



**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
OF THE CAPITAL GROUP OF  
BANK HANDLOWY W WARSZAWIE S.A.  
FOR THE FIRST QUARTER 2012**

**MAY 2012**

SELECTED FINANCIAL DATA	PLN '000			EUR '000***
	First quarter accruals period from 01.01.12 to 31.03.12	First quarter accruals period from 01.01.11 to 31.03.11	First quarter accruals period from 01.01.12 to 31.03.12	First quarter accruals period from 01.01.11 to 31.03.11
<b>Data related to the condensed consolidated financial statements</b>				
Interest income	535,362	458,722	128,230	115,425
Fee and commission income	181,136	188,818	43,386	47,511
Profit before tax	309,208	222,367	74,062	55,953
Net profit	243,571	181,183	58,340	45,590
Total income	356,318	157,825	85,346	39,712
Increase of net cash	1,147,643	7,439,608	274,885	1,871,976
Total assets*	40,838,993	42,278,198	9,813,291	9,572,133
Amounts due to banks*	5,488,733	6,011,378	1,318,900	1,361,026
Amounts due to customers*	23,060,720	24,095,847	5,541,311	5,455,499
Shareholders' equity	6,800,799	6,647,618	1,634,179	1,656,975
Share capital	522,638	522,638	125,586	130,272
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	52.05	50.88	12.51	12.68
Capital adequacy ratio (%)*	18.0	16.4	18.0	16.4
Earnings per ordinary share (PLN / EUR)	1.86	1.39	0.45	0.35
Diluted net earnings per share (PLN / EUR)	1.86	1.39	0.45	0.35
<b>Data related to the condensed unconsolidated financial statements</b>				
Interest income	527,818	451,040	126,423	113,492
Fee and commission income	165,312	166,987	39,596	42,018
Profit before tax	299,008	205,498	71,619	51,708
Net profit	236,201	165,135	56,575	41,552
Total income	350,767	141,181	84,016	35,524
Increase of net cash	1,132,575	7,447,197	271,275	1,873,886
Total assets*	39,702,150	41,542,014	9,540,117	9,405,455
Amounts due to banks*	5,064,571	5,543,891	1,216,977	1,255,183
Amounts due to customers*	23,098,184	24,130,225	5,550,313	5,463,282
Shareholders' equity	6,706,354	6,560,484	1,611,485	1,635,256
Share capital	522,638	522,638	125,586	130,272
Number of shares (in pcs)	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	51.33	50.21	12.33	12.52
Capital adequacy ratio (%)*	18.0	15.8	18.0	15.8
Earnings per ordinary share (PLN / EUR)	1.81	1.26	0.43	0.32
Diluted net earnings per share (PLN / EUR)	1.81	1.26	0.43	0.32
Declared or paid dividend per share (PLN / EUR)**	2.76	5.72	0.66	1.43

\* Comparable balance data according as at 31 December 2011.

\*\* The presented ratios are related to dividend declared from the distribution of 2011 profit and dividend paid in 2011 from the distribution of 2010 profit.

\*\*\* The following exchange rates were applied to convert PLN to EUR: for the statement of financial position - NBP average exchange rate as at 31 March 2012 - PLN 4.1616 (as at 31 December 2011: PLN 4.4168; as at 31 March 2011 - PLN 4.0119); for the income statement and cash flow statement - the arithmetic mean of NBP end-of-month exchange rates in the first quarter 2012 - PLN 4.1750 (in the first quarter 2011: PLN 3.9742).

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## Condensed consolidated income statement

<i>PLN '000</i>	First quarter accruals period from 01.01.12 to 31.03.12	First quarter accruals period from 01.01.11 to 31.03.11
Interest and similar income	535,362	458,722
Interest expense and similar charges	(137,473)	(111,487)
<b>Net interest income</b>	<b>397,889</b>	<b>347,235</b>
Fee and commission income	181,136	188 818
Fee and commission expense	(29,036)	(19,104)
<b>Net fee and commission income</b>	<b>152,100</b>	<b>169,714</b>
Net income on trade financial instruments and revaluation	117,006	85,009
Net gain on debt investment securities	72,929	1,244
Other operating income	13,223	14,981
Other operating expenses	(14,451)	(9,758)
<b>Net other operating income</b>	<b>(1,228)</b>	<b>5,223</b>
General administrative expenses	(398,582)	(332,102)
Depreciation expense	(16,423)	(14,428)
Profit/(loss) on sale of tangible fixed assets	49	2,211
Net impairment losses	(14,772)	(41,947)
<b>Operating income</b>	<b>308,968</b>	<b>222,159</b>
Share in net profits/(losses) of entities valued at equity method	240	208
<b>Profit before tax</b>	<b>309,208</b>	<b>222,367</b>
Income tax expense	(65,637)	(41,184)
<b>Net profit</b>	<b>243,571</b>	<b>181,183</b>
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net earnings per share (in PLN)	<b>1.86</b>	<b>1.39</b>
Diluted net earnings per share (in PLN)	<b>1.86</b>	<b>1.39</b>
Including:		
Net profit due to shareholders of the dominant entity	243,571	181,183
Net profit due to non-controlling shareholders	-	-

## Condensed consolidated statement of comprehensive income

<i>PLN '000</i>	<b>First quarter accruals period from 01.01.12 to 31.03.12</b>	<b>First quarter accruals period from 01.01.11 to 31.03.11</b>
<b>Net income</b>	<b>243,571</b>	<b>181,183</b>
<b>Other comprehensive income:</b>		
Valuation of financial assets available-for-sale (net)	114,599	(23,686)
Exchange rate differences	(1,852)	328
<b>Other comprehensive income after tax</b>	<b>112,747</b>	<b>(23,358)</b>
<b>Total comprehensive income</b>	<b>356,318</b>	<b>157,825</b>
Including:		
Comprehensive income due to shareholders of the dominant entity	356,318	157,825
Comprehensive income due to non-controlling shareholders	-	-

