

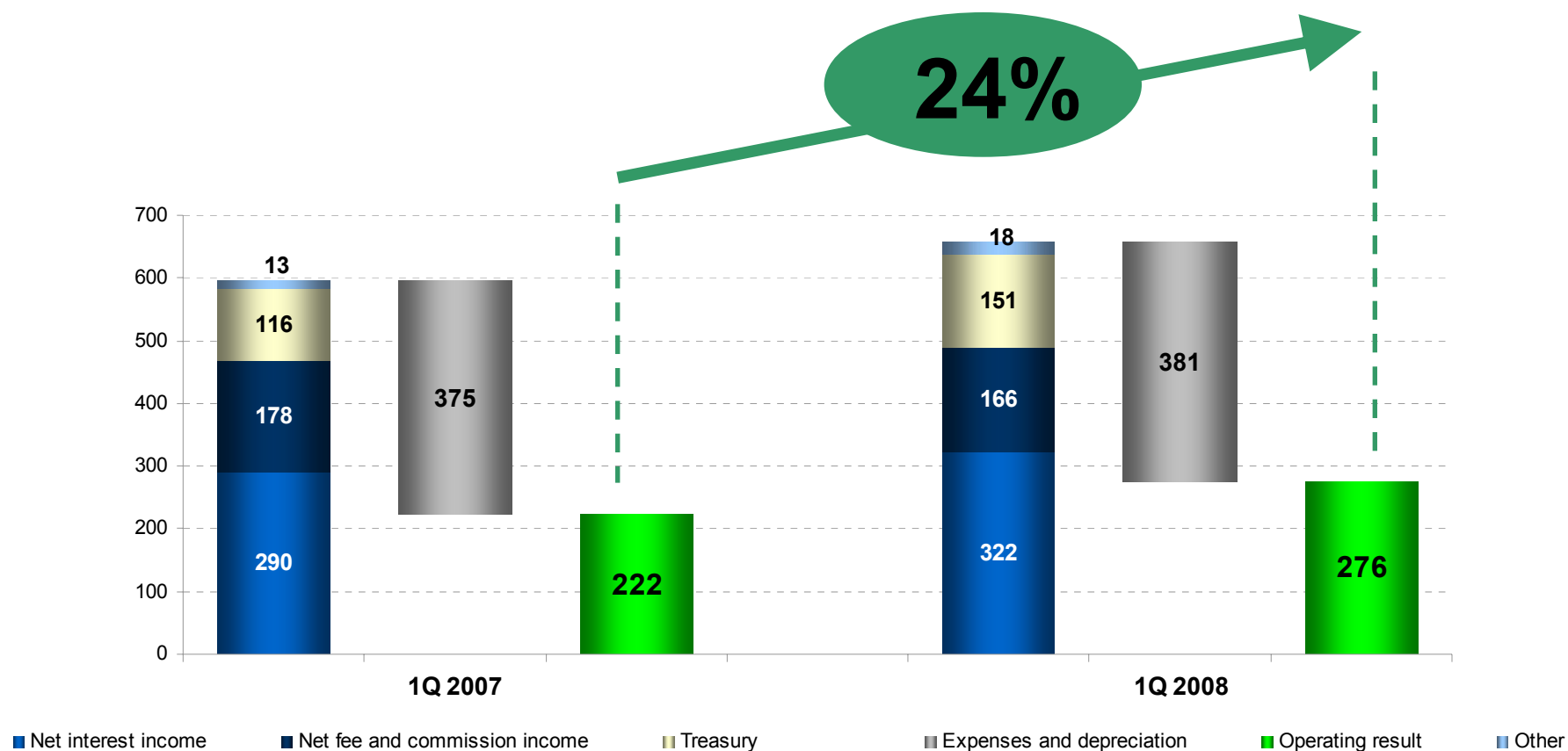
# BANK HANDLOWY W WARSZAWIE S.A. 1Q 2008 consolidated financial results

Warsaw, 8 May 2008

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The logo for Citi Handlowy, featuring the word "citi" in a dark blue font with a red arc above the "i", followed by the word "handlowy" in a lighter blue font.

# An increase of operating result – excluding one-off events



Note: Data excluding the impact of one-off transactions, i.e. 2008 – gain on sale of Stalexport S.A. shares (PLN 6,7 MM), while in 2008 – restructuring provision (PLN 30 MM)

# Significant increase in efficiency

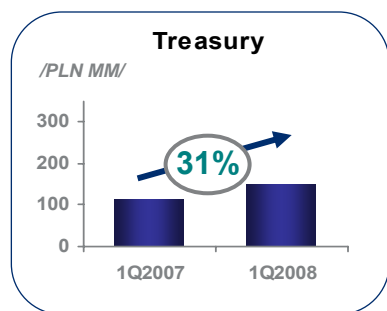
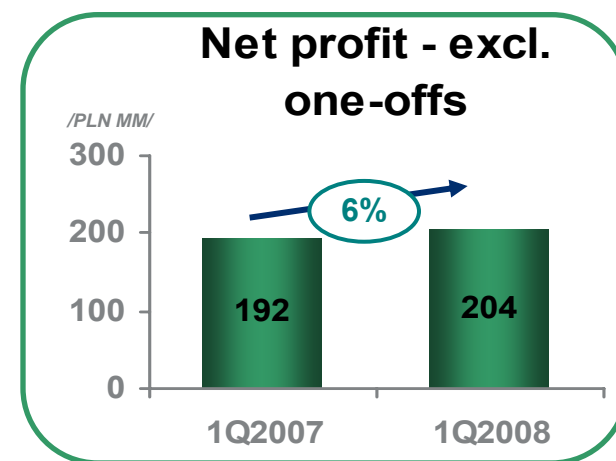
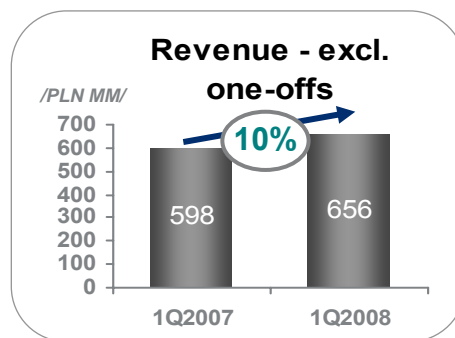
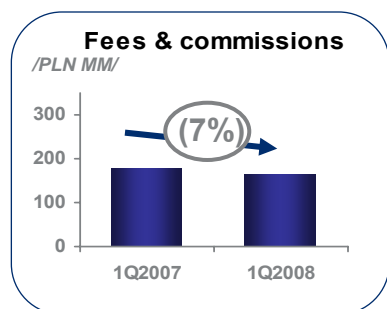
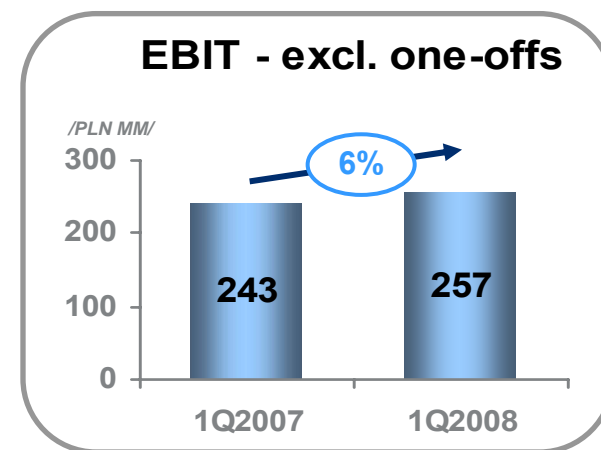
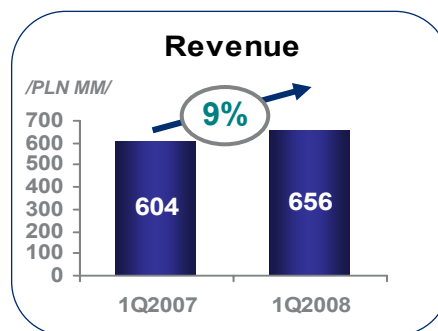
	1Q 2007	1Q 2008		1Q 2008 */
ROE	13.0%	16.7%	↑	17.2%
ROA	1.7%	2.1%	↑	2.2%
Cost / Income	62.0 %	62.6 %	↑	58.0%
Capital Adequacy Ratio **/	12.86 %	10.81%		

