INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OF THE CAPITAL GROUP OF

BANK HANDLOWY W WARSZAWIE S.A.

FOR THE FIRST QUARTER 2010

MAY 2010

Selected financial data

	PLN '000		EUR '000***	
	First quarter growing period from 01.01.10 to 31.03.10	**First quarter growing period from 01.01.09 to 31.03.09**	**First quarter growing period from 01.01.10 to 31.03.10**	**First quarter growing period from 01.01.09 to 31.03.09**
Data related to summary condensed consolidated financial statements				
Interest income	496,786	550,815	125,233	119,758
Fee and commission income	173,201	149,357	43,662	32,473
Profit before tax	196,699	66,774	49,585	14,518
Net profit	150,933	46,153	38,048	10,035
Total income	280,867	12,678	70,803	2,756
Increase of net cash	(3,327,442)	(1,809,181)	(838,802)	(393,352)
Total assets*	37,714,128	37,633,063	9,764,934	9,160,475
Liabilities due to Central Bank*	989,811	980,446	256,282	238,656
Financial liabilities valued at amortized cost*	25,691,053	26,359,837	6,651,922	6,416,396
Shareholders' equity	6,481,090	5,643,114	1,678,082	1,200,331
Share capital	522,638	522,638	135,321	111,169
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	49.60	43.19	12.84	9.19
Capital adequacy ratio (%)*	18.37	16.71	18.37	16.71
Earnings per ordinary share (PLN / EUR)	1.16	0.35	0.29	0.08
Diluted net profit per ordinary share (PLN / EUR)	1.16	0.35	0.29	0.08
Data related to summary condensed financial statements of the Bank				
Interest income	488,626	533,801	123,176	116,059
Fee and commission income	154,185	138,483	38,868	30,109
Profit before tax	184,428	75,065	46,492	16,321
Net profit	141,312	54,651	35,623	11,882
Total income	273,033	17,957	68,828	3,904
Increase of net cash	(3,327,563)	(1,809,217)	(838,832)	(393,359)
Total assets*	36,258,217	36,455,439	9,387,970	8,873,823
Liabilities due to Central Bank*	989,811	980,446	256,282	238,656
Financial liabilities valued at amortized cost*	25,136,479	25,761,339	6,508,332	6,270,712
Shareholders' equity	6,408,490	5,562,034	1,659,285	1,183,084
Share capital	522,638	522,638	135,321	111,169
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	49.05	42.57	12.70	9.05
Capital adequacy ratio (%)*	18.75	16.76	18.75	16.76
Earnings per ordinary share (PLN / EUR)	1.08	0.42	0.27	0.09
Diluted net profit per ordinary share (PLN / EUR)	1.08	0.42	0.27	0.09
Declared or distributed dividends per ordinary share (PLN / EUR)**	3.77	-	0.95	-

** Comparable data according to balance sheet as at 31 December 2009.*

*** The presented ratios are related to declared dividends from the appropriation of the 2009 profit. According to the Management Board of the Bank on the meeting on 18 June 2009, in conformity with Resolution no 26a/2009, no dividend from 2008 profit has been paid.*

**** The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 31 March 2010 - PLN 3.8622 (as at 31 December 2009: PLN 4.1082; as at 31 March 2009 – PLN 4.7013); for the income statement and cash flow- the arithmetic average of month - end NBP exchange rates in first quarter 2010 - PLN 3.9669 (in first quarter 2009: PLN 4.5994).*

CONTENTS

Condensed consolidated income statement

PLN ’000	**First quarter growing period from 01.01.10 to 31.03.10**	**First quarter growing period from 01.01.09 to 31.03.09**
Interest and similar income	496,786	550,815
Interest expense and similar charges	(124,155)	(160,400)
Net interest income	**372,631**	**390,415**
Fee and commission income	173,201	149,357
Fee and commission expense	(23,717)	(24,567)
Net fee and commission income	**149,484**	**124,790**
Dividend income	11	12
Net income on financial instruments and revaluation	56,879	39,608
Net gain on investment debt securities	21,960	19,892
Net gain on investment (capital) instruments	2,516	1,440
Other operating income	18,929	28,926
Other operating expenses	(23,471)	(12,316)
Net other operating income	**(4,542)**	**16,610**
General administrative expenses	(307,703)	(352,016)
Depreciation expense	(16,939)	(21,726)
Profit / (loss) on sale of tangible fixed assets	(122)	1,482
Net impairment losses	(77,354)	(152,493)
Operating income	**196,821**	**68,014**
Share in profits / (losses) of undertakings accounted for under the equity method	(122)	(1,240)
Profit before tax	**196,699**	**66,774**
Income tax expense	(45,766)	(20,621)
Net profit	**150,933**	**46,153**
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	**1.16**	**0.35**
Diluted net profit per ordinary share (in PLN)	**1.16**	**0.35**
Including:		
Net profit due to shareholders of dominant entity	150,933	46,153
Net profit due to minority shareholders	-	-

Condensed consolidated statement of comprehensive income

PLN ’000	**First quarter growing period from 01/01/10 to 31/03/10**	**First quarter growing Period from 01/01/09 to 31/03/09**
Net income	**150,933**	**46,153**
Other comprehensive income:		
Valuation of financial assets available for sale (net)	131,721	(36,694)
Difference in exchange rates	(1,787)	3,219
Other comprehensive income after tax	**129,934**	**(33,475)**
Total income	**280,867**	**12,678**
Including:		
Comprehensive income due to shareholders of dominant entity	280,867	12,678
Comprehensive income due to minority shareholders	-	-

Condensed consolidated balance sheet

State as at	31.03.2010	31.12.2009
PLN '000		
ASSETS		
Cash and balances with Central Bank	748,588	4,113,355
Financial assets held-for-trading	4,868,211	5,397,125
Debt securities available-for-sale	14,460,136	8,290,225
Equity investments valued at equity method	55,887	56,895
Other equity investments	21,668	24,140
Loans and advances	14,308,454	16,777,255
to financial sector	*2,728,025*	*4,802,562*
to non-financial sector	*11,580,429*	*11,974,693*
Property and equipment	493,449	505,192
land, buildings and equipment	*475,141*	*486,884*
investment property	*18,308*	*18,308*
Intangible assets	1,280,687	1,282,574
Deferred income tax assets	423,719	476,372
current	*79,863*	*97,657*
deffered	*343,856*	*378,715*
Other assets	1,040,429	690,384
Non-current assets held-for-sale	12,900	19,546
Total assets	**37,714,128**	**37,633,063**
LIABILITIES		
Liabilities due to Central Bank	989,811	980,446
Financial liabilities held-for-trading	3,148,177	3,108,493
Financial liabilities valued at amortized cost	25,691,053	26,359,837
deposits from	*24,149,058*	*25,307,218*
financial sector	*5,854,601*	*4,735,260*
non-financial sector	*18,294,457*	*20,571,958*
other liabilities	*1,541,995*	*1,052,619*
Provisions	41,021	49,390
Income tax liabilities	514	-
Other liabilities	1,362,462	935,508
Total liabilities	**31,233,038**	**31,433,674**
EQUITY		
Issued capital	522,638	522,638
Share premium	3,030,546	3,030,546
Revaluation reserve	50,695	(81,026)
Other reserves	2,224,759	2,225,712
Retained earnings	652,452	501,519
Total equity	**6,481,090**	**6,199,389**
Total liabilities and equity	**37,714,128**	**37,633,063**

Condensed consolidated statement of changes in equity

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	**Total equity**
Balance as at 1 January 2010	**522,638**	**3,030,546**	**(81,026)**	**2,225,712**	**501,519**	**-**	**6,199,389**
Total income	-	-	131,721	(1,787)	150,933	-	280,867
Valuation of capital rewards program, including:	-	-	-	834	-	-	834
- *valuation change*	-	-	-	*1,420*	-	-	*1,420*
- *income tax respite*	-	-	-	*(586)*	-	-	*(586)*
State as at 31 March 2010	**522,638**	**3,030,546**	**50,695**	**2,224,759**	**652,452**	**-**	**6,481,090**

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	**Total equity**
Balance as at 1 January 2009	**522,638**	**3,029,703**	**(144,110)**	**1,627,692**	**589,886**	**-**	**5,625,809**
Total income	-	-	(36,694)	3,219	46,153	-	12,678
Valuation of capital rewards program, including:	-	-	-	4,627	-	-	4,627
- *valuation change*	-	-	-	*5,712*	-	-	*5,712*
- *income tax respite*	-	-	-	*(1,085)*	-	-	*(1,085)*
State as at 31 March 2009	**522,638**	**3,029,703**	**(180,804)**	**1,635,538**	**636,039**	**-**	**5,643,114**

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	**Total equity**
Balance as at 1 January 2009	**522,638**	**3,029,703**	**(144,110)**	**1,627,692**	**589,886**	**-**	**5,625,809**
Total incomes	-	-	63,084	(785)	504,399	-	566,698
Valuation of capital rewards program, including:	-	-	-	6,937	-	-	6,937
- *valuation change*	-	-	-	*8,917*	-	-	*8,917*
- *income tax respite*	-	-	-	*(1,980)*	-	-	*(1,980)*
Dividend paid	-	-	-	-	(55)	-	(55)
Transfer on capital	-	843	-	591,868	(592,711)	-	-
State as at 31 December 2009	**522,638**	**3,030,546**	**(81,026)**	**2,225,712**	**501,519**	**-**	**6,199,389**

Condensed consolidated statement of cash flows

PLN '000	**First quarter growing period from 01.01.10 to 31.03.10**	**First quarter growing period from 01.01.09 to 31.03.09**
Cash at the beginning of reporting period	**4,133,391**	**3,607,530**
Cash flows from operating activities	(3,248,649)	(1,770,163)
Cash flows from investing activities	2,685	(11,421)
Cash flows from financing activities	(81,478)	(27,597)
Cash at the end of reporting period	**805,949**	**1,798,349**
Increase / (decrease) in net cash	**(3,327,442)**	**(1,809,181)**

Supplementary notes to the condensed consolidated financial statements

1. General information about the Bank and Capital Group of the Bank

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**	
		31.03.2010	**31.12.2009**
Entities fully consolidated			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. under liquidation	Warsaw	100.00	100.00
Entities accounted for under the equity method			
Handlowy Inwestycje Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.A.r.l.	Luxembourg	100.00	100.00
Bank Rozwoju Cukrownictwa S.A. under liquidation	Poznań	100.00	100.00

In the first quarter of 2010 there were no changes in structure of the Group's units.

2. Conformity statement

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*, as adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2009.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is required to publish the financial results for the 3 months ended 31 March 2010 which is deemed to be the current interim financial reporting period.