## Condensed consolidated statement of financial position

	State as at	31.03.2012	31.12.2011
<i>PLN '000</i>			
<b>ASSETS</b>			
Cash and balances with the Central Bank		2,146,126	979,616
Amounts due from banks		1,209,827	548,256
Financial assets held-for-trading		8,205,811	5,805,044
Debt securities available-for-sale		12,070,679	17,625,355
Capital investments valued at equity method		58,181	57,945
Other capital investments		25,073	24,912
Amounts due from customers		14,169,049	14,719,473
Tangible fixed assets		444,881	457,929
Intangible assets		1,304,299	1,292,067
Income tax assets		325,675	338,757
current		3,096	3,436
deferred		322,579	335,321
Other assets		853,730	403,182
Fixed assets held-for-sale		25,662	25,662
<b>Total assets</b>		<b>40,838,993</b>	<b>42,278,198</b>
<b>LIABILITIES</b>			
Amounts due to banks		5,488,733	6,011,378
Financial liabilities held-for-trading		4,039,831	4,840,447
Amounts due to customers		23,060,720	24,095,847
Liabilities due to debt securities issuance		24,468	25,336
Provisions		81,227	34,914
Income tax liabilities		121,157	72,921
current		121,157	72,921
Other liabilities		1,222,058	752,874
<b>Total liabilities</b>		<b>34,038,194</b>	<b>35,833,717</b>
<b>EQUITY</b>			
Share capital		522,638	522,638
Share premium		3,009,396	3,009,396
Revaluation reserve		32,305	(82,294)
Other reserves		2,262,230	2,264,082
Retained earnings		974,230	730,659
<b>Total equity</b>		<b>6,800,799</b>	<b>6,444,481</b>
<b>Total liabilities and equity</b>		<b>40,838,993</b>	<b>42,278,198</b>

**Condensed consolidated statement of changes in equity**

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
<b>Balance as at 1 January 2012</b>	<b>522,638</b>	<b>3,009,396</b>	<b>(82,294)</b>	<b>2,264,082</b>	<b>730,659</b>	-	<b>6,444,481</b>
Total comprehensive income	-	-	114,599	(1,852)	243,571	-	356,318
<b>Balance as at 31 March 2012</b>	<b>522,638</b>	<b>3,009,396</b>	<b>32,305</b>	<b>2,262,230</b>	<b>974,230</b>	-	<b>6,800,799</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
<b>Balance as at 1 January 2011</b>	<b>522,638</b>	<b>3,031,149</b>	<b>(44,848)</b>	<b>2,248,707</b>	<b>735,289</b>	-	<b>6,492,935</b>
Total comprehensive income	-	-	(23,686)	328	181,183	-	157,825
Valuation of capital rewards program, including:	-	-	-	(3,142)	-	-	(3,142)
valuation change	-	-	-	(6,336)	-	-	(6,336)
deferred income tax	-	-	-	3,194	-	-	3,194
<b>Balance as at 31 March 2011</b>	<b>522,638</b>	<b>3,031,149</b>	<b>(68,534)</b>	<b>2,245,893</b>	<b>916,472</b>	-	<b>6,647,618</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Non-controlling shares	Total equity
<b>Balance as at 1 January 2011</b>	<b>522,638</b>	<b>3,031,149</b>	<b>(44,848)</b>	<b>2,248,707</b>	<b>735,289</b>	-	<b>6,492,935</b>
Total comprehensive incomes	-	-	(37,446)	3,094	736,413	-	702,061
Valuation of capital rewards program, including:	-	-	-	(3,142)	-	-	(3,142)
valuation change	-	-	-	(6,336)	-	-	(6,336)
deferred income tax	-	-	-	3,194	-	-	3,194
Dividends paid	-	-	-	-	(747,373)	-	(747,373)
Transfer to capital	-	(21,753)	-	15,423	6,330	-	-
<b>Balance as at 31 December 2011</b>	<b>522,638</b>	<b>3,009,396</b>	<b>(82,294)</b>	<b>2,264,082</b>	<b>730,659</b>	-	<b>6,444,481</b>

## Condensed consolidated statement of cash flows

<i>PLN '000</i>	<b>First quarter accruals period from 01.01.12 to 31.03.12</b>	<b>First quarter accruals period from 01.01.11 to 31.03.11</b>
<b>Cash at the beginning of the reporting period</b>	<b>1,044,182</b>	<b>3,311,780</b>
Cash flows from operating activities	1,197,116	7,479,843
Cash flows from investing activities	(16,904)	(9,415)
Cash flows from financing activities	(32,569)	(30,820)
<b>Cash at the end of the reporting period</b>	<b>2,191,825</b>	<b>10,751,388</b>
<b>Increase / (decrease) in net cash</b>	<b>1,147,643</b>	<b>7,439,608</b>

## Supplementary notes to the condensed consolidated financial statements

### 1 General information about the Bank and the Capital Group

This interim consolidated report presents financial data 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. ("the dominant entity", "the Bank", "Citi Handlowy") has its registered office in Warsaw at 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 kept 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 shares are quoted on 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 on the domestic and foreign markets. Additionally, the Group conducts the following activities through its subordinated entities:

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

The Group consists of the following subordinated entities:

<b>Subsidiaries</b>	<b>Registered office</b>	<b>% of votes at the General Meeting of Shareholders</b>	
		<b>31.03.2012</b>	<b>31.12.2011</b>
<b>Entities fully consolidated</b>			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxembourg	100.00	100.00
PPH Spomasz Sp. z o.o. w likwidacji	Warsaw	100.00	100.00
<b>Entities valued at equity method</b>			
Handlowy Inwestycje Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.a.r.l.	Luxembourg	100.00	100.00
Bank Rozwoju Cukrownictwa S.A. w likwidacji	Poznań	100.00	100.00



In the first quarter of 2012 there were no changes in the structure of Group's entities.

## **2 Declaration of conformity**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting 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 2011.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes). The Bank is obliged to publish its financial results for the three-month period ended 31 March 2012 which is deemed to be the current interim financial reporting period.

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

The condensed interim consolidated financial statements of the Group for the first quarter 2012 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 2011.

The condensed interim consolidated financial statements of the Group have been prepared for the period from 1 January 2012 to 31 March 2012. Comparable financial data are presented for the period from 1 January 2011 to 31 March 2011 and for the statement of financial position as at 31 December 2011.

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

## **4 Macroeconomic trends and conditions prevailing on the monetary, FX and capital markets**

Monthly macroeconomic data suggests a slight slowdown of Poland's economic growth in the first quarter of 2012 as compared to 4.3% growth in the last quarter of 2011. In the period of January - March 2012 industrial production increased on average by 4.9% as compared to the corresponding period of the previous year and the PMI index showed low dynamics both in domestic and export orders. The export growth rate in January and February 2012 was on average 6.5% YoY and import dynamics grew by 8.3% YoY. In the corresponding period of the previous year, these figures rose by 19.3% YoY and 21.7% YoY, respectively.