\*/ excluding the impact of restructuring provision (PLN 30 MM)

\*\*/ compared to 2007 end of period

▪ 1Q2008 CAR calculation based on an assumption of dividend pay-out at the level of 85% of Bank's 2007 net profit

# Stable results in 1Q 2008

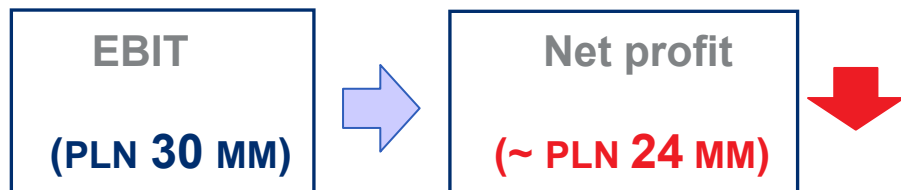


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# Key factors impacting 1Q 2008 results

## Expenses – restructuring provision

- PLN 30 MM of provision due to employment restructuring



- CMB – PLN 17 MM

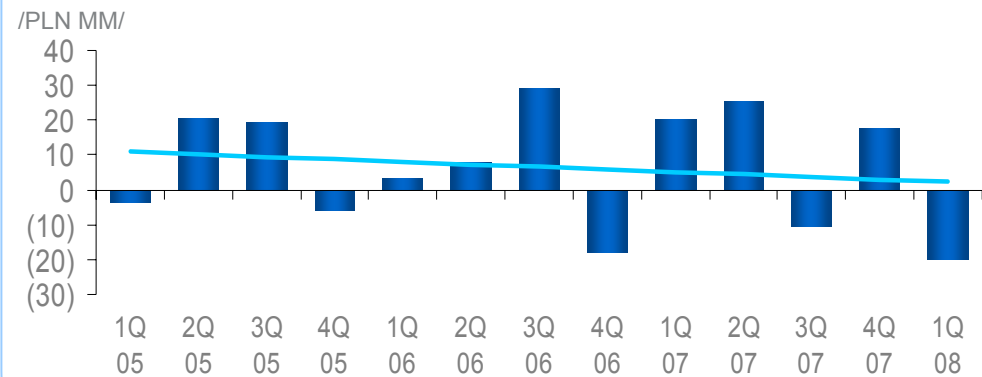
- GCG – PLN 13 MM

- Negotiations with trade unions completed
- Very effective redeployment program in place

## Net impairment losses



### Net impairment losses – quarterly

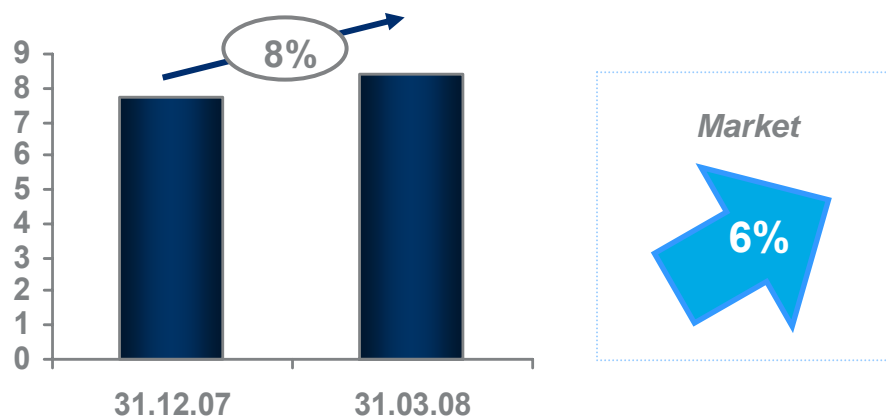


# Key factors impacting 1Q 2008 results - loans

## Non-financial sector loans

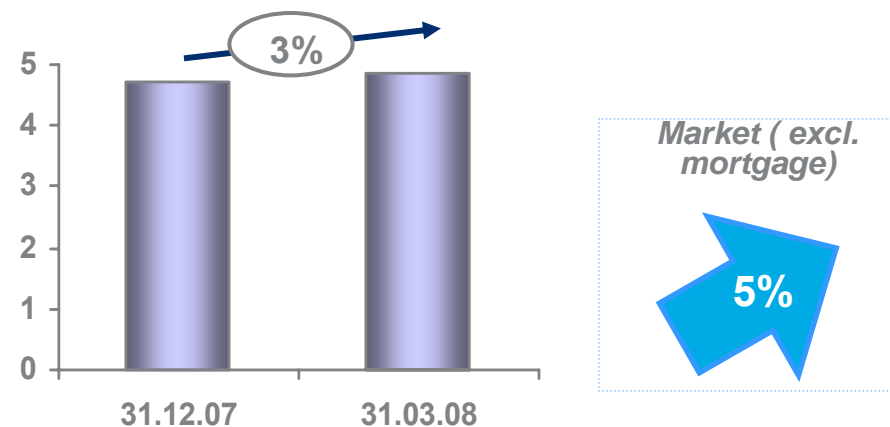
- Increase in corporate loans owed to a good market momentum – higher demand for working capital from companies
- Growth of credit cards balance as a result of portfolio expansion as well as higher transactions' value
- Rise in cash loans portfolio reached due to a new sales model as well as product offer modification