3. Principles accepted at composition of report

The condensed interim consolidated financial statements of the Group for the first quarter of 2010 have been prepared in accordance with accounting principles adopted and summarized in the annual consolidated financial statements of the Group for the period ended 31 December 2009.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2010 to 31 March 2010. Comparable financial data is presented for the period from 1 January 2009 to 31 March 2009 and for Balance sheet as at 31 December 2009.

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

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

In the first quarter of 2010 the Polish economy saw more indications of progressing recovery. In the period January-February industrial production grew on average by 8.9% YOY, compared to 5.3% YOY in the fourth quarter of 2009. The growth industrial production was stimulated by a gradual revival in the Eurozone economies, which increased export demand for Polish goods. At the same time unfavorable weather conditions in the first two months of 2010 had negative impact on the performance in the construction sector, whose production in the period January-February went down by 19.9% YOY, compared to a growth of 5.3% YOY in the fourth quarter of 2009.

Despite the economic revival the situation in the labor market did not change significantly compared to the previous months. Average employment in the enterprise sector declined in the period January-February by 1.3% YOY, compared to a decrease of 2.1% YOY in the fourth quarter of 2009. Constantly weak demand for work and growing unemployment were the main factors of limited pay rise pressures. Average wage in the enterprise sector rose on average by only 1.7% YOY in the period January-February while in the previous quarter it grew on average by 3.6% YOY. Relatively weak economic growth, no pay rise pressures and much stronger Polish zloty helped to limit the rate of growth in consumer prices. Average inflation in the period January-February was 3.2% YOY, which was close to the inflation target (2.5% +/–1 percentage point).

In the first quarter 2010 the selection of new members of the Polish Monetary Policy Council was completed, however, changes in the membership of the Council did not have any effect on the current directions of the monetary policy. In the period January-March the Polish Monetary Policy Council decided to keep interest rate at a historically low level of 3.5%. Monetary authorities also decided to reduce the feed to the banking system with Polish zloty and foreign currency liquidity.

Lower aversion to risk in the global markets had a positive effect on the exchange rate of the Polish zloty and other currencies in the CEE region. Stable fundamentals of the Polish economy and continued privatization of Polish enterprises facilitated further appreciation of the Polish zloty, due to which at the end of March 2010 the exchange rate of EUR/PLN was PLN 3.86 compared to PLN 4.11 at the end of 2009. At the same time the Polish currency weakened slightly against U.S. dollar and the exchange rate of USD/PLN grew from PLN 2.85 at the end of December 2009 to PLN 2.87 at the end of the first quarter of 2010.

As the Polish Monetary Policy Council held interest rates low and the high risk premium was decreasing gradually, the market rates in the first quarter of 2010 declined accordingly. Bigger interest of both domestic and foreign investors in the Polish bonds and the perspective of not changing the interest rates by the National Bank of Poland in the next months added to a decreased yield of bonds. As a result, in the first quarter of 2010 the two-year bond yields declined from 5.19% to 4.55% while 10-year bond yields went down from 6.26% to 5.53%. The 3M WIBOR interbank rates persisted visibly above the reference rate of the National Bank of Poland.

Despite the flood of negative global information (about the condition of economies in the Eurozone, plans for more stringent monetary policy in China and intended reduction of investing activities of banks in the U.S.), in the first quarter of 2010 the sentiment in the domestic equity market improved. All the main indices of the Warsaw Stock Exchange (WSE) rose while companies with the lowest capitalization (+12.1% QOQ) had the highest rate of return. At the same time WIG20 was close to 2,500 points, recording a growth by +4.5% compared to the end of 2009. Looking at the respective market sectors, the growth leaders were companies of the food sector (+21.7% QOQ) and WIG-Media (growth by almost 20% compared to the end of 2009). On the other hand, the lowest growth rates in the first quarter were achieved by IT companies (decline by 2.5%) and Developers (decline by 0.4% QOQ). On an annual basis, all indices recorded a significant growth (from 65.1% to 80.7%). From among sector indices definitely the lowest growth rates were achieved by telecommunication companies (mainly TPSA) while Banks and the Food Sector rose at triple-digit rates (by 120% and 164.9%, respectively).

As regards public offers, the first quarter of 2010 was weak. In the above period, only two companies were floated on the main floor of WSE i.e. Eko-Holding (offered value: PLN 88.2 million) and Fast Finance (transfer from New Connect) while three were withdrawn from market trading. There was the total of 377 companies (including 24 foreign ones) traded on WSE, with combined market capitalization of PLN 757 billion (of which 59% were domestic entities).

Warsaw Stock Exchange Equity Indices, as at 31 March 2010

Index	31.03.2010	31.12.2009	QOQ Percentage Change	31.03.2009	YOY Percentage Change
WIG	42,446.51	39,985.99	6.2%	24,036.12	76.6%
WIG-PL	41,636.38	39,372.61	5.7%	23,817.16	74.8%
WIG20	2,495.60	2,388.72	4.5%	1,511.85	65.1%
mWIG40	2,496.22	2,346.14	6.4%	1,381.68	80.7%
sWIG80	12,429.56	11,090.93	12.1%	6,971.77	78.3%
Sector specific sub-indices					
WIG-Banks	6,158.17	5,869.10	4.9%	2,798.54	120.0%
WIG-Construction	5,894.43	5,026.32	17.3%	4,136.62	42.5%
WIG-Chemicals	3,807.77	3,201.34	18.9%	2,201.35	73.0%
WIG-Developers	2,886.17	2,897.23	(0.4%)	1,463.51	97.2%
WIG-IT	1,248.42	1,281.06	(2.5%)	891.30	40.1%
WIG-Media	3,610.00	3,012.68	19.8%	2,096.86	72.2%
WIG-Fuel industry	2,679.39	2,435.46	10.0%	1,799.55	48.9%
WIG-Food industry	3,727.62	3,063.84	21.7%	1,407.21	164.9%
WIG-Telecommunications	1,161.20	1,128.79	2.9%	1,103.16	5.3%

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

Volumes of trade in shares, bonds and derivative instruments on WSE in the first quarter of 2010

	Q1 2010	Q4 2009	QOQ Percentage Change	Q1 2009	YOY Percentage Change
Shares *(PLN million)*	104,580	104,063	0.5%	65,782	59.0%
Bonds *(PLN million)*	556	596	(6.7%)	843	(34.1%)
Futures contracts *(thousand units)*	7,767	6,520	19.1%	5,919	31.2%
Option contracts *(thousand units)*	353.5	239.0	47.9%	174.6	102.5%

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

Despite positive sentiment towards the equities market in the first quarter of 2010, equities trading was not different than in the fourth quarter of 2009 (over PLN 104 billion).

Investors' activity in the debt securities market declined significantly. Compared to the previous quarter bond trading went down by 6.7%, and by 34.1% on an annual basis.

The futures and options market also gained from significantly increased investor interest in the first quarter of 2010. The total volume of futures contracts reached 7,76 million units and it rose by 19.1% compared to the fourth quarter of 2009 and by 31.2% compared to the equivalent period a year earlier. Options contract trading recorded even higher rates of growth (by 47.9% and 102.5%, respectively).

5. Banking sector

The year 2009 was certainly one of the most difficult periods for the banking sector. Following such events as a sudden depreciation of the Polish zloty, the problem of currency options, lower liquidity of the interbank market and a need of high provisioning connected with a deteriorating quality of the credit portfolio, it seems that in the year 2010 the situation should improve gradually, which will translate into better performance of financial institutions operating in the Polish market.

In the first quarter of 2010 the volume of corporate loans declined by 10% compared to the first quarter of 2009, which resulted from appreciation of the Polish currency (by nearly 20% against euro and U.S. dollar), tightened lending policies pursued by banks and postponement of investment plans by Polish companies. At the same time household loans increased during the last 12 months by 6%, mainly owning to mortgage loans in PLN (growth by 30% YOY) and consumer loans (growth by 9% YOY) while the volume of mortgage loans in foreign currencies declined by 9% YOY (increase by around 5% net of exchange losses).

Margins on new consumer loans to households remained unchanged for the last 12 months while margins on mortgage loans increased slightly. Margins on new corporate loans in PLN increased as well.

In February 2010 the Polish Financial Supervision Authority issued Recommendation T regarding best practices for retail credit exposure risk management. The purpose of the recommendation is to reduce credit risk connected among other things with excessive debts of individuals as well as debs incurred in foreign currencies, which is connected with exchange risk. Recommendations of the Polish Financial Authority may reduce the growth in credit volumes, however, they should add to security of the sector by way of risk cost reduction.

Corporate deposits grew by 10% compared to the end of March 2009 while household deposits reached the value of PLN 385 billion, which translated to a growth of 9% YOY.

Margins on new term deposits made by households were still negative, although they approached zero. Margins on current deposits went down significantly as well. The situation in new corporate deposits was similar: margins on term deposits went up while they declined slightly on current deposits.

6. Financial analysis of the Group's Results

- Balance sheet

At the end of the first quarter of 2010 total assets amounted to PLN 37.7 billion as compared with PLN 37.6 billion at the end of 2009 and increased by PLN 81.0 million (or 0.2%). The biggest impact on the change had an increase of AFS debt securities portfolio (up by PLN 6.2 billion, or 74%), primarily as a effect of higher balance of cash bonds of the National Bank of Poland and higher bonds portfolio as at the end of the first quarter 2010 comparing to the end of 2009. At the same time the balance of Cash and balances with the Central Bank recorded a decrease (down by PLN 3.4 billion, or 82%), which is driven by reserve requirement management. The balance of loans, advances and other receivables recorded a decrease as well (drop by PLN 2.5 billion, or 64%). Decrease of loans to non-financial sector was driven mainly by the lower balance of corporate loans (down by PLN 0.3 billion, or 4%).