The weakening of industrial activity was accompanied by signals of a deteriorating situation on the labor market. In March 2012 the unemployment rate reached 13.3% YoY, after a drop from 13.5% in February 2012 – the highest since April 2007. The growth of the employment rate in the enterprise sector slowed down to a mere 0.7% YoY in the first quarter of 2012. Despite a downturn in the labor market, retail sales growth remained relatively high and in the period of January – March 2012 reached an average of 12.9% YoY in nominal terms. Such high dynamics most likely reflected changes in the consumer behavior of households, which tended to increase their spendings in large stores whose sales results are included in retail sales statistics published by the GUS (Central Statistical Office).

In the first quarter of 2012, the inflation rate fell to 4.1% YoY against 4.6% in the fourth quarter of 2011. Fuel, energy carriers and goods and services related to education noticed the fastest increase in prices. The inflation rate remained above the inflation target which resulted in stronger comments from members of the Monetary Policy Council (MPC). The monetary authority warned that unless the inflation outlook improves and the economic growth rate slows down, the interest rates may be increase. Despite the anti-inflationary rhetoric, the monetary authority maintained the reference interest rate at unchanged level of 4.50% in the first quarter of 2012.

After a significant weakening in the second half of the previous year, the zloty experienced a marked recovery against the euro and the dollar in the first quarter of 2012. Polish currency benefited from an increased risk appetite fueled by ECB loans to banks, which boosted liquidity in the financial markets. At the same time, concerns about the fiscal position of the Eurozone were alleviated, which was accompanied by a restructure of Greek debt. Additionally, the zloty was supported by good economic

data and hawkish comments from Council members. In mid-March 2012, market concerns about the debt situation of the Eurozone rose again, in particular with respect to Spain, causing złoty depreciation. The EUR/PLN exchange rate was 4.16 at the end of March 2012 against 4.41 at the end of 2011 and the USD/PLN exchange rate was 3.12 at the end of March 2012 compared to 3.41 at the end of 2011.

The strengthening of the złoty and a stronger risk appetite contributed to a drop in Polish bond yields in the first weeks of 2012. Bonds were also supported by the perspective of a sharp reduction in fiscal deficit planned by the government. However, lower optimism in international markets and a weaker złoty triggered an adjustment in the debt market in mid-March. An increase of short-term interest rates in March 2012 was also the result of more hawkish comments from members of the Monetary Policy Council. In the first quarter of 2012, the yields of 2-year bonds decreased by approx. 25 bp to 4.61% at the end of March 2012 and 10-year bond yields fell by approx. 34 bp, reaching 5.52%. 3M WIBOR fell in the same period by 4 bp, reaching 4.94%.

The first quarter of 2012 brought a markedly improved sentiment and significant stock market rises, which was facilitated by increased global liquidity following ECB's long-term low-interest loans (LTRO). After poor macroeconomic data releases, growing concerns about the situation in the Chinese real estate market and further escalation of the European debt crisis, such fears were calmed in March 2012. Additionally, investors were successfully discouraged from more activity on the buy side by the prospect of a sale of stock launched by the Treasury.

In the first three months of 2012, companies with the lowest market capitalization turned out to be growth leaders with the sWIG80 index gaining almost 21%. In the same period, the mid-cap stock index, mWIG40, rose by 15%. The relatively poorest performance was recorded by companies in the WIG20 index which at the end of the first quarter of 2012 rose by 6.6% as compared to the end of 2011. In terms of sectors, the chemical and raw materials industries turned out to be the best investments whose indexes rose in the first quarter of 2012 by 29.9% and 25.0%, respectively. Companies included in the WIG-Construction index (-3% QoQ) and in the WIG-Energy index (-4.8% QoQ) were under the highest pressure from sellers and recorded negative rates of return.

In the first quarter of 2012, the primary market of the WSE showed little activity. During this period shared of four new companies debuted on the main stock exchange and the total value of offerings was just over PLN 215 million (of which the value of a new issue stood at PLN 166 million).

At the end of the first quarter of 2012, stocks of 428 companies with a total capitalization of nearly PLN 708 bn were traded on WSE's main trading floor. The market valuation of domestic companies (PLN 488 bn) accounted for 70% of WSE's total capitalization.

### Warsaw Stock Exchange equity market, as at 31 March 2012

Index	31.03.2012	31.12.2011	Change (%) QoQ	31.03.2011	Change (%) YoY
WIG	41,267.16	37,595.44	9.8%	48,729.83	(15.3%)
WIG-PL	40,908.02	37,217.06	9.9%	48,061.66	(14.9%)
WIG-div	980.95	903.09	8.6%	1,040.00	(5.7%)
WIG20	2,286.53	2,144.48	6.6%	2,816.96	(18.8%)
mWIG40	2,503.64	2,173.89	15.2%	2,912.50	(14.0%)
sWIG80	10,262.46	8,496.54	20.8%	12,727.29	(19.4%)
<b>Sector specific sub-indices</b>					
WIG-Banks	5,894.31	5,421.04	8.7%	7,091.76	(16.9%)
WIG-Construction	2,371.62	2,445.10	(3.0%)	4,861.37	(51.2%)
WIG-Chemicals	7,944.08	6,117.02	29.9%	6,650.94	19.4%
WIG-Developers	1,408.39	1,319.94	6.7%	2,520.11	(44.1%)
WIG-Energy	3,666.06	3,850.58	(4.8%)	4,244.59	(13.6%)
WIG-IT	1,184.43	1,079.26	9.7%	1,318.44	(10.2%)
WIG-Media	2,625.77	2,461.89	6.7%	3,775.16	(30.4%)
WIG-Fuel industry	2,746.96	2,567.58	7.0%	3,506.63	(21.7%)
WIG-Food industry	3,747.43	3,481.45	7.6%	4,318.25	(13.2%)
WIG-Raw Materials	4,236.63	3,388.75	25.0%	5,030.03	(15.8%)

Index	31.03.2012	31.12.2011	Change (%) QoQ	31.03.2011	Change (%) YoY
WIG-Telecommunication	1,460.81	1,403.12	4.1%	1,350.99	8.1%

Source: WSE, Dom Maklerski Banku Handlowego S.A

### Volumes of trade in shares, bonds and derivative instruments on WSE in the first quarter of 2012

	1Q 2012	4Q 2011	Change (%) QoQ	1Q 2011	Change (%) YoY
Shares (PLN million)*	118,523	115,460	2.7%	135,579	(12.6%)
Bonds (PLN million)	972	420	131.5%	432	125.1%
Futures contracts (thousand units)	5,220	7,058	(26.0%)	7,422	(29.7%)
Option contracts (thousand units)	286	249	14.8%	545	(47.6%)

\* without tender offers

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

In the first quarter of 2012 investors' activity in the Polish stock market experienced a marked drop as compared with the corresponding period of 2011. The total value of stock trading (without tender offers) in the first three months of 2012 was PLN 118.5 bn and was lower by 12.6% YoY.