### Corporate loans



Corporate loans: including public sector and local government institutions

### Retail loans

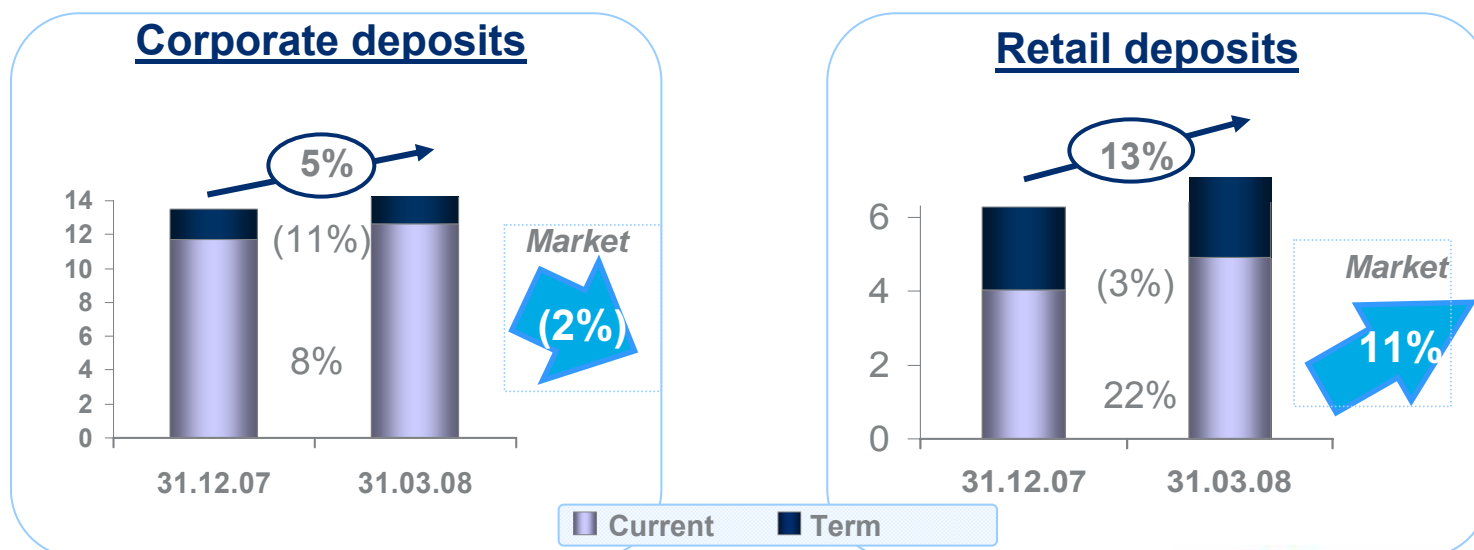


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# Key factors impacting 1Q 2008 results - deposits

## Non-financial sector deposits

- Increase of corporate deposits owed to widening of the offer (pre-paid cards) and to active entry to the public sector (micro-payments)
- Retail deposits growth as a result of introduction of a very competitive Saving Account interest rate and the enrichment of the offer by adding innovative investment and insurance products linked to the attractive term deposits offer



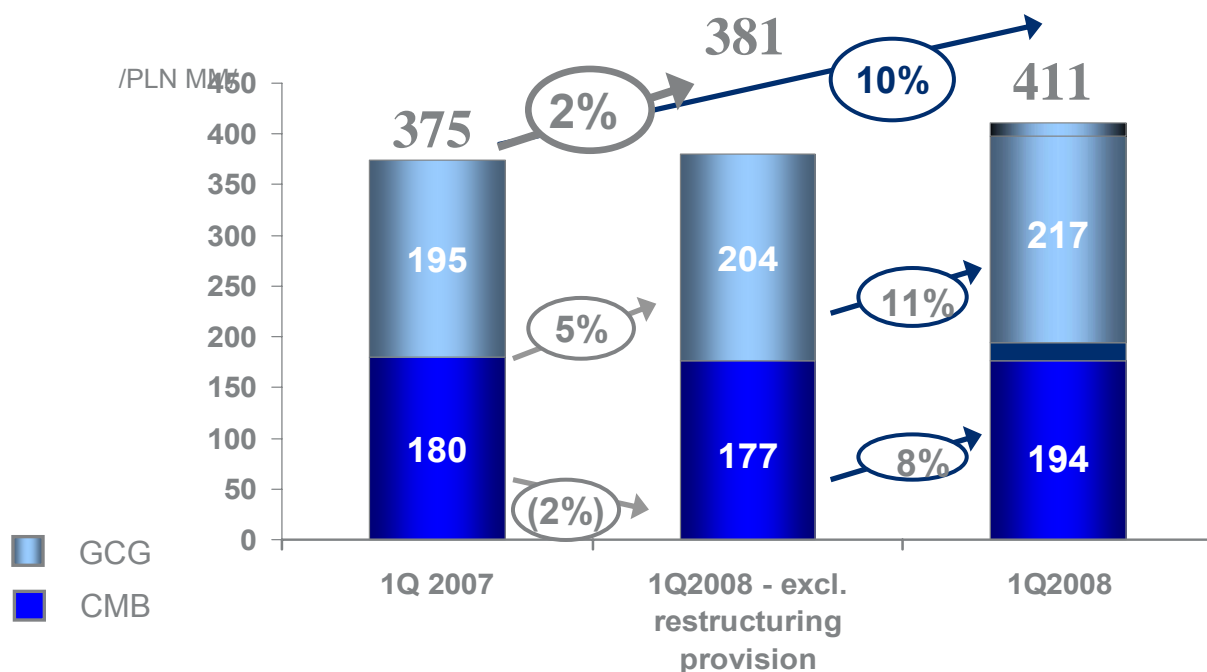
Source: Bank's estimates, data pro-forma, in PLN billion

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Corporate deposits including public sector and local government institutions

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# Expenses - optimization



	1Q 2007	1Q 2008
<b>GCG</b>	<b>72%</b>	<b>71%</b>
<b>CMB</b>	<b>55%</b>	<b>48%</b>
<b>Total</b>	<b>63%</b>	<b>58%</b>

	1Q 2007	1Q 2008
<b>GCG</b>	<b>72%</b>	<b>76%</b>
<b>CMB</b>	<b>54%</b>	<b>52%</b>
<b>Total</b>	<b>62%</b>	<b>63%</b>