Loans and advances, net

	31.03.2010	**31.12.2009**	**Change**	
PLN '000			**PLN '000**	**%**
Loans and advances to non-financial sector				
Corporate customers*	6,092,414	6,361,327	(268,913)	(4.2%)
Individual customers, including:	5,488,015	5,613,366	(125,351)	(2.2%)
Credit cards	*2,350,570*	*2,406,703*	*(56,133)*	*(2.3%)*
Cash loans to customers	*2,846,807*	*2,918,866*	*(72,059)*	*(2.5%)*
Total	**11,580,429**	**11,974,693**	**(394,264)**	**(3.3%)**
Loans and advances to financial sector				
Banks and other monetary financial institutions	1,240,537	3,477,729	(2,237,192)	(64.3%)
Non-banking financial institutions	1,487,488	1,324,833	162,655	12.3%
Total	**2,728,025**	**4,802,562**	**(2,074,537)**	**(43.2%)**
Total loans and advances	**14,308,454**	**16,777,255**	**(2,468,801)**	**(14.7%)**

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

Loans and advances to non-banking sector, gross

	31.03.2010	**31.12.2009**	**Change**	
PLN '000			**PLN '000**	**%**
Not at risk of impairment, including:	12,288,922	12,502,809	(213,887)	(1.7%)
Non-financial sector				
corporate customers	*5,392,850*	*5,637,988*	*(245,138)*	*(4.3%)*
individual customers	*5,409,452*	*5,540,852*	*(131,400)*	*(2.4%)*
At risk of impairment, including	2,129,288	2,120,333	8,955	0.4%
Non-financial sector				
corporate customers	*1,380,366*	*1,460,258*	*(79,892)*	*(5.5%)*
individual customers	*726,492*	*637,658*	*88,834*	*13.9%*
Dues related to matured derivative transactions	131,774	137,373	(5,599)	(4.1%)
Total	**14,549,984**	**14,760,515**	**(210,531)**	**(1.4%)**
Impairment, including:	1,482,067	1,460,989	21,078	1.4%
Dues related to matured derivative transactions	103,560	106,360	(2,800)	(2.6%)
Loans and advances to non-banking sector, net	**13,067,917**	**13,299,526**	**(231,609)**	**(1.7%)**
Provision coverage ratio	**65%**	**64%**		

Loans to non-banking sector gross, in division to performing vs. non-performing (reverse repo transactions included)

PLN '000	**31.03.2010**	**31.12.2009**	**Change** *PLN '000*	**%**
Performing loans	12,636,745	12,892,154	(255,409)	(2.0%)
including non-financial sector				
corporate customers	*5,652,237*	*5,950,278*	*(298,041)*	*(5.0%)*
individual customers	*5,497,888*	*5,617,907*	*(120,019)*	*(2.1%)*
Non-performing loans	1,781,465	1,730,988	50,477	2.9%
including non-financial sector				
corporate customers	*1,120,979*	*1,147,968*	*(26,989)*	*(2.4%)*
individual customers	*638,056*	*560,603*	*77,453*	*13.8%*
Dues related to matured derivative transactions	131,774	137,373	*(5,599)*	*(4.1%)*
Total	**14,549,984**	**14,760,515**	**(210,531)**	**(1.4%)**
Non-performing loans ratio (NPL)	**12.4%**	**11.8%**		

On liabilities side, the biggest change (down by PLN 0.7 billion, or 3%) was recorded in liabilities valued at amortized cost. This change was primarily due to lower balance of current accounts of corporate customers (down by PLN 1.1 billion, or 19%) as at 31 March 2010 as well as term deposits of these customers (down by PLN 0.9 billion, or 11%), although average balances of corporate deposits remained stable in the first quarter of 2010. At the same time deposits of banks and other financial institution as at the end of the first quarter 2010 increased by PLN 1.1 billion, or 65% as compared to the end of 2009.

Deposits

PLN '000	**31.03.2010**	**31.12.2009**	**Change** **PLN '000**	**%**
Non-financial sector				
Current accounts, including:	**9,330,983**	**10,611,552**	**(1,280,569)**	**(12.1%)**
corporate customers	4,920,696	6,066,200	(1,145,504)	(18.9%)
individual customers	4,410,287	4,545,352	(135,065)	(3.0%)
Deposits, including:	**8,943,923**	**9,939,698**	**(995,775)**	**(10.0%)**
corporate customers	7,239,074	8,148,746	(909,672)	(11.2%)
individual customers	1,704,849	1,790,952	(86,103)	(4.8%)
Accrued interest	**19,551**	**20,708**	**(1,157)**	**(5.6%)**
Total	**18,294,457**	**20,571,958**	**(2,277,501)**	**(11.1%)**
Financial sector				
Banks and other monetary financial institutions	2,705,946	1,643,480	1,062,466	64.6%
Non-banking financial institutions	3,148,655	3,091,780	56,875	1.8%
Total	**5,854,601**	**4,735,260**	**1,119,341**	**23.6%**
Total deposits	**24,149,058**	**25,307,218**	**(1,158,160)**	**(4.6%)**

- Income statement

In the first quarter of 2010 the Group reported consolidated net income of PLN 150.9 million, up by PLN 104.8 million (or 227%) compared to the first quarter of 2009. At the same period, the Group’s revenue increased by PLN 6.2 million (or 1%) to PLN 598.9 million.

The main determinants of the Group’s operating result for the first quarter of 2010 as compared to the corresponding period of 2009 were:

net interest income amounting to PLN 372.6 million in comparison with PLN 390.4 million recorded in the first quarter of 2009 (down by PLN 18 million, or 5%), stemming mainly from lower income from non-financial sector loans (decrease of National Polish Bank reference rates and decrease of volumes), at the same time cost of non-financial sector deposits was lower as well as income from debt securities was higher (primarily increase the portfolio of AFS securities);

Interest income

PLN ’000	**01.01 - 31.03.2010**	**01.01 - 31.03.2009**	**Change**	
			PLN ’000	**%**
Interest and similar income from:				
Central Bank	7,263	13,755	(6,492)	(47.2%)
Placements in banks	6,643	31,579	(24,936)	(79.0%)
Loans and advances, of which:	303,478	346,726	(43,248)	(12.5%)
Financial sector	13,909	7,888	6,021	*76.3%*
Non-financial sector, including:	289,569	338,838	(49,269)	*(14.5%)*
on credit cards	*95,269*	*94,477*	*792*	*0.8%*
Debt securities available-for-sale	146,600	132,931	13,669	10.3%
Debt securities held-for-trading	32,802	25,824	6,978	27.0%
Total	**496,786**	**550,815**	**(54,029)**	**(9.8%)**
Interest expense and similar charges on:				
Operations with Central Bank	(9,419)	-	(9,419)	-
Deposits from banks	(3,779)	(7,632)	3,853	(50.5%)
Deposits from financial sector (excl. banks)	(14,856)	(25,098)	10,242	(40.8%)
Deposits from non-financial sector	(93,721)	(120,796)	27,075	(22.4%)
Loans and advances received	(2,380)	(6,874)	4,494	(65.4%)
Total	**(124,155)**	**(160,400)**	**36,245**	**(22.6%)**
Net interest income	**372,631**	**390,415**	**(17,784)**	**(4.6%)**

- net fee and commission income amounting to PLN 149.5 million in comparison with PLN 124.8 reported in the first quarter of 2009 - primarily due to higher income from payment and credit cards in retail banking as well as from higher commissions on brokerage and custody operations;

Fee and commission income

PLN ’000	**01.01 - 31.03.2010**	**01.01 - 31.03.2009**	**Change**	
			PLN ’000	**%**
Fee and commission income				
Insurance and investment products	28,214	32,360	(4,146)	(12.8%)
Payment and credit cards	54,508	38,114	16,394	43.0%
Transaction services	30,357	29,515	842	2.9%
Custody services	16,984	14,596	2,388	16.4%

PLN ’000	01.01 - 31.03.2010	01.01 - 31.03.2009	Change	
			PLN ’000	%
Cash loans	3,347	3,983	(636)	(16.0%)
Brokerage operations	19,223	10,908	8,315	76.2%
Other	20,568	19,881	687	3.5%
Total	**173,201**	**149,357**	**23,844**	**16.0%**
Fee and commission expense				
Payment and credit cards	(14,654)	(14,756)	102	(0.7%)
Brokerage operations	(4,658)	(5,379)	721	(13.4%)
Other	(4,405)	(4,432)	27	(0.6%)
Total	**(23,717)**	**(24,567)**	**850**	**(3.5%)**
Net fee and commission income				
Insurance and investment products	28,214	32,360	(4,146)	(12.8%)
Payment and credit cards	39,854	23,358	16,496	70.6%
Transaction services	30,357	29,515	842	2.9%
Custody services	16,984	14,596	2,388	16.4%
Cash loans	3,347	3,983	(636)	(16.0%)
Brokerage operations	14,565	5,529	9,036	163.4%
Other	16,163	15,449	714	4.6%
Total	**149,484**	**124,790**	**24,694**	**19.8%**

- net income on financial instruments and revaluation amounting to PLN 56.9 million as compared to PLN 39.6 million in the first quarter of 2009 (up by PLN 17.3 million) stemming mainly from counterparty credit risk adjustment (FX options), which decreased the income in first quarter of 2009;
- net income in the area of investment debt securities amounting to PLN 22.0 million as compared to PLN 19.9 million in the first quarter of 2009 as a result of higher level of turnover on AFS securities portfolio;
- net other operating loss amounting to PLN 4.5 million as compared to PLN 16.6 million profit in the first quarter of 2009 (PLN 21.2 million of the negative difference), primarily as a result of provision’s creation on redemption of bonds of Lehman Brothers bank, which were bought by clients from Bank as agent;
- in comparison to the first quarter of 2009, in the first quarter of 2010 the Group reported decrease in general administrative expenses and overheads together with depreciation expenses (down by PLN 49.1 million, or 13%) due to lower staff expenses, advisory services expenses as well as other external services expenses, technology and depreciation expenses.

General administrative expenses and depreciation expense

PLN ’000	01.01 - 31.03.2010	01.01 - 31.03.2009	Change	
			PLN ’000	%
Staff expenses	**157,669**	**171,118**	**(13,449)**	**(7.9%)**
Remuneration costs	138,257	136,363	1,894	1.4%
Perks and rewards	19,412	34,755	(15,343)	(44.1%)
Administrative expenses	**150,034**	**180,898**	**(30,864)**	**(17.1%)**
Telecommunication fees and hardware purchases	34,406	40,365	(5,959)	(14.8%)
Advisory, audit, consulting and other services	35,538	46,020	(10,482)	(22.8%)

PLN ’000	**01.01 - 31.03.2010**	**01.01 - 31.03.2009**	**Change**	
			PLN ’000	**%**
Building maintenance and rent	28,860	32,969	(4,109)	(12.5%)
Marketing	7,753	7,839	(86)	(1.1%)
Transaction costs	13,301	14,038	(737)	(5.3%)
Postal services	7,972	9,298	(1,326)	(14.3%)
Training and education	1,017	2,001	(984)	(49.2%)
Banking supervision	1,915	2,182	(267)	(12.2%)
Other expanses	19,272	26,186	(6,914)	(26.4%)
Depreciation/amortization of tangible and intangible assets	**16,939**	**21,726**	**(4,787)**	**(22.0%)**
Total	**324,642**	**373,742**	**(49,100)**	**(13.1%)**

- Net impairment losses of PLN 77.3 million compared to the PLN 152.5 million in the first quarter of 2009. The lower net impairment losses were caused by significant improvement of the propotion between the amount of provisions released and created on loans at risk of impairment in the Corporate Banking Sector- due to lasting recovery in the economy and stabilization of clients’ financial situation the risk of irregular debt settlement by borrowers was lower. At the same time in the Consumer Banking Sector net impairment losses were higher as a result of quality’s deterioration of credits cards and consumer loans portfolios.