Unlike the equity instruments segment, the value of bond trade recorded a hike both in quarterly and annual terms (by 132% and 125% respectively) in the first quarter of 2012.

Investors showed less interest in futures contracts, with the trading volume falling in the first quarter of 2012 by nearly 30% as compared with the first quarter of 2011. In comparison with the fourth quarter of 2011, activity in the volume of trade in future contracts declined by 26%.

From January to March 2012, the volume of option trade market amounted to 286 thousand units and increased by almost 15% QoQ, but in comparison with the first quarter of 2011 activity in this segment fell by 47.6%.

## 5 Situation in the banking sector

Figures published by the Polish Financial Supervision Authority show a further improvement of banking sector results. Net profit for the first two months of 2012 increased by 37% as compared with the corresponding period of the previous year and reached PLN 2.8 bn. The result was strongly affected by a 15% revenue increase (PLN 1.3 bn), with the greatest contribution of the net interest result which rose by nearly PLN 750 million (+14% YoY). Other revenue components also followed an upward trend. The commission result was 8% higher than in the corresponding period of 2011 and other revenues increased by 35% YoY. The dynamic increase of revenues in this period was accompanied by an increase of operating costs in the banking sector (+10% YoY, PLN 443 million). It translated into an increase of the operating margin by 22% YoY (PLN 863 million). Additionally, as a result of further improvement of the loan portfolio quality, particularly in respect of corporate loans, the non-performing loans (NPL) index fell from 8.9% at the end of February 2011 to 8.5% a year later, while net impairment losses decreased by 7% YoY. Annualized costs of risk declined in annual terms by 0.2 pp to 1.0%, the lowest value since the third quarter of 2008.

At the end of March 2012, corporate loans totaled PLN 248 bn, an increase of PLN 33 bn in annual terms (+16% YoY). The volume of investment loans recorded a higher growth than current loans (+25% YoY and 14% YoY respectively). The non-performing loans (NPL) index for loans to large corporations fell in the 12-month period from 9.2% to 7.6% at the end of February 2012. For loans to small and medium-sized businesses, the index was respectively 14.0% at the end of February 2011 and 12.5% at the end of February 2012.

Household loans grew in annual terms by PLN 46 bn (+10% YoY) mainly as a result of mortgage loans, the volume of which increased by over PLN 43 bn (+16% YoY), which was supported to large extent by strengthening of Swiss franc against Polish zloty (+12% YoY). Excluding the impact of foreign currency fluctuations, mortgage loans increased at a rate of 8% YoY (PLN 23 bn). In the same period, the consumer loan portfolio recorded a decline in volume of 2% YoY (PLN 3 bn). The household segment continued to demonstrate a trend of gradual portfolio quality deterioration. The value of non-performing housing loans rose by 45% YoY, which corresponds to an increase of the NPL index by 0.5 pp, to 2.5%. The NPL index for other loans granted to households was 18.4% (an

increase of 0.2 pp in annual terms).

The capital adequacy ratio (CAR) for the banking sector decreased slightly during the year, falling from 13.7% at the end of February 2011 to 13.4%. Tier 1 ratio followed a similar pattern: it dropped in the corresponding period by 0.3 pp to reach 12.0%.

Corporate deposits rose at a rate of 8% YoY (PLN 13 bn), mostly due to term deposits whose balance in annual terms increased by 14% (PLN 13 bn), while current deposits recorded a slight increase by PLN 300 million. Currency structure of the portfolio remained unchanged in annual terms. 85% of total deposits were deposits in zloty (growth of the volume by PLN 10 bn, i.e. 7% YoY). The volume of foreign currency deposits rose by 11% YoY (PLN 3 bn).

Over the past 12 months, household deposits followed a trend similar to the business deposit portfolio. The banking sector recorded a 12% increase in this category (PLN 51 bn), also mainly due to term deposits (an increase of 25% YoY, i.e. PLN 49 bn). Current household deposits grew by a mere 1% YoY (PLN 3 bn).

## 6 Financial analysis of the Group's Results

### 1. Balance sheet

At the end of the first quarter of 2012, total assets amounted to PLN 40.8 billion versus PLN 42.3 billion reported at the end of 2011, down by over PLN 1.4 billion (i.e. 3.4%). The decline was impacted by the following factors:

- decline in balance for debt securities available for sale by PLN 5.6 billion, i.e. 31.5%, reflecting a partial portfolio sales due to the bond yields drop in the market;
- increase in financial assets held-for-trading by PLN 2.4 billion, i.e. 121.0%, principally reflecting the growth of the securities portfolio;
- decrease in net receivables from customers by PLN 0.6 billion, i.e. 3.7%, primarily reflecting a significant decrease of receivables from financial sector (mainly driven by the drop of receivables subject to repurchased agreements) and a slight decline in loans to the corporate customers (down by 2.4%) as well as loans for individual customers (drop by 0.4%).

#### Amounts due from customers

PLN '000	31.03.2012	31.12.2011	Change	
			PLN '000	%
<b>Amounts due from financial sector entities</b>	687,144	1,009,315	(322,171)	(31.9%)
<b>Amounts due from nonfinancial sector entities, including:</b>	13,481,905	13,710,158	(228,253)	(1.7%)
Corporate clients*	8,392,204	8,598,887	(206,683)	(2.4%)
Individual clients, including:	5,089,701	5,111,271	(21,570)	(0.4%)
credit cards	2,167,979	2,250,751	(82,772)	(3.7%)
cash loans to private persons	2,177,042	2,189,440	(12,398)	(0.6%)
mortgage loans	664,128	583,674	80,454	13.8%
<b>Total net receivables from customers</b>	<b>14,169,049</b>	<b>14,719,473</b>	<b>(550,424)</b>	<b>(3.7%)</b>

\* Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.