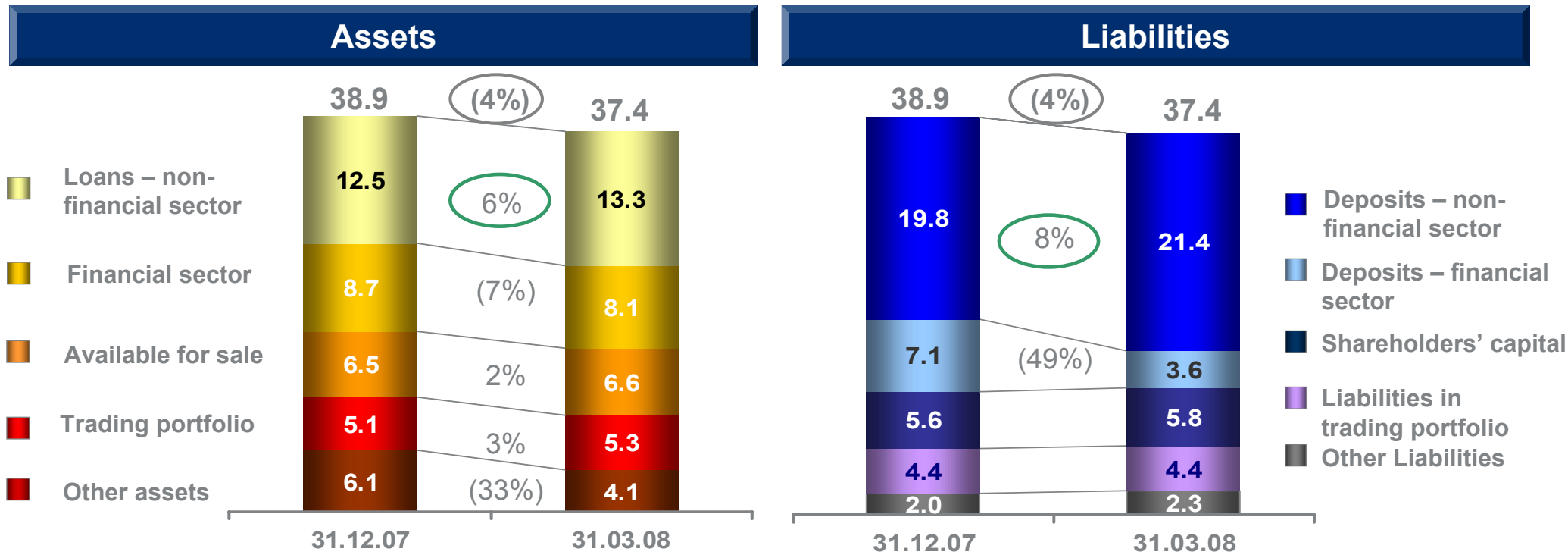
- Higher expenses in CMB by 8% impacted first of all by the growth in personnel cost due to the creation of the restructuring provision at the amount of PLN 17 MM, partially offset by lower lease expenses, external services cost and employees' expenditures. Provided that the impact of the restructuring provision is excluded CMB expenses decreased by 2%.
- Increase of GCG expenses by 11% primarily an effect of restructuring provision at the amount of PLN 13 MM, as well as an increase in salaries - both variable (connected to good sales results) and fixed (increased number of personnel in distribution related to business development and distribution channels expansion). Provided that the impact of restructuring provision is excluded GCG costs rose by 5%.

Source: Bank's financial report / data pro forma, in PLN millions

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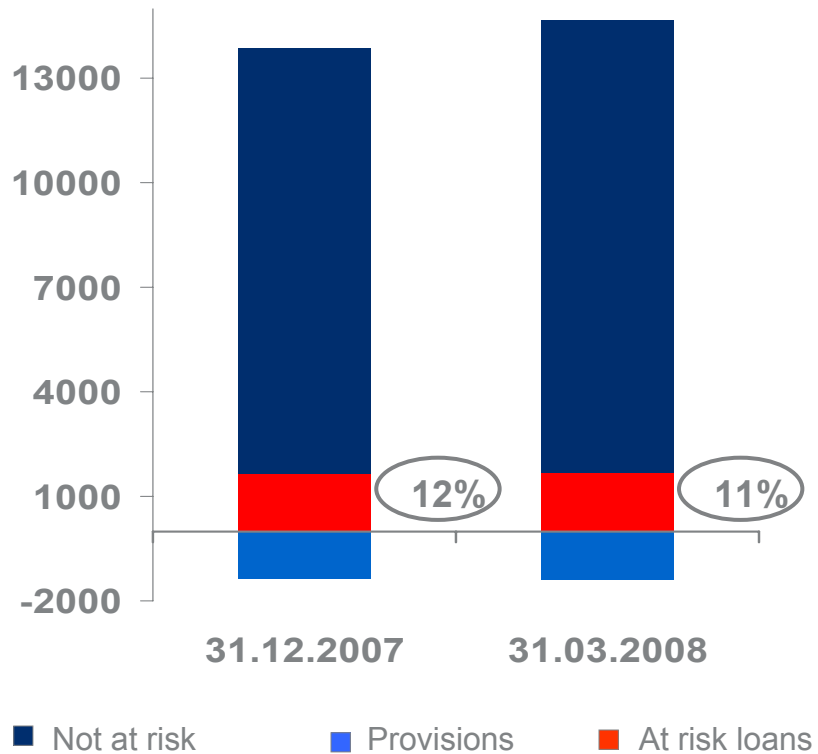
# Balance sheet structure



- Significant increase in non-financial loans as a result of corporate loans portfolio growth (8%) as well as rise in retail loans (3%)
- Stable level of available for sale portfolio and trading portfolio
- Other assets – remarkable (by PLN 2 MMM) decrease in current account balance held in NBP due to obligation to maintain an average regulatory provision at a declared level
- Significant increase in non-financial sector deposits caused primarily by the growth in retail current account balance (by 22 %), owed to much extent to the successful Saving Account offer, as well as corporate customers deposits (by 6%)
- Remarkable decline in financial sector deposits, mainly banks

# Cost of Credit

## Loan portfolio quality



## High provision coverage ratio \*/

31.12.2007

84%

31.03.2008

83%

\*/ non-financial sector

Continuous decrease in loans at risk of impairment

# 1Q 2008 results

## Corporate Bank

MM PLN			1Q 08/ 1Q 07	
	1Q 07	1Q 08	I/(D)	I (D) %
Result on activity - one-offs adjusted	327	370	43	13%
<b>Revenue - one-offs</b>	<b>7</b>		(7)	n.m.
Results on activity	333	370	36	11%
Expenses and depreciation	(180)	(177)	3	(2%)
<b>Restructuring provision</b>		<b>(17)</b>	(17)	n.m.
Provisions	25	0	(24)	(98%)
Other	(0.4)	2	2	n.m.
<b>EBIT</b>	<b>178</b>	<b>178</b>	<b>0</b>	<b>0%</b>
<b>EBIT - one-offs adjusted</b>	<b>171</b>	<b>195</b>	<b>24</b>	<b>14%</b>
Assets	35,973	32,356	(3,618)	(10%)
Liabilities	33,496	28,824	(4,673)	(14%)