- Ratios

In the first quarter of 2010 basic financial ratios present as follows:

Financial ratios	**Q1 2010**	**Q1 2009**
ROE *	10.6%	9.1%
ROA	1.6%	1.1%
Cost / Income	54%	63%
Loans to non-financial sector / Deposits from non-financial sector**	63%	58%
Loans to non-financial sector/ Total assets **	31%	32%
Net interest income / Revenue	62%	66%
Net fee and commission income / Revenue	25%	21%

*Sum of net profit for four quarters to average equity for four quarters (excluding net profit for the current year).
** Comparable balance sheet data as of 31 December 2009.

Group employment

In full time job equivalents (FTE)	**01.01. – 30.03. 2010**	**01.01. – 30.03. 2009**	**Change**	
			FTEs	**%**
Average employment in the period	5,234	5,404	(170)	(3%)
Average employment at the term end	5,214	5,401	(187)	(4%)

As of March 31, 2010, capital adequacy ratio of the Group amounted to 18.37% and was 1.66 percentage points higher compared to the end of 2009, which was mainly caused by increase of own funds and decrease of total capital requirement (primarily due to lower total market risk requirement).

Capital adequacy ratio*

PLN ’000		**31.03.2010**	**31.12.2009**
I	**Own funds for the calculation of capital adequacy ratio. including:**	**4,465,637**	**4,329,257**
	Less in core and supplementary funds		
	- interests in subordinated financial entities	55,887	56,895
	- intangible assets. including:	1,280,688	1,282,574
	goodwill	*1,245,976*	*1,245,976*
II	**Risk-weighted assets and off-balance sheet liabilities (bank portfolio)**	**17,061,763**	**17,536,963**
III	**Total capital requirements. of which:**	**1,945,223**	**2,072,351**
	- credit risk capital requirements (II*8%)	1,364,941	1,402,957
	- counterparty risk capital requirements	112,826	131,142
	- excess concentration and large exposures risks capital requirements	36,336	54,387
	- total market risk capital requirements	41,762	106,772
	- operational risk capital requirements	361,165	345,885
	- other capital requirements	28,193	31,208
	Capital adequacy ratio (I/III*12.5)	**18.37%**	**16.71%**

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

7. Segmental reporting

Since 1 January 2009 the Group has applied International Financial Reporting Standards (IFRS) 8 “*Operating segments*”. According to the Standard operating segment is a separable component of the Group that engages in business activities from which it earns revenues and incurs expenses (including intragroup transactions between segments), whose operating results are regularly reviewed by the Management Board, as chief operating decision maker of the Group, in order to allocate resources and assess its performance.

The Group is managed in respect of two operating segments – Corporate Bank and Consumer Bank. The valuation of segment assets and liabilities, income and segment results is based on the Group’s accounting policies, including intragroup transactions between segments.

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

- Corporate Bank

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

- Consumer Bank

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

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

Consolidated income statement of the Geoup by business segment

For the period	**01.01 – 31.03.2010**			**01.01 – 31.03.2009**		
PLN ’000	**Corporate Bank**	**Consumer Bank**	**Total**	**Corporate Bank**	**Consumer Bank**	**Total**
Net interest income	178,960	193,671	372,631	181,164	209,251	390,415
Internal interest income, including:	*4,391*	*(4,391)*	-	*9,064*	*(9,064)*	-
Internal income	*4,391*	-	*4,391*	*9,064*	-	*9,064*
Internal expenses	-	*(4,391)*	*(4,391)*	-	*(9,064)*	*(9,064)*
Net commission income	72,537	76,947	149,484	55,118	69,672	124,790
Internal commission income, including:	-	-	-	*1,864*	*(1,864)*	-
Internal income	-	-	-	*1,864*	-	*1,864*
Internal expenses	-	-	-	-	*(1,864)*	*(1,864)*
Dividend income	11	-	11	12	-	12
Net income on traded financial instruments and revaluation	51,214	5,665	56,879	27,925	11,683	39,608
Net gain on investment (deposit) securities	21,960	-	21,960	19,892	-	19,892
Net gain on investment (capital) instruments	277	2,239	2,516	1,440	-	1,440
Net other operating income	10,837	(15,379)	(4,542)	19,430	(2,820)	16,610
General administrative expenses	(142,269)	(165,434)	(307,703)	(154,822)	(197,194)	(352,016)
Depreciation expense	(7,775)	(9,164)	(16,939)	(13,937)	(7,789)	(21,726)
Profit / (loss) on sale of tangible fixed assets	(43)	(79)	(122)	1,315	167	1,482
Net impairment losses	4,198	(81,552)	(77,354)	(114,868)	(37,625)	(152,493)
Operating income	**189,907**	**6,914**	**196,821**	**22,669**	**45,345**	**68,014**
Share in profits (losses) of undertakings accounted for under the equity method	(122)	-	(122)	(1,240)	-	(1,240)
Profit before tax	**189,785**	**6,914**	**196,699**	**21,429**	**45,345**	**66,774**
Income tax expense			(45,766)			(20,621)
Net profit			**150,933**			**46,153**

State as at:	31.03.2010			31.12.2009		
PLN '000	**Corporate Bank**	**Consumer Bank**	**Total**	**Corporate Bank**	**Consumer Bank**	**Total**
Assets, including	**31,798,925**	**5,915,203**	**37,714,128**	**31,608,909**	**6,024,154**	**37,633,063**
Assets valuated by the equity method	*55,887*	*-*	*55,887*	*56,895*	*-*	*56,895*
Non-current assets held-for-sale	*2,999*	*9,901*	*12,900*	*2,999*	*16,547*	*19,546*
Liabilities, including:	**28,549,475**	**9,164,653**	**37,714,128**	**28,370,043**	**9,263,020**	**37,633,063**
Obligations	*24,415,118*	*6,817,920*	*31,233,038*	*24,369,661*	*7,064,013*	*31,433,674*

8. Activities of the Group

1. Corporate Bank

- *Summary segmental results*

PLN '000	Q1 2010	Q1 2009	Change PLN '000	%
Net interest income	178,960	181,164	(2,204)	(1%)
Net fee and commission income	72,537	55,118	17,419	32%
Dividend income	11	12	(1)	(8%)
Net income on traded financial instruments and revaluation	51,214	27,925	23,289	83%
Net gain on debt investment securities	21,960	19,892	2,068	10%
Net gain on investment capital instruments	277	1,440	(1,163)	(81%)
Net other operating income	10,837	19,430	(8,593)	(44%)
Total income	**335,796**	**304,981**	**30,815**	**10%**
General administrative expenses and depreciation	(150,044)	(168,759)	18,715	(11%)
Profit / (loss) on sales of tangible fixed assets	(43)	1,315	(1,358)	(103%)
Net impairment losses	4,198	(114,868)	119,066	(104%)
Share in profits / (losses) of undertakings accounted for under the equity method	(122)	(1,240)	1,118	(90%)
Profit before tax	**189,785**	**21,429**	**168,356**	**786%**
Cost / Income	**45%**	**55%**		

The main factors that determined the gross profit of the Corporate Banking for the first quarter of 2010 as compared to the corresponding period of 2009:

- Slight decrease in net interest income – lower income from loans (decrease of National Polish Bank reference rates and decrease of volumes) was partially compensated by lower cost of deposits as well as higher income from debt securities (primarily increase the AFS portfolio);
- Increase in net fee and commission income caused by higher income on brokerage and custody services;
- Increase of net income on traded financial instruments and revaluation steaming mainly from counterparty credit risk adjustment (FX options), which decreased the income in first quarter of

2009;
- Increase in net income in the area of investment debt securities as a result of higher level of turnover on treasury bonds portfolio;
- Decrease of general administrative expenses, overheads and depreciation expense primarily due to lower staff costs, depreciation (the consolidation of the branch network) and external services expenses,
- Decrease of net impairment losses (PLN 4.2 million recoveries in the first quarter 2010 vs. PLN 114.9 million losses in the first quarter 2009) - as a result of significant improvement of the propotion between the amount of provisions released and created on loans at risk of impairment. Due to lasting recovery in the economy and stabilization of clients' financial situation the risk of irregular debt settlement by borrowers was lower;
- Decrease in net other operating income.

a) Transaction Services

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

In the beginning of 2010 the Bank announced a new strategy for the years 2010–2012. The main pillars of the strategy are new service models: Platinum, Gold, Blue and White, high quality services and innovation of all service segments. Those are to distinguish the Bank from the competition. By implementing the new strategy the Bank wants to win the leading position in the financial market as the most effective user of its resources.

By pursuing the new strategy, in the first quarter of 2010 the Transaction Bank accepted a new customer segmentation – a division into four service models. The new segmentation was followed by the new operational rules for transaction product sales teams, customer service teams and implementation teams. Actions were taken to separate operational units dedicated to serve particular segments. New rules were implemented, making the offer of the Bank even more attractive. Action plan was prepared providing for further steps to continue implementation of the strategy of the Bank.

- *Liquidity and Cash Management Products*

The Bank supplies innovative corporate liquidity management solutions. It continues to expand its offer of such liquidity and cash management products with the aim of meeting the expectations of its clients. The liquidity and cash management product range includes among others:
- virtual cash pooling;
- actual cash pooling; and
- actual cash pooling without reverse bookings.

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

- *Payments and Receivables*

Unikasa

Unikasa is a mass payments market brand of high recognition. It is perceived as a modern product that facilitates servicing of the Bank clients' receivables while allowing payers settlement of their bills for products and services in the most frequently visited locations, such as hyper- and supermarket chains throughout the country. The Bank's counterparties can also choose to use the Unikasa Network infrastructure to form their own branded networks. Unikasa is now present in over 250 cities throughout Poland, in close to 470 locations.

In parallel to processes of establishing new service points, the Bank has continued to acquire new invoice issuers – from the beginning of 2010 the Unikasa Network accepts payments to three new issuers. That results in a constant increase in the number of transactions made in the Unikasa Network.

Foreign Bank Transfers

The Bank has continued the work on automation of foreign bank transfer payments, which translates directly to the quality and speed of the services provided to our clients. The automated bank transfer payment module implemented last year is continually enhanced and expanded by new functionalities. It is expected that those enhancements will further improve the quality and speed of services.

Domestic Bank Transfers

The process of settlement of domestic payments was subject to significant changes. Owing to that the Bank optimized the mode of transmitting payments with low amounts to the National Clearing Chamber for settlement. That improved effectiveness of utilization of Bank's resources.

Direct Debit

With its 38% market share, the Bank is a leader of the Polish market in servicing Direct Debit transactions. In the first quarter of 2010 the Bank in co-operation with the leader in unit-linked (insurance with capital fund) insurance market – AEGON TU na Życie S.A., has launched an innovative *Comfort* Direct Debit. Clients of AEGON are reminded about the approaching date of a direct debit transaction with an SMS.