#### Amounts due from customers divided into not at risk and at risk of impairment

PLN '000	31.03.2012	31.12.2011	Change	
			PLN '000	%
Not at risk of impairment, including:	13,823,969	14,356,929	(532,960)	(3.7%)
non-financial sector entities	13,136,687	13,347,525	(210,838)	(1.6%)
corporate clients*	8,141,331	8,331,622	(190,291)	(2.3%)
individual clients	4,995,356	5,015,903	(20,547)	(0.4%)
At risk of impairment, including:	1,472,057	1,481,786	(9,729)	(0.7%)

PLN '000	31.03.2012	31.12.2011	Change	
			PLN '000	%
non-financial sector entities	1,453,060	1,462,789	(9,729)	(0.7%)
corporate clients*	595,498	616,513	(21,015)	(3.4%)
individual clients	857,562	846,276	11,286	1.3%
Dues related to matured derivative transactions	115,673	116,547	(874)	(0.8%)
<b>Total gross receivables from customers, including:</b>	<b>15,411,699</b>	<b>15,955,262</b>	<b>(543,563)</b>	<b>(3.4%)</b>
non-financial sector entities	14,589,747	14,810,314	(220,567)	(1.5%)
corporate clients*	8,736,829	8,948,135	(211,306)	(2.4%)
individual clients	5,852,918	5,862,179	(9,261)	(0.2%)
<b>Impairment, including:</b>	<b>1,242,650</b>	<b>1,235,789</b>	<b>6,861</b>	<b>0.6%</b>
Dues related to matured derivative transactions	94,160	96,063	(1,903)	(2.0%)
<b>Total net receivables from customers</b>	<b>14,169,049</b>	<b>14,719,473</b>	<b>(550,424)</b>	<b>(3.7%)</b>
Provision coverage ratio	<b>78.0%</b>	<b>76.9%</b>		
corporate clients*	61.5%	60.0%		
individual clients	89.0%	88.7%		

\* Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.

#### Amounts due from customers, gross, divided into performing vs. non-performing

PLN '000	31.03.2012	31.12.2011	Change	
			PLN '000	%
Performing loans, including:	13,891,346	14,425,608	(534,262)	(3.7%)
non-financial sector entities	13,204,064	13,416,204	(212,140)	(1.6%)
corporate clients*	8,141,331	8,331,622	(190,291)	(2.3%)
individual clients	5,062,733	5,084,582	(21,849)	(0.4%)
Non-performing loans, including:	1,404,680	1,413,107	(8,427)	(0.6%)
non-financial sector entities	1,385,683	1,394,110	(8,427)	(0.6%)
corporate clients*	595,498	616,513	(21,015)	(3.4%)
individual clients	790,185	777,597	12,588	1.6%
Dues related to matured derivative transactions	115,673	116,547	(874)	(0.8%)
<b>Total gross receivables from customers</b>	<b>15,411,699</b>	<b>15,955,262</b>	<b>(543,563)</b>	<b>(3.4%)</b>
<b>Non-performing loans ratio (NPL)</b>	<b>9.2%</b>	<b>8.9%</b>		

\* Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.

On the liabilities side, liabilities towards clients decreased by PLN 1.0 billion, i.e. 4.3%, compared to the end of 2011, which was primarily driven by seasonal decline of corporate clients deposits held on current accounts (down by PLN 1.9 billion, i.e. 23.6%). At the same time, the Group saw a slight increase in the corporate term deposits. In Retail, there was a next consecutive quarter of growth on current accounts (by PLN 0.1 billion, i.e. 2.6%), which confirmed the effectiveness of the Bank's strategy principally concentrated on the operating accounts. Customer deposits of the financial sector entities were slightly up, reflecting an increased current account balance. Term deposits remained almost unchanged for this period of time.

Other liabilities to clients were considerably up in the first quarter of 2012 (up by PLN 0.7 billion, i.e. 395.4%) versus the end of 2011, which was predominantly a result of the increase in liabilities subject to repurchased agreements.

## Amounts due to customers

PLN '000	31.03.2012	31.12.2011	Change	
			PLN '000	%
<b>Customers deposits</b>				
<b>Current accounts, including:</b>	<b>11,456,288</b>	<b>13,228,771</b>	<b>(1,772,483)</b>	<b>(13.4%)</b>
financial sector entities	313,956	267,645	46,311	17.3%
non-financial sector entities, including:	11,142,332	12,961,126	(1,818,794)	(14.0%)
Corporate clients*, including:	6,284,857	8,224,387	(1,939,530)	(23.6%)
Budgetary units	1,018,002	2,607,506	(1,589,504)	(61.0%)
Individual clients	4,857,475	4,736,739	120,736	2.6%
<b>Time deposits, including</b>	<b>10,721,694</b>	<b>10,672,927</b>	<b>48,767</b>	<b>0.5%</b>
financial sector entities	1,954,903	1,963,538	(8,635)	(0.4%)
non-financial sector entities, including:	8,766,791	8,709,389	57,402	0.7%
Corporate clients*, including:	7,543,641	7,463,779	79,862	1.1%
Budgetary units	910,668	762,883	147,785	19.4%
Individual customers	1,223,150	1,245,610	(22,460)	(1.8%)
<b>Accrued interest</b>	<b>21,463</b>	<b>20,307</b>	<b>1,156</b>	<b>5.7%</b>
<b>Total customers deposits</b>	<b>22,199,445</b>	<b>23,922,005</b>	<b>(1,722,560)</b>	<b>(7.2%)</b>
<b>Other amounts due to customers</b>	<b>861,275</b>	<b>173,842</b>	<b>687,433</b>	<b>395.4%</b>
<b>Total amounts due to customers</b>	<b>23,060,720</b>	<b>24,095,847</b>	<b>(1,035,127)</b>	<b>(4.3%)</b>

\* Corporate clients include enterprises, public sector, public and private companies, cooperatives, individual enterprises, non-commercial institutions operating for households.

## 2. Income statement

In the first quarter of 2012, the Group delivered a consolidated net profit of PLN 243.6 million, which is an increase by PLN 62.4 million (i.e. 34.4%) as compared to the first quarter of 2011. The revenues of the Group increased by PLN 130.3 million (i.e. 21.4%) to PLN 738.7 million.