### ■ Key factors for revenue growth:

- Rise in interest result by 8% as a consequence of increase in revenue from loans due to loan portfolio growth and higher income from placements in banks, including Central Bank
- Higher treasury income by 32% as a result of active sales to clients and efficient management of Bank's own portfolio, as well as due to better result on investment debt securities
- Decrease of expenses and depreciation by 2% (excluding restructuring provision), primarily due to lower depreciation cost, external services and employees' expenditures
- Creation of the provision for the employment restructuring at the amount of PLN 17 billion

# 1Q 2008 results

## Retail Bank

MM PLN			1Q 08/ 1Q 07	
	1Q 07	1Q 08	I/(D)	I (D) %
Results on activity	271	287	16	6%
Expenses and depreciation	(195)	(204)	(9)	5%
<b>Restructuring provision</b>		<b>(13)</b>	(13)	n.m
Provisions	(4)	(21)	(16)	367%
<b>EBIT</b>	<b>72</b>	<b>49</b>	<b>(23)</b>	<b>(32%)</b>
<b>EBIT - one-offs adjusted</b>	<b>72</b>	<b>62</b>	<b>(10)</b>	<b>(13%)</b>
Assets	3,932	5,038	1,107	28%
Liabilities	6,409	8,571	2162	34%

- Increase of revenue derives primarily from the rise in net interest income by 14%, mainly as an effect of credit cards and cash loans portfolios expansion, despite lower by 6% fees and commissions net income resulting from the decrease in fees from investment products' sales
- Rise in costs by 5% (excluding restructuring provision) caused by higher salaries costs due to business development and distribution channels' expansion, as well as direct sales costs growth connected to rise in credit cards (mainly sales commissions)
- Higher net impairment losses caused by the increase of IBNR resulting from retail receivables portfolio growth and rising share of irregular loans, as well as due to the standardization of attitude towards prerequisites for impairment regarding loans of the similar risk profile

# Share price performance

**Moderate decline of the share price over a year - (7,5%)**  
 against much more significant drop of indexes WIG Banki (18,6%) and WIG (22,1%)

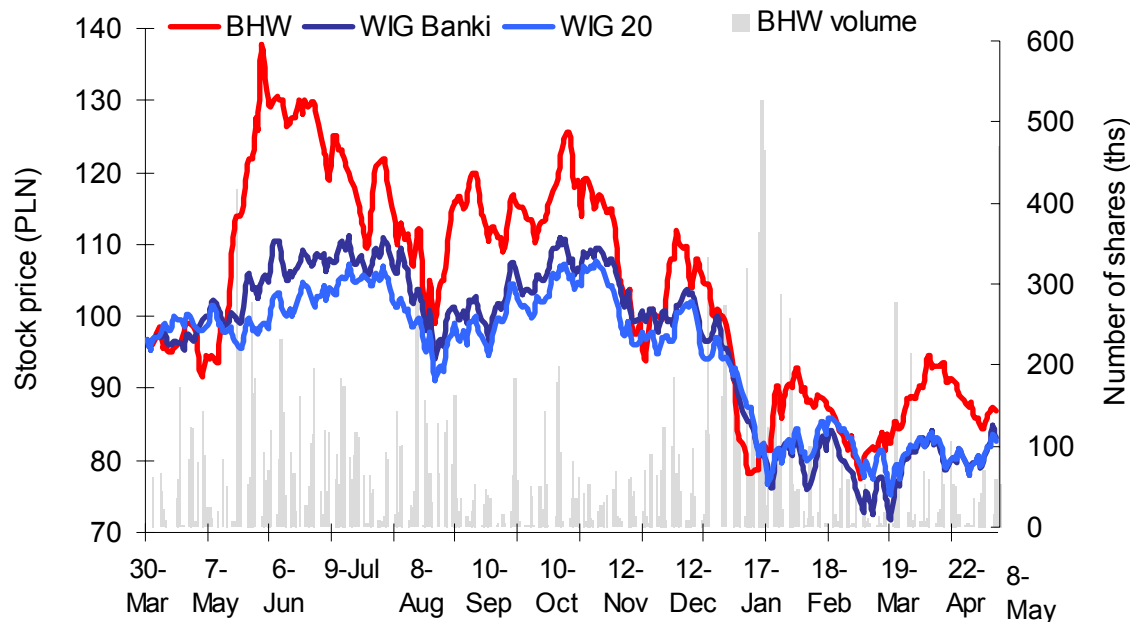
**8 May 2008: PLN 87 per share**

**Market cap: PLN 11,4 billion**

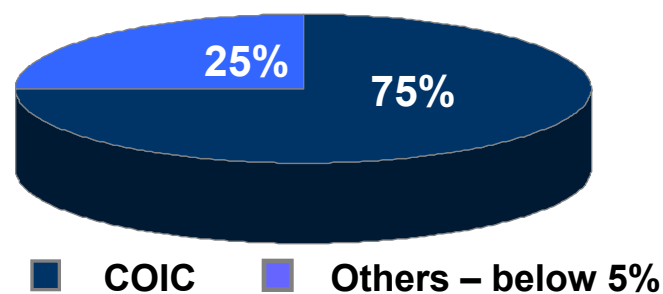
**Free float : PLM 2,8 billion**

**BHW - stock price and volumes**  
**WIG-Banki & WIG20 indexes re-based**

(30/03/2007 = 100)

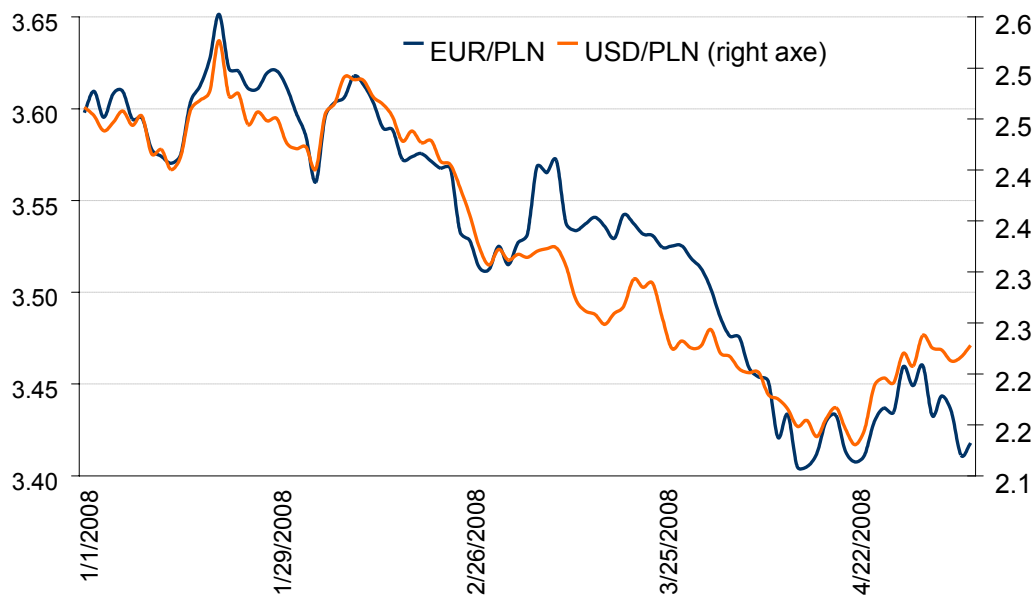


**Shareholders structure**



# 1Q 2008 results

## FX transactions



↑ 153%

(1Q08/1Q07)