MicroPayments

In the first quarter of 2010 the Bank continued to strengthen its position of leadership in the market segment in which it offers the MicroPayments product. MicroPayments are used by institutions and entities which accept cash deposits from various payers and have the obligation of returning these together with accrued interest. Courts and prosecution administrations are the clients which use that product.

The number of institutions using the solutions offered by the Bank continues to grow and at the end of the first quarter of 2010 it stood at 83.

- Card Products

The Bank occupies the position of the leader in the pre-paid payment cards market in Poland – estimated market share of the Bank stood at 51.5%.
The Bank's pre-paid charge cards are most frequently used under loyalty, promotional and incentive programs and they have proven an excellent instrument of social benefit distribution.
At the end of the first quarter of 2010 the number of actively used pre-paid cards stood at over 367 thousand.

The Bank has sought to strengthen its position in the business cards segment. At the end of the first quarter of 2010 the number of active cards of that type stood at almost 18 thousand, which represents near 2% growth compared to equivalent period in 2009.

A novelty in the first quarter of 2010 was implementation of a new service – debit card linked to currency accounts (EUR, USD). The Bank offers to its clients the choice of a currency in the account to settle debit card transactions. Clients may chose from debit card to accounts in PLN, USD or EUR. A debit card is an excellent tool helping to control business expenditures connected with frequent traveling and purchases made abroad.

- Cash Products

The Bank offers its clients a broad range of cash products and solutions. Its product offer is responsive to the needs and requirements of diverse client groups. In addition to corporates, also budgetary units, courts and banks rely on the cash settlements offer of the Bank. In the first quarter of 2010 the volume of customer payments made over the period increased compared to equivalent period a year earlier.

- Trade Finance Products

The Bank offers a wide range of trade finance products, including factoring, factoring with insurance, discounting various bills of exchange, supplier financing and distributor financing. In the first quarter of 2010 the Bank continued work to strengthen its position in that segment of banking services. The most noteworthy trade finance achievements of the first quarter of 2010 included:

- acquisition of PLN 545 million worth of receivables under factoring, which ranked the Bank as the third in the volume of turnover among banks providing factoring services,
- 44% growth in factoring turnovers in the first quarter of 2010 compared to the first quarter of 2009,
- signing 12 new actual factoring agreements under the supplier financing program and 11 new recourse factoring agreements.

The Bank expects further increase in the number of clients and turnovers in the segment of trade finance products. Dynamic development in this area is an outcome, among other things, of the “Citi Factoring” campaign – a marketing and sales action promoting recourse factoring with auxiliary services.

In the area of trade servicing products (letter of credit, collection and guarantee) the Bank recorded an impressive – 50 percent – growth in the number of granted guarantees, when comparing the first quarter of 2010 with the first quarter of 2009. The most important events were granting the following guarantees:

- refund of a PLN 54 million worth of advance to the order of one of the global leaders in car manufacturing,
- performance bond for the total of PLN 21 million to the order of one of the global leaders in electrical power engineering,
- performance bond for PLN 18 million to the order of one of the global leaders in building industry,
- payment of PLN 13 million to the order of a furniture manufacturer,
- bidding procedure for PLN 10 million to the order of a telecommunication company.

It is also worth to note that the number of served export letters of credit opened to the benefit of Bank’s clients grew significantly, by 50%.

- EU Office

In the first quarter of 2010 the EU Office prepared its strategy of operations based on available EU resources for the years 2007–2013. The EU Office will concentrate on making both present and prospective clients of the Bank active, while maintaining the top quality of offered products.

In consequence of those actions the interest among the Bank’s clients in utilization of EU funds in their operations grew, which translated into a growing number of new EU advisory contracts signed with these clients.

b) Capital Markets and the Corporate and Investment Bank

- *Treasury*

In the first quarter of 2010 the Bank maintained its position in the market of foreign exchange with corporate clients. That was possible owing to a broad range of services offered to clients. Opportunities of investment of currency surpluses and managing the currency position, offered by the Bank, meet the expectations of the clients in this area.
The CitiFX Pulse internet platform was particularly popular among non-bank clients. The platform is an advanced tool that enables internet-based FX trading at market prices while ensuring speed and safety.
More and more clients appreciate easy, fast and safe CitiFX Pulse transactions. In the first quarter of 2010 the number of active users grew by 11% compared to the first quarter of 2009. At the same time the Bank's income on on-line transactions grew by over 50% compared to equivalent period a year earlier.

- *Commercial Bank*

Through its commercial banking franchise the Bank channels comprehensive financial services to the largest Polish companies, strategic companies with strong growth fundamentals as well as the largest financial institutions and public sector companies.
The Bank's position is particularly strong in servicing international corporations and the largest Polish companies. In servicing the largest corporate clients, the Bank has the significant advantage of being a member of Citigroup. The Bank can offer to these clients some unique services that blend its own knowledge of the local business environment with the international experience and global reach of Citigroup.
One common characteristic of the commercial banking clients is their need for advanced financial products and financial services advisory. The Bank provides in that area coordination of treasury and cash management products, and prepares loan offers involving diverse forms of financing. The innovativeness and competitiveness of the novel financing structures on offer come from a combination of local expertise and experience of the Bank and its cooperation within the global Citigroup structure.
The Bank has continued to pursue the strategy of sustainable asset base growth supported through efficient fund allocation, with particular attention to liquidity management.
The below table presents balances of assets and liabilities in the particular segments in the management view.

Assets

PLN million	**31.03.2010**	**31.12.2009**	**Change**	
			Amount	**%**
Total Commercial Bank	**6,875**	**7,147**	**(272)**	**(4%)**
including:				
MMEs and SMEs	1,531	1,521	10	1%
Public Sector	101	104	(3)	(3%)
Global Clients	2,481	2,334	147	6%
Strategic Clients	1,544	1,887	(343)	(18%)

Liabilities

PLN million	**31.03.2010**	**31.12.2009**	**Change**	
			Amount	**%**
Total Commercial Bank	**14,423**	**16,512**	**(2,089)**	**(13%)**
including:				
MMEs and SMEs	2,739	2,913	(174)	(6%)
Public Sector	1,873	2,989	(1,116)	(37%)
Global Clients	7,123	8,183	(1,060)	(13%)
Strategic Clients	2,612	2,289	323	14%

Key initiatives in the Global Clients Segment

In the first quarter of 2010 compared to the fourth quarter of 2009 the value of granted loans went up. The global clients continued to be interested in factoring transactions, in particular financing of suppliers to international corporations.
The Bank arranged a several hundred million worth of working capital financing to a client from the consumer industry. The volume of transactions in custody of securities grew significantly. Large, several million worth of lease transaction was an undisputable success, which will additionally strengthen the current relations between the client and the Bank. The Bank entered into relations with several new significant clients.

Key initiatives in the Strategic Clients Segment

The first quarter of 2010 was a definitely successful beginning of the year for the Strategic Clients segment mainly owing to transactions of Dom Maklerski Banku Handlowego S.A. – accelerated capital emissions in the raw materials sector and power industry, and a capital transaction carried out together with Citi London.
By strengthening its relations with Strategic Clients in the first quarter of 2010 and expanding the offer of investment banking products, in collaboration with its clients the Bank managed to develop a long list of potential credit and capital transactions that it will execute in 2010 and 2011.

Key initiatives in the Middle Market Enterprises, Small and Medium Enterprises and Public Sector Segments

The new Act on Public Finance caused uncertainty about relations with commercial banks among some public finance entities. In consequence, their cooperation with the Bank was less intensive. However, despite the effect of the new Act on Public Finance, in the first quarter of 2010 the Bank entered into relations with new public sector entities, including common courts under the MicroAccount product while balances in deposits of public sector entities remained stable. On the other hand, the act allowed the Bank to revive the investment account product in the public finance market.

A large municipal bond issue for the city of Warsaw, worth 300 million, was an unquestionable success.

The Bank also conducted a campaign promoting factoring among clients. The campaign was compliant with the strategy targeted, among other things, at making the Bank fully relational for the current SME clients.

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

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

In the first quarter of 2010 DMBH acted as an intermediary in 15.4% of secondary equities trading transactions, thus retaining its market leadership. Over the period the value of equity trades executed via DMBH on WSE reached PLN 16.1 billion (growth of 94% compared to equivalent period of 2009) while trading over the entire WSE market increased by 59% compared to equivalent period of 2009.

Some of the key determinants of the income DMBH generated in the first quarter of 2010 included the favorable market conditions with clear increase in volumes of traded equities, which was underpinned by the global improvement in investor sentiment as well as the inflow of capital to the local equities market. Another positive factor was the increased interest of the domestic investors in exposure to equities and units of participation in investment funds.

In the first quarter of 2010 DMBH intermediated in a number of transactions in which the State Treasury divested its minority interests in companies.

In the nearest future the activity of DMBH may be affected by public offering coming to the market (PZU and Turon), which on the one hand may cause equity price pressures on listed companies and on the other hand – stir the turnovers of DMBH in retail customer services.

At the end of the first quarter of 2010 DMBH performed the role of the Market Maker for 34 companies, which represented close to 9% of all the equities traded on WSE. This number of companies for which DMBH is the Market Maker put DMBH at the very top of the brokerage houses performing that function on WSE. Not only the number of companies for which DMBH is the Market Maker but also the share in stock trading of the Market Maker in the first quarter of 2010 continued to be very high. DMBH continued to be at the very top of the brokerage houses performing that function. DMBH's role as the Marker Maker on WSE was recognized with a prize for the highest share in stock trading in 2009. On 17 February 2010 at the Kubicki Arcade, at the foot of the Royal Castle in Warsaw the Gala Event "Summing Up of 2009 on the Warsaw Stock Exchange" was held. During the Gala, the distinctions were granted to the issuers, WSE members and the authorized advisers that in the past year made special contributions to the development of the Polish stock exchange market. The prize awarded at the Gala Event was another prize granted by the Warsaw Stock Exchange for the highest share of a Market Maker in stock trading on the Main Market.

Additionally, the Own Investments Section acts as the Market Maker for futures contracts for the WIG20 index and the Mw20 index units.

In the first quarter of 2010 DMBH was involved in the following capital market offerings:

- The co-offeror of the secondary trading of shares of Enea S.A. with value of PLN 1.13 billion;
- The co-offeror of series II bond offering of the Capital City of Warsaw, of nominal value of PLN 300 million. The bonds had been listed on BondSpot and WSE under the Catalyst;
- The co-offeror in the accelerated offering of shares of Lotos S.A., with value of PLN 406 million;
- The co-offeror in the accelerated offering of shares of KGHM Polska Miedź S.A., with value of PLN 2.06 billion.