The main determinants of the Group's combined operating result in the first quarter of 2012 when compared to the first quarter of 2011 were the following:

- net interest income of PLN 397.9 million versus PLN 347.2 million from the first quarter of 2011 (up by PLN 50.7 million, i.e. 14.6%), stemming primarily from higher interest income from debt securities available-for-sale and debt securities held-for-trading (the effect of higher portfolio yields and a simultaneous increase in the average balance of debt securities held-for-trading in the first quarter of 2012). Additionally, the interest income from customer assets improved by PLN 1.3 billion, i.e. 10.3%, as compared to first quarter of 2011. On the other hand, in the first quarter of 2012, the Group saw higher level of interest costs versus previous year, which was driven by increasing balance of customer deposits (up by 10.3% YoY), particularly in the corporate segment and an increase in interest rates over 2011 (three interest rates rises in the second and third quarter of 2011);

### Interest income

PLN '000	01.01 - 31.03.2012	01.01 - 31.03.2011	Change	
			PLN '000	%
<b>Interest and similar income from:</b>				
Balances with Central Bank	9,786	7,740	2,046	26.4%
Amounts due from banks	9,995	10,158	(163)	(1.6%)
Amounts due from customers, including:	312,194	285,357	26,837	9.4%
financial sector entities	12,883	6,585	6,298	95.6%
non-financial sector, including:	299,311	278,772	20,539	7.4%
credit cards	93,357	90,419	2,938	3.2%



PLN '000	01.01 - 31.03.2012	01.01 - 31.03.2011	Change	
			PLN '000	%
Debt securities available-for-sale	174,069	141,937	32,132	22.6%
Debt securities held-for-trading	29,318	13,530	15,788	116.7%
<b>Total</b>	<b>535,362</b>	<b>458,722</b>	<b>76,640</b>	<b>16.7%</b>
<b>Interest expense and similar charges on:</b>				
Amounts due to banks	(17,444)	(13,657)	(3,787)	27.7%
Amounts due to financial sector entities	(22,046)	(15,259)	(6,787)	44.5%
Amounts due to non-financial sector entities	(95,749)	(79,964)	(15,785)	19.7%
Loans and advances received	(1,964)	(2,339)	375	(16.0%)
Debt securities issuance	(270)	(268)	(2)	0.7%
<b>Total</b>	<b>(137,473)</b>	<b>(111,487)</b>	<b>(25,986)</b>	<b>23.3%</b>
<b>Net interest income</b>	<b>397,889</b>	<b>347,235</b>	<b>50,654</b>	<b>14.6%</b>

- net fee and commission income of PLN 152.1 million versus PLN 169.7 million in the first quarter of 2011 (down by PLN 17.6 million, i.e. 10.4%), primarily due to lower commission income related to Group's participation in sizeable financing and capital market transactions (in the first quarter of 2011 the Group brokered the public call for sale of shares of Bank Zachodni BZ WBK S.A. and was one of the leading banks in the syndicate financing of Cyfrowy Polsat S.A., while in the first quarter of 2012, the Group participated in an accelerated share sale transaction of Polska Grupa Energetyczna S.A.) presented in the table below under the *income from brokerage operations and other*. The decline in commission income from the brokerage operations was due to a lower equity turnover in the first quarter of 2012. On the other hand, higher commission income from payment and credit cards was related to increased transaction volumes on cards, as compared to the first quarter of 2011 and increased fees from insurance products sales, mainly in cash loans insurance;

### Fee and commission income

PLN '000	01.01 - 31.03.2012	01.01 - 31.03.2011	Change	
			PLN '000	%
<b>Fee and commission income</b>				
Insurance and investment products	34,534	31,962	2,572	8.0%
Payment and credit cards	61,660	53,485	8,175	15.3%
Payment orders	28,023	28,778	(755)	(2.6%)
Custody services	20,572	20,159	413	2.0%
Cash loans	1,977	2,813	(836)	(29.7%)
Brokerage operations	15,825	21,848	(6,023)	(27.6%)
Account cash management services	7,569	7,200	369	5.1%
Off-balance-sheet guarantee liabilities	3,654	3,681	(27)	(0.7%)
Off-balance-sheet financial liabilities	1,557	1,928	(371)	(19.2%)
Other	5,765	16,964	(11,199)	(66.0%)
<b>Total</b>	<b>181,136</b>	<b>188,818</b>	<b>(7,682)</b>	<b>(4.1%)</b>
<b>Fee and commission expense</b>				
Payment and credit cards	(15,853)	(9,757)	(6,096)	62.5%
Brokerage operations	(5,346)	(2,487)	(2,859)	115.0%
Fees paid to the National Depository for Securities (KDPW)	(3,972)	(4,141)	169	(4.1%)
Brokerage fees	(1,438)	(1,354)	(84)	6.2%
Other	(2,427)	(1,365)	(1,062)	77.8%
<b>Total</b>	<b>(29,036)</b>	<b>(19,104)</b>	<b>(9,932)</b>	<b>52.0%</b>
<b>Net fee and commission income</b>				
Insurance and investment products	34,534	31,962	2,572	8.0%

PLN '000	01.01 - 31.03.2012	01.01 - 31.03.2011	Change	
			PLN '000	%
Payment and credit cards	45,807	43,728	2,079	4.8%
Payment orders	28,023	28,778	(755)	(2.6%)
Custody services	20,572	20,159	413	2.0%
Cash loans	1,977	2,813	(836)	(29.7%)
Brokerage operations	10,479	19,361	(8,882)	(45.9%)
Account cash management services	7,569	7,200	369	5.1%
Off-balance-sheet guarantee liabilities	3,654	3,681	(27)	(0.7%)
Off-balance-sheet financial liabilities	1,557	1,928	(371)	(19.2%)
Fees paid to the National Depository for Securities (KDPW)	(3,972)	(4,141)	169	(4.1%)
Brokerage fees	(1,438)	(1,354)	(84)	6.2%
Other	3,338	15,599	(12,261)	(78.6%)
<b>Total</b>	<b>152,100</b>	<b>169,714</b>	<b>(17,614)</b>	<b>(10.4%)</b>