**FX transactions volume via internet platform**

**Significant strengthening of PLN favored the growth of FX option transactions volume**

↑ 21%

(1Q08/1Q07)

**Number of active customers in terms of FX options transactions**



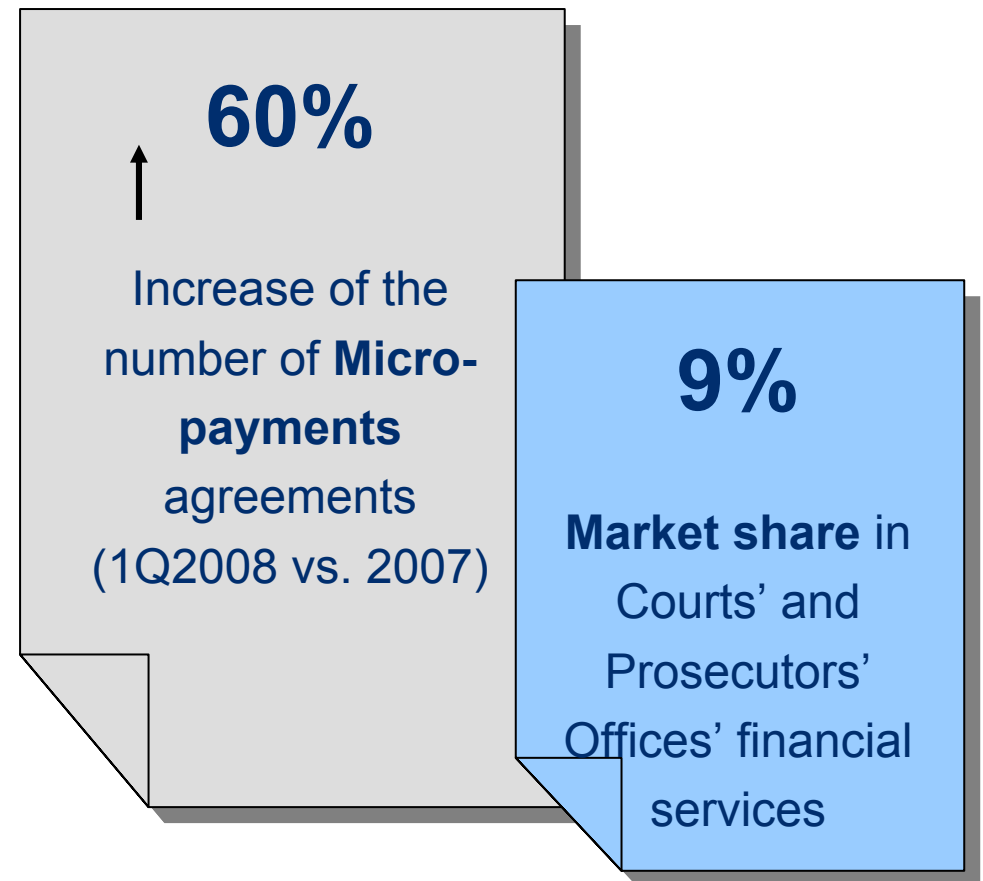
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# 1Q 2008 - innovations towards the customer

## Micro-payments – the first solution organizing finance of Courts and Prosecutors' Offices

### Customers' benefits:

- **Full integration** with the client's finance system
- **Automation** of financial assets management deposited in the Bank
- **Simplifying of the Courts' workflow**, that so far have had to face some difficulties in calculation of interest for each payee separately
- **Shortening of awaiting time to withdrawal for the customers**



# 1Q 2008 – innovations towards the customer

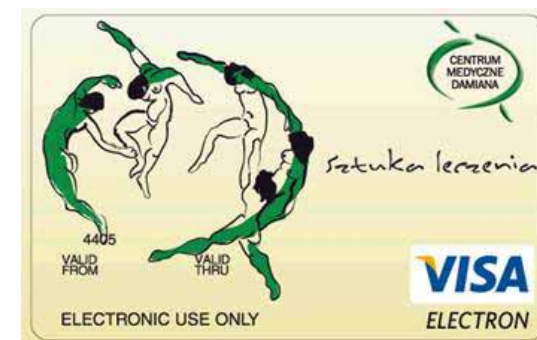
## Innovations for corporate customers – comfort and safety for individual customers

- **The first in Poland medical pre-paid card** - Damian Plus, which provides to the customer: safety, comfort and discount program (15%) in CM Damiana.
- **The first in Poland** innovative solution combining the order of payment with mobile phone technology – Order of Payment Comfort, which ensures the client with the sense of security thanks to the possibility of monitoring of transactions on current account via sms.



Comfort Order of Payment - payee receives SMS message

**384 thousands** Pre-paid cards as of the end of 1Q 2008 compared to **229 ths** as of the end of 1Q 2007



↑ **12%**

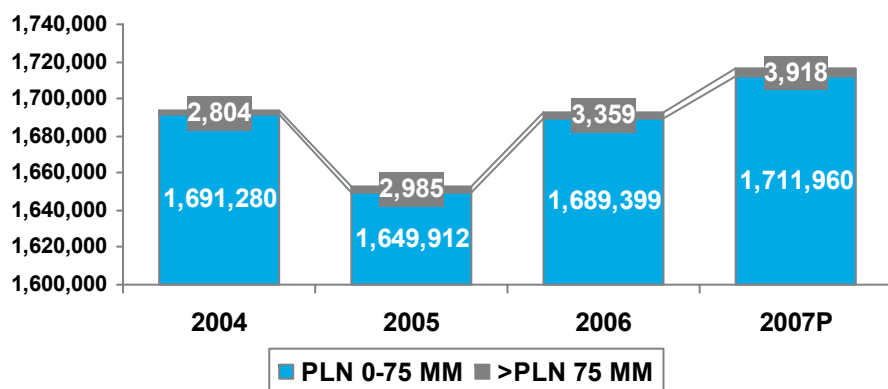
(IQ2008 do IQ2007)