Summary Income Statement and Balance Sheet*

Company name	Headquartered	Participation interest of the Bank in equity	Balance sheet total as at 31.03.2010	Equity as at 31.03.2010	Net financial result for 01.01-31.03.2010
		%	PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	1,001,706	96,528	6,114

** Unaudited unit data*

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

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

The value of leases contracted in the first quarter of 2010 stood at PLN 21.2 million, compared to PLN 86.3 million of new contracts executed in the first quarter of 2009, representing a decline of 75.4%.

Distribution of the assets leased in the first quarter of 2010 between respective sector categories was as follows:

- Heavy transport vehicles dominated, representing 54.7% of total financed movables;
- Machinery and equipment constituted 45.3% of total financed assets.

Net asset value of leases

PLN million	**Q1 2010**	**Q1 2009**	**Change** PLN	%
Value of leases contracted in the period	21.2	86.3	(65.1)	(75.4)
- for vehicles	11.6	32.3	(20.7)	(64.2)
- for machinery and equipment	9.6	54.0	(44.4)	(82.1)

The first quarter of 2010 was another quarter of decline in new leases. The overall value of new leases was affected mainly by the general stagnation prevailing in the leasing sector, which also declined in the first quarter of 2010.

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

Handlowy-Leasing undertakes various actions aimed at improving its offer targeted at all clients of the Bank. The Company takes numerous actions to increase lease sales through the banking network by activating account managers. The co-operation agreement between Handlowy-Leasing and the Bank was annexed in the scope of intermediation in entering into lease contracts on behalf and to the benefit of the Company.
The Company continues the work to consolidate its position as the first choice lease company for the Bank's clients.

Summary Income Statement and Balance Sheet*

Company name	Headquartered	Participation interest of the Bank in equity	Balance sheet total as at 31.03.2010	Equity as at 31.03.2010	Net financial result for 01.01-31.03.2010
		%	PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	1,040,404	160,391	1,724

** Unaudited unit data*

2. Consumer Bank

- *Summary segmental results*

PLN '000	**Q1 2010**	**Q1 2009**	**Change PLN '000**	**%**
Net interest income	193,671	209,251	(15,580)	(7%)
Net fee and commission income	76,947	69,672	7,275	10%
Net income on traded financial instruments and revaluation	5,665	11,683	(6,018)	(52%)
Net gain on investment capital instruments	2,239	-	2,239	-
Net other operating income	(15,379)	(2,820)	(12,559)	445%
Total income	**263,143**	**287,786**	**(24,643)**	**(9%)**
General administrative expenses and depreciation	(174,598)	(204,983)	30,385	(15%)
Profit / (loss) on sale of tangible fixed assets	(79)	167	(246)	(147%)
Net impairment losses	(81,552)	(37,625)	(43,927)	117%
Profit before tax	**6,914**	**45,345**	**(38,431)**	**(85%)**
Cost / income	**66%**	**71%**		

The main factors that determined the gross profit of Consumer Bank in the first quarter of 2010 as compared to the corresponding period of 2009:

- Decrease in net interest income compared to the comparable period of the previous year resulting mainly from lower loans' interest (decreasing the National Polish Bank reference rates);
- Increase in fee and commission income resulting mainly from higher income on payment and credit cards (change in fee and commission schedule) as well as lower cards acquisition expenses;
- Decrease of expenses as a result of continuation of the optimization process in the scope of branch network, infrastructure and technology as well as lower acquisition expenses;
- The higher net impairment losses were caused by quality's deterioration of the credits cards and consumer loans portfolio;
- Increase in net other operating loss primarily as a result of provision's creation on redemption of bonds of Lehman Brothers bank, which were bought by clients from Bank as agent;.

a) Credit Cards

The total portfolio of credit cards as at the end of the first quarter 2010 amounted 1 005 thousand. In the first quarter of 2010 the Bank made numerous modifications to installment products offered under the credit card (among others Comfort Installment Repayment Plan). Firstly, the customer segmentation for installment products was modified, which was targeted on the one hand at better tailoring of the offer for customer needs and the current use of the card as well as at establishing a long-term relation with the client, and on the other hand at optimal use of the customer base potential and increase in income of the Bank. Implementation of the new segmentation was accompanied by a change in strategy, which improved effectiveness of the main channels of distribution. Moreover, in the first quarter of 2010 the installment product offer was expanded with the Balance Transfer – an offer of a cash transfer from a credit card, which is then divided into installments bearing favorable interest rates. The offer is addressed to low risk customer segment with insignificant use of credit lines granted to such clients.

The Bank continues to sell cards in the biggest Shopping Centers in Warsaw, Katowice and Wrocław. It is planned to launch further points in Warsaw, Gdańsk, Poznań and Łódź in the second quarter of 2010.

The Bank continues to intensively develop the Rebates and Discounts Program for Citibank credit card holders. By now the program covers over 4,000 retail trade and service outlets in Poland.

In February 2010 the holders of Citibank-LOT were made a special offer allowing to get double "Welcome Points" in Miles & More. The offer resulted in over 50% growth of sales in March 2010 compared to January 2010.
Campaigns promoting the use of credit cards were also continued. Special offers were introduced: Winter Campaign targeted at all credit card holders, "Beauty & Spa" addressed to the Gold and Platinum card holders, and "3% Discount in the Easter Basket" for Classic credit card holders.

In March 2010 the first stage of the strategy targeted at clients with inactive credit cards was launched. Owing to special offers 16% of currently inactive clients begun to use their cards.

b) Consumer Bank

- Bank Accounts

In January 2010, in accordance with the "Recommendation for Best Practice in Moving Current Accounts", prepared by the Polish Bank Association, the Bank launched the service "Account Mobility". The purpose of the service is to facilitate the change of a bank by a consumer in the Polish banking market. Under such service a Bank's client may ask the Bank, by way of an authorization, to contact his current bank for him and move his current account to the Bank. Moving an account is understood as closing such account in another bank and moving selected payment services linked to the said account, including direct debits and standing orders. It is also possible to move the balance and notify the employer about the new account number.

In February 2010 the Bank launched a special personal account offer for members of the Polish National Chamber of Legal Advisors. Under this offer, when the condition of transferring the wages or keeping a relevant balance in accounts with the Bank is satisfied, a client may use:

- A 3- or 6-month deposit in PLN bearing interest rate one percentage point higher than the highest interest rate for deposits, fixed in the Interest Rate Table, available on the day of opening the deposit in Branches of the Bank, for the maximum amount of PLN 30 thousand,
- A waiver of the personal account administration fee for 12 months,
- A free debit card to the personal account,
- A 50% discount on the monthly fee for the Medical Package for 12 months.

From March 2010 the Bank expanded its offer of debit cards for personal account holders with a new MasterCard PayPass card. The new card is equipped with a chip and has PayPass payment function. The chip secures data encoded in the card against theft, therefore, transactions made with the card satisfy top security standards. Additionally, the PayPass technology allows for faster and more convenient non-cash transactions, just by bringing the card close to a reader in a sales point. That offer has been very popular among the clients. The existing clients may change the card to a new one free of charge.

In the first quarter of 2010 the Bank continued the development of deposit products (*i.a.* by introducing an innovative PayPass card) and maintained the stable growth in the number of accounts.

The number of accounts grew slightly compared to the fourth quarter of 2009 (by over 2%) while on an annual basis their number grew by more than 19% to over 734 thousand, including 197 thousand accounts in foreign currencies. The number of accounts of 734 thousand included savings accounts, which at the end of the first quarter amounted 197 thousand.

In the first quarter of 2010 the Bank reduced its interest rates on deposits, Savings Accounts and SuperSavings Accounts in PLN and foreign currencies, thus adapting its offer to the situation in the market.

In February 2010 the Bank commenced cooperation with Euronet on the display of carriers with the Citi Handlowy logo on ATMs of the Euronet network. The campaign is to increase the awareness of clients of the Bank about the opportunities of free-of-charge withdrawals throughout the Euronet ATM network. The cooperation will be carried out in two phases:

- Phase I – pilot on 100 ATMs in 4 cities in the period from February 2010 until the end of May 2010,
- Phase II – on 989 ATMs in 9 cities in the period from June 2010 until the end of May 2011.

- Credit Products

Cash Loan

In the first quarter of 2010 the Bank concentrated on implementing changes in the product offer, allowing to pursue the new strategy of the Bank. The strategy implemented in the Cash Loan product referred mainly to modification of the price list in such a way as to encourage clients with full or active relation with the bank to use another product.

Two offers were implemented during that period. Clients with a specified level of deposit and credit relation had the interest rate on a loan reduced under the “Bonus for Banking” program, while clients regularly repaying another loan with the Bank received a special offer.

Until the end of January 2010 the Bank continued the promotional campaign commenced in December 2009, targeted at new borrowers. The campaign consisted in offering a loan on preferential terms to the best clients, with nominal interest rate up to 3.5 percentage points lower than in the standard offer.

In February 2010, in response to seasonal needs of its clients the Bank launched another edition of the promotional campaign “The More You Consolidate, the More You Gain”. Clients consolidating liabilities incurred with other banks with a Cash Loan received a more attractive price for the loan. Depending on the consolidated amount a client could reduce the interest on the loan by up to 2.5 percentage points, and for consolidated amounts exceeding PLN 40 thousand, the up-front fee was additionally reduced by 1 percentage point.
The campaign received marketing support in the form of an Internet campaign, leaflets and posters in outlets of the Bank as well as promotional communication targeted at selected clients of the Bank, based on such channels as SMS and IVR.

Credit Line

In the first quarter of 2010 the Bank developed the sale of the Credit Line product through the telephone channel. Personal account holders who receive their wages to the account may apply by the telephone and receive an overdraft with no need to visit the branch.
In January 2010 clients were offered an increased credit line upon sending back a signed annex to the credit agreement to the Bank. Due to seasonal needs of clients that offer was very popular.

Mortgage Products

In the first quarter of 2010 the Bank continued to pursue its Open Architecture strategy, within which it offered products developed by its partners – DomBank and Lukas Bank. At the same time the Bank supported the sale of its own mortgage products by introducing a “Special Offer 3 x PLN 0” beginning from March 2010. The offer consisted in exempting clients from:

- a Housing Loan or Mortgage Loan origination fee;
- a fee for real estate assessment;
- a fee for registering mortgage with the mortgage and land register.

Additionally, the campaign is accompanied by a contest for the best project for a virtual apartment in a dedicated internet service at **www.zamieszkajiwygraj.pl**. The main prize in the contest is PLN 20 thousand, the 2nd prize is PLN 10 thousand and the 3rd prize is PLN 5 thousand. The promotion combined with the contest added to a significant increase in sale of mortgage products.