- net income on trade financial instruments and revaluation of PLN 117.0 million versus PLN 85.0 million in the first quarter of 2011, i.e. up by PLN 32.0 million as a result of higher result on the Bank's proprietary management;
- net gain on debt investment securities of PLN 72.9 million versus PLN 1.2 million in the first quarter of 2011 due to the realized gains in the declining bond yields environment in the first quarter of 2012;
- other operating income and expenses of PLN -1.2 million versus PLN 5.2 million in the first quarter of 2011, i.e. down by PLN 6.5 million as a result of higher other operating costs due to a provision for legal proceedings with a corporate client;
- in the first quarter of 2012, the Group reported an increase in operating expenses and overheads including depreciation expenses by PLN 68.5 million, i.e. 19.8%, versus the analogical period of 2011, due to establishment of a restructuring provision in the amount of PLN 42.2 million related to optimization of the Bank's branch network (more information on this matter – see page 27 below). Below, the provision is presented in the staff expenses (amounting to PLN 32.4 million) and premises maintenance and rent expenses (amounting to PLN 9.8 million) lines;

#### General administrative expenses and depreciation expense

PLN '000	01.01 - 31.03.2012	01.01 - 31.03.2011	Change	
			PLN '000	%
<b>Staff expenses</b>	<b>(221,145)</b>	<b>(170,780)</b>	<b>(50,365)</b>	<b>29.5%</b>
Remuneration costs	(186,864)	(147,861)	(39,003)	26.4%
Bonuses and rewards	(34,281)	(22,919)	(11,362)	49.6%
<b>Administrative expenses</b>	<b>(177,437)</b>	<b>(161,322)</b>	<b>(16,115)</b>	<b>10.0%</b>
Telecommunication fees and hardware purchase costs	(45,351)	(35,894)	(9,457)	26.3%
Advisory, audit, consulting and other external services' costs	(21,542)	(19,737)	(1,805)	9.1%
Building maintenance and rent costs	(36,649)	(25,977)	(10,672)	41.1%
Marketing costs	(13,410)	(17,382)	3,972	(22.9%)
Cash management services, KIR service and other transactional costs	(12,167)	(14,432)	2,265	(15.7%)
Costs of external services concerning distribution of banking products	(13,468)	(15,426)	1,958	(12.7%)
Postal services, office supplies and printmaking costs	(6,268)	(8,018)	1,750	(21.8%)
Training and education costs	(1,007)	(965)	(42)	4.4%
Banking supervision costs	(2,181)	(1,927)	(254)	13.2%
Other costs	(25,394)	(21,564)	(3,830)	17.8%
<b>Depreciation/amortization of tangible and intangible assets</b>	<b>(16,423)</b>	<b>(14,428)</b>	<b>(1,995)</b>	<b>13.8%</b>



PLN '000	01.01 -	01.01 -	Change	
	31.03.2012	31.03.2011	PLN '000	%
<b>Total</b>	<b>(415,005)</b>	<b>(346,530)</b>	<b>(68,475)</b>	<b>19.8%</b>

- net impairment losses of PLN 14.8 million versus PLN 41.9 million in the first quarter of 2011 (down by PLN 27.2 million, i.e. 64.8%). This was predominantly a result of improved Retail loan portfolio quality (in terms of consumer loans' and credit cards' portfolios), reflecting changes in credit policies made in previous years. Corporate net impairment losses reflected improvements in loan portfolio and lower provision write-downs for both loans with identified impairment loss and loans with no impairment loss.

### Net impairment losses

PLN '000	01.01 -	01.01 -	Change	
	31.03.2012	31.03.2011	PLN '000	%
<b>Net impairment write-downs of financial assets</b>				
<b>Impairment write-downs</b>				
Amounts due from banks	(115)	(551)	436	(79.1%)
Amounts due from customers	(64,735)	(109,884)	45,149	(41.1%)
Dues related to matured transactions on derivative instruments	(135)	(2,699)	2,564	(95.0%)
Other	(3,313)	(5,580)	2,267	(40.6%)
	<b>(68,298)</b>	<b>(118,714)</b>	<b>50,416</b>	<b>(42.5%)</b>
<b>Reversals of impairment write-downs</b>				
Amounts due from banks	100	746	(646)	(86.6%)
Amounts due from customers	52,410	76,018	(23,608)	(31.1%)
Dues related to matured transactions on derivative instruments	142	2,191	(2,049)	(93.5%)
	<b>52,652</b>	<b>78,955</b>	<b>(26,303)</b>	<b>(33.3%)</b>
	<b>(15,646)</b>	<b>(39,759)</b>	<b>24,113</b>	<b>(60.6%)</b>
<b>Net (charges to)/releases of provisions for off-balance-sheet commitments</b>				
Charges to provisions for off-balance-sheet commitments	(4,246)	(11,146)	6,900	(61.9%)
Releases of provisions for off-balance-sheet commitments	5,120	8,958	(3,838)	(42.8%)
	<b>874</b>	<b>(2,188)</b>	<b>3,062</b>	<b>(139.9%)</b>
<b>Net impairment losses</b>	<b>(14,772)</b>	<b>(41,947)</b>	<b>27,175</b>	<b>(64.8%)</b>

### 3. Ratios

In the first quarter of 2012 basic financial ratios were as follows:

Financial ratios	Q1 2012	Q1 2011
ROE *	13.7%	13.6%
ROA**	2.0%	1.7%
Cost/Income	56%	57%
Loans to non-financial sector/Deposits from non-financial sector	68%	70%
Loans to non-financial sector/Total assets	33%	19%
Net interest income/Revenue	54%	57%
Net fee and commission income/Revenue	21%	28%

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

\*\* Sum of net profit for the last four quarters to the average assets for the last four quarters.

### Group employment\*

In full time job equivalents (FTE)	01.01 -	01.01 -	Change	
	31.03. 2012	31.03.2011	FTEs	%

Average employment in the first quarter	5,567	5,755	(188)	(3.3)
Employment at the end of quarter	5,496	5,788	(292)	(5.0)

\*does not include employees on parental and unpaid leave

As at 31 March 2012, capital adequacy ratio of the Group amounted to 18.0% and was 1.6 percentage point higher comparing to the end of 2011, mainly because of the increase of the own funds of the Group. The total capital requirement remained almost unchanged.