**Increase of Order of Payment transactions volume**

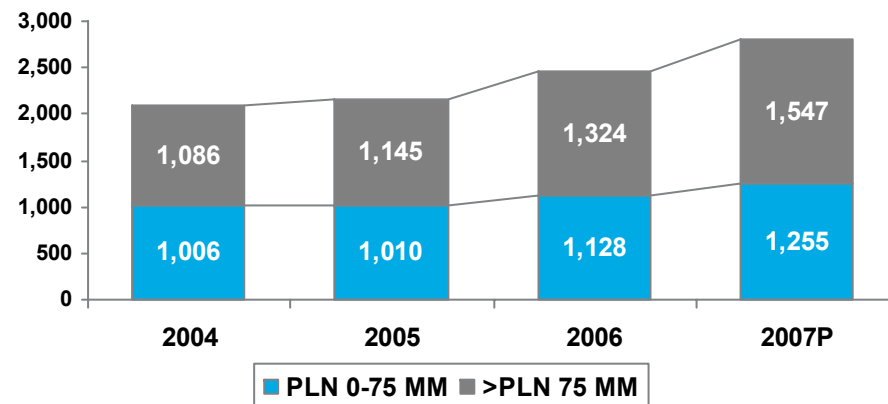


# SME – an engine of Polish economy

Number of enterprises in Poland

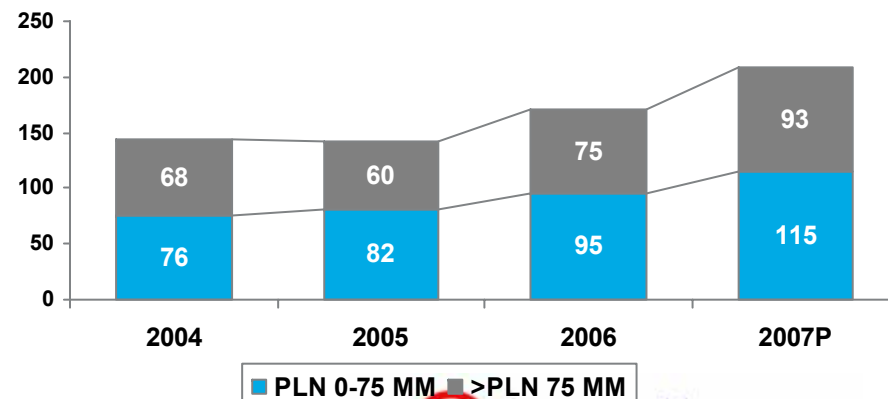


Total revenue (PLN billion)



- SME sector generates nearly **50% of GDP**
- **Revenue** of the SME sector constitutes almost 60% of total enterprises' revenue
- **Growing share of SME loans** in total corporate loans

EBIT (PLN billion)



# New offer for SME – a tool for taking a strong position also in this segment of corporate clients

## New offer for SME!!!

- **Faster credit decisions** thanks to the implementation of a new scoring method for small companies
- **Higher interest rate** for deposits due to launching of Company's Saving Account for micro and small firms
- **Lower banking services costs** – „Your business” – a package for companies of a turnover of PLN 8-75 million
- **Pre-paid cards** for small companies

Oferta dla nowych firm  
CitiBusiness na Start



Unikalna karta **kredytowa**  
dla przedsiębiorców

Prezjz i wygoda. Bezpieczeństwo i pełna kontrola.

# Subsidiaries achievements in 1Q 2008

## Brokerage

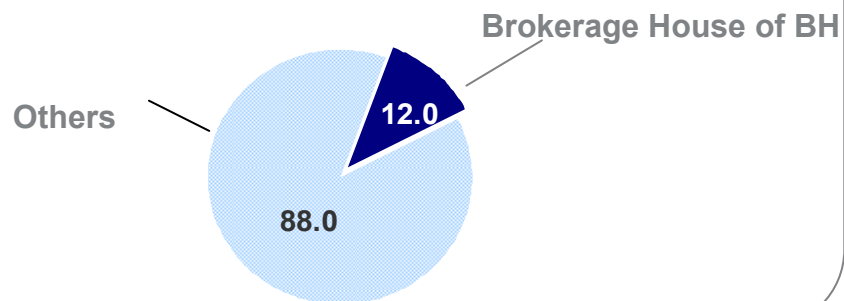
PLN **12,1 MM** → **↑9%**

(1Q08/1Q07)

**DMBH turnover on WSE secondary equities trade market**  
**3-rd position on the market**

(simultaneously total WSE volumes decreased by 14%)

DMBH market share in secondary equities trade market in 1Q 2008 (%):



## Leasing

**2,8%**

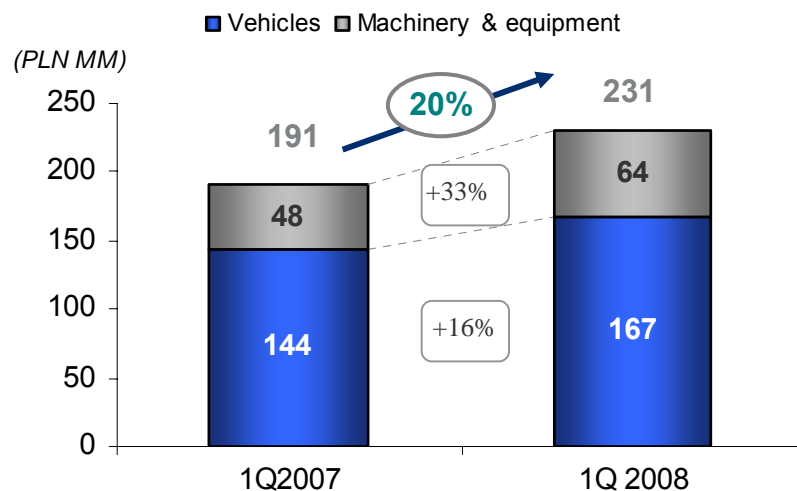
**↑0,06 p.p.**

(1Q08/1Q07)

**Market share**



**Handlowy - Leasing sp. z o.o. - net assets value**



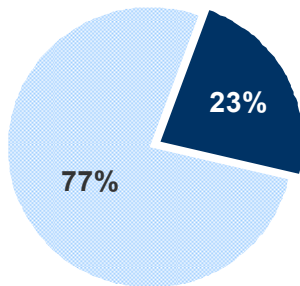
# 1Q 2008 – credit cards

## Credit cards

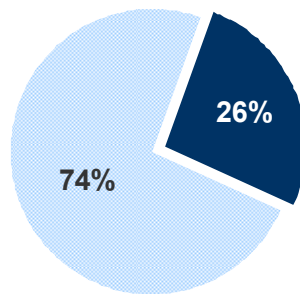
- ✓ Acquiring over **67 thousands** credit cards – the number higher by 32% than in 1 Q'07
- ✓ The total number of credit cards as of the end of 1 Q08: **866 117**

