, growth of general administrative expenses and depreciation expense jointly by PLN 3 million (i.e. 0.8%), and increase of net write offs by PLN 67 million.

The consolidated quarterly report for the second quarter of 2008 will be made available on the website of Bank Handlowy w Warszawie S.A. at www.citihandlowy.pl

Signature of the Financial Reporting and Control
Vice Director

Signature of the Vice President of the Department
Management Board

Date and signature
11.08.2008

Date and signature
11.08.2008