- Investment Products

In the first quarter of 2010 the Bank implemented the requirements under the Markets in Financial Instruments Directive, that guarantee high standards of protection for clients and clear rules for operation of financial institutions offering investment product and services. The aforesaid changes referred firstly to the distribution of investment fund units and double currency investments.

In March 2010 the Bank implemented in branches and in CitiPhone a new frontline application to service orders for local and foreign investment funds offered directly by the Bank. Implementation of that application is connected with numerous document processing facilities and reduces the risk of errors made when filling in forms.

In the first quarter of 2010 the Bank introduced 9 new funds of Schroders and Franklin Templeton PLN – hedged. Due to the introduction of foreign funds in PLN:

- our products are more available – a client does not need currencies to invest in foreign funds (the minimum first payment is PLN 5 thousand for Schroders funds and PLN 7.5 thousand for Franklin

Templeton funds),

- our costs are lower – no need for currency translation,
- our exchange risk is lower – the risk of a change in an exchange rate of PLN against the currency of fund valuation is hedged – performance of the fund is dependant on changes in prices of underlying assets and not on a change in the exchange rate of PLN.

Structured Products

In the first quarter of 2010 a subscription to an individual WIG 20 index linked Investment Life Insurance was held. The insurance gives an opportunity to gain a premium from a potential growth in prices of shares of 20 largest Polish listed companies and at the same time provides a client with endowment insurance protection and capital protection safeguards (Insurer’s guarantee of returning 100% of paid premiums at the end of the period of coverage).

After more than one year break the Bank restored structured bonds with automated redemption to the offer for Citigold Select clients and Gold clients satisfying specified conditions. Bonds with an automated redemption option have a conditional safeguard of invested capital if during the term of bonds the index does not fall below the minimum level and give an investor an opportunity of conditional interest in connection with automated redemption.

In the first quarter of 2010 the Bank conducted seven subscriptions to structured bonds targeted at Gold and Citigold Select clients. Structured bonds were denominated in PLN (6 subscriptions) and USD (1 subscription). Offerings were addressed both to clients searching for products with fixed coupon payments (4% p.a. for bonds denominated in USD) as well as to clients searching for indirect exposures in the equities market with simultaneous capital protection safeguards.

- Insurance Products

In the first quarter of 2010 the Bank introduced a new insurance product to its offer, available for credit card holders – Income Protection Plan, providing insurance coverage in the case of loss of a job or serious illness and incapacity to work. The insurance provides clients i.a. with benefits up to PLN 1,500 a month in the period after loss of a job or up to PLN 1,000 a month in the case of temporary incapacity to work.
The product is offered in cooperation with an insurer – CARDIF Assurances Risques Divers S.A. Branch in Poland.
The insurance is offered under telephone sale in outgoing campaigns targeted at credit card holders.

- Electronic Banking and Other Remote Service Channels

By consistent pursue of the strategy of enhancing security and convenience of the Citibank Online internet banking, in the first quarter of 2010 the Bank implemented the following solutions:

- Term deposit termination – an option supporting fast savings management;
- Easy and convenient management of invoices due to the Invoices functionality, which enables to use the BILIX service. Instead of paper bills and invoices sent by traditional mail, a client may receive electronic versions delivered directly to Citibank Online;
- Transfer of cash from a credit card. Money can be transferred directly from a Citibank Credit Card account to an account of any domestic recipient. Such transaction is considered as a cash transaction – a fee is 3% of the transferred amount, min. PLN 7;
- Archival electronic bank statements from the period of 3 years;
- Topping up of mobile phones from a Citibank Credit Card account.

The number of clients who contact the Bank via electronic channels is constantly growing:

- The number of clients registered for electronic banking at the end of the first quarter of 2010 was over 574 thousand, i.e. it grew by over 4.5% compared to December 2009;
- The number of users of an electronic bank statement was almost 470 thousand, i.e. it grew by 3% compared to December 2009.

In the first quarter of 2010 the CitiPhone 24h customer service team satisfied the assumed quality standards for customer telephone services and the telephone service factor (TSF) was over 81%.

- Indirect and Direct Customer Acquisition

In the first quarter of 2010 the Citibank At Work Office carried on its relations with corporate clients of the Bank by offering retail products to employees of those companies. The main product offered to clients during meetings held in the companies were personal accounts, the majority of which was supplied with monthly salaries. The Citibank At Work Office is still organizing financial seminars for employees of corporate clients, focused on management of household budgets, safe savings and the use of credit and investment products. In the first quarter of 2010 there were 85 seminars held, attended by almost 1,000 persons.

In connection with a dynamic development of relations with franchise sales points of the Polkomtel mobile network operator (carrier's Subagents), offering Citibank Plus credit cards to clients of the Polkomtel network, in March 2010 it was decided to establish a new, dedicated sales structure to support and develop sales of banking products through franchise channels. Another agreements with partners of Polkomtel were perfected, due to which the network grew to 160 sales points of Plus.

The Bank continued the project of selling credit card in airports. Due to a successful sale of credit cards in the Okęcie Airport last year, the sale was expanded to the airports in Krakow and Katowice, and in the first quarter of 2010 also to the airports in Poznań and Gdańsk. Airports are also an excellent base for acquisition of deposit clients.

2. <u>Branch network</u>

At the end of the first quarter of 2010 the branch network comprised 164 outlets and included the L type outlets (formerly the Commercial Bank, the CitiGold Wealth Management outlets and the Investment Centre), the M type outlets (former multifunctional outlets) and the S type outlets (former CitiFinancial branches).

In the first quarter of 2010 the Bank continued to optimize its branch network. The process contributed to increased operational efficiency, improved sales, optimized use of human resources and infrastructure, and rationalization of the Bank's property management costs.

The branch network optimization in the first quarter of 2010 included the following:

- consumer deposit taking services were expanded in one S type outlet, presently M type outlet;
- in consequence of a property sale decision, full operational activity of L type outlet was moved from ul. Kobylińskiego 13 to the existing outlet at ul. Królewiecka 22 in Płock,
- 19 branches were consolidated, earlier functioning under the CitiFinancial branch. Those activities consisted in moving the outlets' operational activity to the existing multifunctional outlets with the full range of products.

In the perspective of development, in 2010 the Bank will continue to work to ensure adequate level of customer service. At the same time it will react to changes taking place in the market.

In accordance with the assumed strategy, in 2010 all branches in G9 markets (biggest towns in the country, strategic from the point of view of development of consumer banking) and Tier 1 (another group of markets, important from the profitability point of view) will continue the "Citi Grow" program aimed at standardization of sales quality and customer service. The network of bank outlets will be actively supported by remote customer service channels (CitiPhone, internet platform, TeleSales), providing 24h transaction services and sales of banking services tailored for customer needs.

Further outlets will be adapted to expanded consumer deposit taking services. The Bank will also extend the branch network by new outlets on G9 markets.

Number of branches at the period end

	Q1 2010	Q4 2009	Change
Number of outlets:	**164**	**184**	**(20)**
- L type	45	45	no change
- M type	90	87	+3
- S type	29	52	(23)
Other sales / customer service outlets:			
Number of own ATMs	154	161	(7)

9. Seasonality or cyclical nature of business activity

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

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

No debt or equity securities were issued, bought out or repaid in the first quarter of 2010.

11. Paid or declared dividends

Declared dividends

On 13 April 2010, the Management Board of the Bank – the dominant entity made a Resolution concerning the proposal of the distribution of the Bank's profit for 2009. The Bank's Management suggested paying off the amount of PLN 492,586,692.00. The above suggestion means that the dividend per share amounted to PLN 3.77. The Bank's Management Board suggested the day of dividend on 5 July 2010 and the dividend date of payment on 30 August 2010. The above suggestion made by the Management Board of the Bank will be submitted to the Supervisory Board for an opinion and to the General Meeting for their approval.

12. Changes in the Group's structure

In the first quarter of 2010 the structure of the Group has not changed as a result of merger, acquisitions or disposal of subsidiaries, long-term investments, division, restructuring and discontinuation of activity.

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

As at 31 March 2010 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

14. Movements in off-balance sheet commitments

As at 31 March 2010 in relation to the end of 2009 there weren't any significant changes in the range of off-balance sheet obligations, except of some changes concerning the amount of PLN 926 million at a position of received financial liabilities, concerning captured time deposits with a future value date.

The off-balance sheet commitments are as follows:

	31.03.2010	31.12.2009
PLN '000		
Contingent liabilities		
Granted liabilities		
a) financial	11,569,885	11,857,013
Import letters of credit issued	*76,284*	*128,453*
Lines of credit granted	*11,078,987*	*11,428,560*
Deposits to withdraw	*114,614*	*-*
Subscription of securities granted to other issuers	*300,000*	*300,000*
b) guarantees	1,947,999	1,910,419
Guarantees granted	*1,939,517*	*1,902,396*
Export letters of credit confirmed	*8,482*	*8,023*
	13,517,884	**13,767,432**
Liabilities received		
a) financial (*deposits to receive)*	925,670	-
b) guarantees (g*uarantees received)*	3,079,078	3,231,817
	4,004,748	**3,231,817**
Current off-balance sheet transactions*	**1,716,512**	**989,499**
Forward off-balance sheet transactions**	**146,052,233**	**150,135,664**
	165,291,377	**168,124,412**

**Foreign exchange and securities trading, transactions with current value date*
*** Derivatives: FX, interest rate transactions and options*

15. Achievement of 2010 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2010.

16. Information about shareholders

As at the day of transfer of the Interim Statement for the first quarter 2010 the list of shareholders who held at least 5% of the total number of votes at the General Meeting or at least 5% of the Bank's share capital is as follows:

	Value of shares (PLN '000)	Number of shares	% shares	Number of votes at GM	% votes at GM
Citibank Overseas Investment Corporation, USA	391,979	97,994,700	75	97,994,700	75
Other shareholders	130,659	32,664,900	25	32,664,900	25
	522,638	**130,659,600**	**100**	**130,659,600**	**100**

The structure of major shareholdings hasn't underwent any changes since Interim consolidated financial statement for third quarter of 2009 and Annual consolidated financial statement for 2009.

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

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

Name and surname	Function	Number of shares on day of transfer of the Interim Financial Statement for the first quarter 2010	Number of shares on day of transfer of the Annual Consolidated Financial Statement for 2009	Number of shares on day of transfer of the Interim Financial Statement for the third quarter 2009
Iwona Dudzińska	Member of the Managing Board	600	600	600
Andrzej Olechowski	Vice-chairman of Supervisory Board	1,200	1,200	1,200
Total		1,800	1,800	1,800

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

18. Information on pending proceedings

In the first quarter of 2010 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 691 million.