### Credit cards' market share\*

Number of cards issued



Value of transactions



\* Based on NBP 4Q 2007 data

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### Key role of co-branded cards:

- ✓ acquiring 56 thousands cards (more than 83% of total cards)
- ✓ **more benefits for the client** (minutes, miles, etc.)
- ✓ **Innovative sales channels** (petrol stations, sales points in PLUS sales network)



- Citi Handlowy
- Other banks

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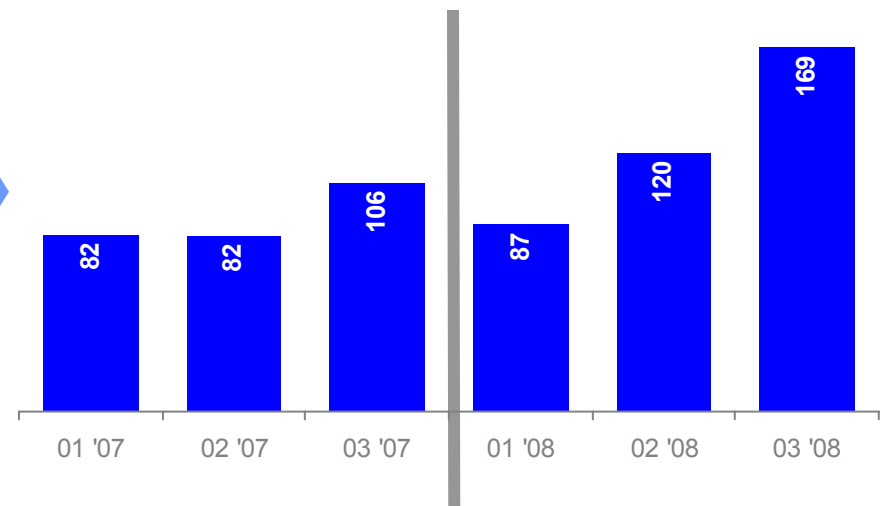
Cash loans – new activity model

- ✓ **Shortening** credit decision process
- ✓ **Raising** the maximum loan amount
- ✓ **Extending** loan tenor
- ✓ **Increasing availability** of the product
- ✓ **Widening** the product's target market

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The new model goals

Dynamic growth of sales through the new model (PLN billion)



1Q 2008

## Saving and investment products

The total of deposit balances and net acquisitions of investment products increased by PLN 700 MM - 35% more than in 4Q 2007



### Short-term saving

- ✓ Saving Account 5,05%
- ✓ High-interests T-lokata deposit (internet term deposit)



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### Long-term investments and savings

Combined offers - investments and term deposits:

- ✓ Investment life insurance „Agro-products and water” + 7% term deposit
- ✓ "Global Investment Portfolio" and „Foreign Funds Portfolio” + 12% term deposit



### Securing of the future

Insurance and investment products:

- ✓ Plus Investment Program

EGON



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1Q 2008

Current account and saving account

Growth of the number  
of **current accounts**  
in PLN  
**by 46%**  
to the level of

**337 thousands \***

\* saving accounts not  
included

1Q 2008 vs 1Q 2007

Growth of deposits on  
**Saving Account**  
**by 56%**  
to the level of

**PLN 2,7 billion \***

\* 1Q 2008 vs. 4Q 2007

Customer assets in  
**structured bonds**  
grew by  
**o 44%**  
to the level of

**PLN 125 million\***

\* 1Q 2008 vs. 4Q 2007

# 1Q 2008 results

PLN MM	1Q 2007	1Q 2008	1Q08/1Q07		One-offs adjusted					
			1Q 2007	1Q 2008	1Q08/1Q07		1Q 2007	1Q 2008	1Q08/1Q07	
					I/(D)	I/(D) %			I/(D)	I/(D) %
Net interest income	289.6	322.1	32.5	11%	289.6	322.1	32.5	11%		
Net fee and commission income	178.4	165.9	(12.5)	(7%)	178.4	165.9	(12.5)	(7%)		
<b>NII + NFCI</b>	<b>468.1</b>	<b>488.1</b>	20.0	4%	<b>468.1</b>	<b>488.1</b>	20.0	4%		
Dividend income	0.0	0.0	(0.0)	n.m.	0.0	0.0	(0.0)	n.m.		
Treasury	115.6	151.1	35.5	31%	115.6	151.1	35.5	31%		
Equity instruments result	6.7	(0.2)	(6.8)	(103%)	0.0	(0.2)	(0.2)	n.m.		
Other operating revenue	14.1	17.2	3.2	23%	14.1	17.2	3.2	23%		
<b>Revenue</b>	<b>604.3</b>	<b>656.2</b>	<b>51.9</b>	<b>9%</b>	<b>597.7</b>	<b>656.2</b>	<b>58.5</b>	<b>10%</b>		
<b>Expenses and depreciation</b>	<b>(374.6)</b>	<b>(410.6)</b>	<b>36.0</b>	<b>10%</b>	<b>(374.6)</b>	<b>(380.6)</b>	<b>6.0</b>	<b>2%</b>		
Total operating expenses	(346.2)	(385.1)	38.9	11%	(346.2)	(355.1)	8.9	n.m.		
Depreciation	(28.4)	(25.5)	(2.8)	(10%)	(28.4)	(25.5)	(2.8)	(10%)		
Income on fixed assets sale	(0.8)	0.7	1.5	n.m.	(0.8)	0.7	1.5	(182%)		
Movements in provisions	20.2	(20.2)	(40.4)	n.m.	20.2	(20.2)	(40.4)	n.m.		
Share in subs' profits	0.5	1.1	0.6	n.m.	0.5	1.1	0.6	n.m.		
<b>EBIT</b>	<b>249.6</b>	<b>227.1</b>	<b>(22.4)</b>	<b>(9%)</b>	<b>242.9</b>	<b>257.1</b>	<b>14.2</b>	<b>6%</b>		
Corporate tax	(52.1)	(47.0)	(5.1)	(10%)	(50.7)	(53.2)	2.5	5%		
<b>Net profit</b>	<b>197.5</b>	<b>180.1</b>	<b>(17.3)</b>	<b>(9%)</b>	<b>192.2</b>	<b>203.9</b>	<b>11.7</b>	<b>6%</b>		

## Significant one-off transactions:

### 1Q 2007

- Gain on sale of Stalexport S.A. shares = PLN 6,7 MM

### 1Q 2008

- Restructuring provision in expenses = (PLN 30 MM)



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