In the first quarter of 2010, the amount of debts of the Bank has decreased. Moreover, big amount of carrying on voluntary arrangement proceedings, bankruptcy proceedings and bankruptcy proceedings with option of voluntary agreement or liquidation, in which the Bank or its subsidiaries participate as creditors and court proceedings with the participation of the Bank concerning enforcement of clause of feasibility to Bank executive title, is still kept. It should be emphasized that the court proceedings, especially bankruptcy and voluntary arrangement proceedings, are long-lasting and protracted.
In accordance with applicable regulations, the Group recognizes impairment losses for loans subject to court proceedings.
As a result of closed proceedings, at least a part of debts due is recovered, which provides a basis for reversing previous impairment losses in part or in whole.

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

Parties to Proceedings	Litigation Value (PLN '000)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	74,024	In April 2009 the Court declared the bankruptcy with the option of liquidation of the Bank's client	In January 2010 the Bank submitted its receivables from loan agreements to the proceedings. Case pending.
Creditor: Bank Handlowy w Warszawie S.A.	43,690	On 12 February 2009 – it was resolved to declare the debtor bankruptcy with an option of a voluntary agreement.	The Bank submitted its receivables from the loan agreements and forward transactions to the proceedings. Case pending.

Parties to Proceedings	Litigation Value (PLN '000)	Proceedings Commencement Date	Description of Case
Creditor: Bank Handlowy w Warszawie S.A.	64,837	On 30 June 2009, the Court declared the debtor's secondary bankruptcy, including the liquidation of the debtor's property and appointed a syndic	The Court called the creditors to submit their receivables. The Bank's receivables concern forward transactions. Case pending.

In the first quarter 2010, 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 first quarter 2010 the total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities hasn't exceeded 10% of the Bank's equity capital.

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

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

In the first quarter of 2010, the Bank and its subsidiaries enter into transactions with related entities. All transactions with related entities were deal on market terms.

20. Information about guarantee agreements

At the end of the first quarter of 2010, the total value of sureties and guarantees extended by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's consolidated shareholders' equity.

21. Other important information

On 22 January 2010, the Management Board of the Bank decided to make an offer for the client of the Bank, who has bought with the mediation of the Bank, the bonds of Lehman Brothers Treasury B.V. and guaranteed by the Lehman Brothers Holdings Inc., to buy those bonds by the Bank or the other entity of the Capital Group of the Bank, for the amount of 60% of their original price in the specific currency.

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

Deteriorated standing of public finance may require more stringent fiscal policy in the next quarters. In a negative scenario that may be connected with a significant reduction of expenditures or a increase in the tax rate, which would affect the financial situation of clients of the Bank.

In spite of economic recovery, another possible slowdown in the Eurozone countries may pose a serious threat to the Polish economy. That could undermine the financial standing of Polish exporters and indirectly increase pressures on the Polish zloty. Tense situation in financial markets in some Eurozone countries, in particular in Greece, may additionally threaten the Polish economy. Possible revival of aversion to risk connected with that may increase the risk of volatility in the financial markets.

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

Summary interim financial statements of the Bank for first quarter 2010

Condensed income statement of the Bank – parent company

PLN '000	**First quarter growing period from 01.01.10 to 31.03.10**	**First quarter growing period from 01.01.09 to 31.03.09**
Interest and similar income	488,626	533,801
Interest expense and similar charges	(123,851)	(157,058)
Net interest income	**364,775**	**376,743**
Fee and commission income	154,185	138,483
Fee and commission expense	(19,252)	(19,203)
Net fee and commission income	**134,933**	**119,280**
Dividend income	11	10
Net income on financial instruments and revaluation	53,374	50,139
Net gain on investment (deposit) securities	21,960	19,892
Net gain on investment (capital) instruments	2,516	1,440
Other operating income	19,283	28,360
Other operating expenses	(23,428)	(10,966)
Net other operating income	**(4,145)**	**17,394**
General administrative expenses	(298,210)	(341,267)
Depreciation expense	(15,810)	(21,017)
Profit / (loss) on sale of tangible fixed assets	(122)	1,492
Net impairment losses	(74,854)	(149,041)
Profit before tax	**184,428**	**75,065**
Income tax expense	(43,116)	(20,414)
Net profit	**141,312**	**54,651**
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	**1.08**	**0.42**
Diluted net profit per ordinary share (in PLN)	**1.08**	**0.42**

Condensed statement of comprehensive income

PLN '000	**First quarter growing period from 01.01.10 to 31.03.10**	**First quarter growing period from 01.01.09 to 31.03.09**
Net income	**141,312**	**54,651**
Other comprehensive income:		
Valuation of financial assets available for sale (net)	131,721	(36,694)
Total income	**273,033**	**17,957**

Condensed balance sheet of the Bank

PLN '000 State as at	31.03.2010	31.12.2009
ASSETS		
Cash and balances with Central Bank	748,588	4,113,355
Financial assets held for trading	4,843,488	5,372,618
Debt securities available-for-sale	14,460,136	8,290,225
Equity investments	301,666	305,016
Loans and advances	13,532,032	15,940,293
to financial sector	*2,916,480*	*5,043,395*
to non-financial sector	*10,615,552*	*10,896,898*
Property and equipment	459,405	471,103
land, buildings and equipment	*441,097*	*452,795*
investment property	*18,308*	*18,308*
Intangible assets	1,277,678	1,278,793
Income tax assets	406,548	459,413
current	*67,004*	*86,687*
deffered	*339,544*	*372,726*
Other assets	215,776	205,077
Non-current assets held-for-sale	12,900	19,546
Total assets	**36,258,217**	**36,455,439**
LIABILITIES		
Liabilities to Central Bank	989,811	980,446
Financial liabilities held for trading	3,148,177	3,108,493
Financial liabilities valued at amortized cost	25,136,479	25,761,339
deposits from	*24,198,885*	*25,408,506*
financial sector	*5,937,134*	*4,861,146*
non-financial sector	*18,261,751*	*20,547,360*
other liabilities	*937,594*	*352,833*
Provisions	41,212	49,527
Other liabilities	534,048	421,011
Total liabilities	**29,849,727**	**30,320,816**
EQUITY		
Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	50,695	(81,026)
Other reserves	2,224,108	2,223,274
Retained earnings	666,464	525,152
Total equity	**6,408,490**	**6,134,623**
Total liabilities and equity	**36,258,217**	**36,455,439**

Condensed statement of changes in equity of the Bank

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	**Total Equity**
Balance as at 1 January 2010	**522,638**	**2,944,585**	**(81,026)**	**2,223,274**	**525,152**	**6,134,623**
Total income	-	-	131,721	-	141,312	273,033
Valuation of capital rewards program, including:	-	-	-	834	-	834
- *valuation change*	-	-	-	*1,420*	-	*1,420*
- *income tax respite*	-	-	-	*(586)*	-	*(586)*
Balance as at 31 march 2010	**522,638**	**2,944,585**	**50,695**	**2,224,108**	**666,464**	**6,408,490**

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	**Total Equity**
Balance as at 1 January 2009	**522,638**	**2,944,585**	**(144,110)**	**1,570,673**	**645,664**	**5,539,450**
Total income	-	-	(36,694)	-	54,651	17,957
Valuation of capital rewards program, including:	-	-	-	4,627	-	4,627
- *valuation change*	-	-	-	*5,712*	-	*5,712*
- *income tax respite*	-	-	-	*(1,085)*	-	*(1,085)*
Balance as at 31 March 2009	**522,638**	**2,944,585**	**(180,804)**	**1,575,300**	**700,315**	**5,562,034**

PLN '000	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	**Total Equity**
Balance as at 1 January 2009	**522,638**	**2,944,585**	**(144,110)**	**1,570,673**	**645,664**	**5,539,450**
Total income	-	-	63,084	-	525,152	588,236
Valuation of capital rewards program, including:	-	-	-	6,937	-	6,937
- *valuation change*	-	-	-	*8,917*	-	*8,917*
- *income tax respite*	-	-	-	*(1,980)*	-	*(1,980)*
Transfer on capital	-	-	-	645,664	(645,664)	-
Balance as at 31 December 2009	**522,638**	**2,944,585**	**(81,026)**	**2,223,274**	**525,152**	**6,134,623**

Condensed summary statement of cash flows of the Bank

PLN '000	**First quarter growing Period from 01.01.10 to 31.03.10**	**First quarter growing Period from 01.01.09 to 31.03.09**
Cash at the beginning of reporting period	**4,133,389**	**3,607,476**
Cash flows from operating activities	(3,308,073)	(1,770,623)
Cash flows from investing activities	3,605	(10,997)
Cash flows from financing activities	(23,095)	(27,597)
Cash at the end of reporting period	**805,826**	**1,798,259**
Increase / Decrease in net cash	**(3,327,563)**	**(1,809,217)**

Condensed additional information

1. Conformity statement

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*, as adopted by European Union and with other applicable regulations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2009.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No. 33, item 259 with former changes) the Bank is required to publish the financial results for the three months ended 31 March 2010 which is deemed to be the current interim financial reporting period.

2. Significant accounting policies

Condensed interim unconsolidated financial statements of the Bank for the first quarter of 2010 have been prepared in accordance with the Decree by virtue of which the issuer, which is also a parent entity, is not obliged to provide the interim financial statements, on condition that it includes the condensed interim financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and abbreviated supplementary notes, comprising of information and data significant for the assessment of the financial position of the issuer and its profit or loss, with the interim consolidated financial statements. In addition, it's required to prepare the abbreviated interim financial statements in accordance with accounting principles adopted in the process of preparation of the annual financial statements.

Principles adopted in the process of preparation of these condensed interim unconsolidated financial statements are consistent with the principles, described in the annual unconsolidated financial statements of the Bank as at 31 December 2009.

Other information and explanations to these condensed interim consolidated financial statements for the first quarter of 2010 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 first quarter of 2010 is presented below.

The Bank's financial results

For first quarter of 2010 the Bank has generated profit before tax of PLN 184 million, that means PLN 109 million increase (i.e. 145.7%) relatively to the same period of previous year. In first quarter of 2010 the Bank has generated net income of PLN 141 million, that means PLN 87 million increase (i.e. 158.6%) relatively to the same period of previous year

The essential impact on net profit in first quarter of 2010 had: decrease of net writes off by PLN 74 million.(i.e. 49.8%), decrease of bank's activity and general administrative expenses and depreciation jointly by PLN 48 million (i.e. 13.3%), increase of result on financial instruments (traded financial instruments, revaluation and investment debt securities) jointly by PLN 6 million (i.e. 8.9%) and increase of result on interest and commissions by PLN 4 million (i.e. 0.8%).

The consolidated quarterly report for the first quarter of 2010 will be made available on the website of Bank Handlowy w Warszawie S.A. at **www.citihandlowy.pl**

Signature of the Vice Director of Financial Reporting and Control Department	Signature of the Vice President of Management Board
Date and signature	Date and signature
05.05.2010	05.05.2010 ....