### Capital adequacy ratio\*

PLN '000	31.03.2012	31.12.2011
<b>I Own funds in total, including:</b>	<b>4,794,982</b>	<b>4,354,853</b>
Reduction of basic and supplementary funds		
investments in financial entities	58,181	57,945
intangible assets, including:		
goodwill	1,304,299	1,292,066
	1,245,976	1,245,976
<b>II Risk-weighted assets and off-balance-sheet commitments (bank portfolio)</b>	<b>18,592,875</b>	<b>18,042,413</b>
<b>III Total capital requirements, including:</b>	<b>2,127,423</b>	<b>2,130,748</b>
credit risk capital requirements (II*8%)	1,487,430	1,443,393
counterparty risk capital requirements	92,138	133,148
capital requirements for excess of exposures' concentration limit and large exposures' limit	80,592	87,064
total market risk capital requirements	78,758	83,167
operational risk capital requirements	366,893	360,531
other capital requirements	21,612	23,445
<b>Capital adequacy ratio (I/III*12,5)</b>	<b>18.0%</b>	<b>16.4%</b>

\*Capital Adequacy Ratio was calculated according to the rules stated in Resolution No 76/2010 of the Commission for Banking Supervision dated 10 March 2010 regarding the extent and detailed rules of calculation of capital requirements in respect of particular risks (KNF Official Journal No. 2. item 11).

## 7 Segmental reporting

Operating segment is a separable component of the Group engaged in business activity, generating income and incurring expenses (including those on 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 the area of two operating segments – Corporate Banking and Consumer Banking. The valuation of segment's assets and liabilities as well as calculation of its results is based on Group's accounting policies, including intragroup transactions between segments.

The allocation of Group's assets, liabilities, income and expenses to operating segments was made on the basis of internal information prepared for management purposes. Transfer of funds between Group's segments is based on prices derived from market rates. The transfer prices are calculated using the same rules for both segments and any difference results only from maturity and currency structure of assets and liabilities.

### Corporate Banking

Within the Corporate Banking segment the Group offers products and renders services to business entities, self-government units and public sector. Apart from traditional banking services consisting in credit and deposit activities, the segment provides services in the area 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 as well as

obtaining and underwriting financing via public and non-public issue of financial instruments. The activities also comprise proprietary transactions on the capital, debt and derivative instruments market.

## Consumer Banking

Within the Consumer Banking segment the Group provides products and financial services to individuals as well as micro enterprises and individual entrepreneurs through the Citibusiness offer. Apart from keeping bank accounts and providing an extensive credit and deposit offer, it also offers cash loans, mortgage loans and credit cards, provides asset management services and acts as agent in investment and insurance products sale.

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

## Consolidated income statement of the Group by business segment

For the period	01.01. – 31.03.2012			01.01. – 31.03.2011		
	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<i>PLN '000</i>						
Net interest income	202,484	195,405	397,889	160,265	186,970	347,235
Internal interest income, including:	279	(279)	-	3,580	(3,580)	-
Internal income	279	-	279	3,580	-	3,580
Internal expenses	-	(279)	(279)	-	(3,580)	(3,580)
Net commission income	66,058	86,042	152,100	87,086	82,628	169,714
Net income on trade financial instruments and revaluation	107,972	9,034	117,006	78,482	6,527	85,009
Net gain on debt investment securities	72,929	-	72,929	1,244	-	1,244
Net other operating income	5,042	(6,270)	(1,228)	11,588	(6,365)	5,223
General administrative expenses	(160,861)	(237,721)	(398,582)	(146,285)	(185,817)	(332,102)
Depreciation expense	(8,473)	(7,950)	(16,423)	(6,298)	(8,130)	(14,428)
Profit / (loss) on sale of fixed assets	33	16	49	84	2,127	2,211
Net impairment losses	(1,538)	(13,234)	(14,772)	(12,334)	(29,613)	(41,947)
<b>Operating income</b>	<b>283,646</b>	<b>25,322</b>	<b>308,968</b>	<b>173,832</b>	<b>48,327</b>	<b>222,159</b>
Share in net profits (losses) of entities valued at equity method	240	-	240	208	-	208
<b>Profit before tax</b>	<b>283,886</b>	<b>25,322</b>	<b>309,208</b>	<b>174,040</b>	<b>48,327</b>	<b>222,367</b>
Income tax expense			(65,637)			(41,184)
<b>Net profit</b>			<b>243,571</b>			<b>181,183</b>

State as at	31.03.2012			31.12.2011		
<i>PLN '000</i>	Corporate Banking	Consumer Banking	Total	Corporate Banking	Consumer Banking	Total
<b>Assets, including:</b>	<b>35,279,270</b>	<b>5,559,723</b>	<b>40,838,993</b>	<b>36,666,378</b>	<b>5,611,820</b>	<b>42,278,198</b>
Assets valued at equity method	58,181	-	58,181	57,945	-	57,945
Fixed assets held-for-sale	15,760	9,902	25,662	15,760	9,902	25,662
<b>Liabilities, including:</b>	<b>32,092,700</b>	<b>8,746,293</b>	<b>40,838,993</b>	<b>34,556,302</b>	<b>7,721,896</b>	<b>42,278,198</b>
Obligations	27,155,762	6,882,432	34,038,194	29,911,099	5,922,618	35,833,717

## 8 Activities of the Group

### 1. Corporate Banking

#### 1.1. Summary of segment results

PLN '000	Q1 2012	Q1 2011	Change	
			PLN '000	%
Net interest income	202,484	160,265	42,219	26.3%
Net fee and commission income	66,058	87,086	(21,028)	(24.1%)
Net income on trade financial instruments and revaluation	107,972	78,482	29,490	37.6%
Net gain on debt investment securities	72,929	1,244	71,685	5762.5%
Net other operating income	5,042	11,588	(6,546)	(56.5%)
<b>Total income</b>	<b>454,485</b>	<b>338,665</b>	<b>115,820</b>	<b>34.2%</b>
General administrative expenses and depreciation	(169,334)	(152,583)	(16,751)	11.0%
Profit/(loss) on sales of tangible fixed assets	33	84	(51)	(60.7%)
Net impairment losses	(1,538)	(12,334)	10,796	(87.5%)
Share in net profits (losses) of entities valued at equity method	240	208	32	15.4%
<b>Profit before tax</b>	<b>283,886</b>	<b>174,040</b>	<b>109,846</b>	<b>63.1%</b>
<b>Cost / Income</b>	<b>37%</b>	<b>45%</b>		

The key highlights that impacted the gross profit of Corporate Banking for the first quarter of 2012 versus the corresponding period of 2011 were as follows:

- increase in net interest income, reflecting higher income from debt securities (increased portfolio yields at simultaneously higher average balance of the portfolio securities held-for-trading) and the income from loans to corporate clients, which increased by 20.2% when compared to the first quarter of 2011. Interest expenses increased (a result of growing interest rates and higher deposit base compared to the first quarter of 2011);
- decline in net fee and commission income – in the first quarter of 2012, the Group reported a lower income from fees due to its participation in sizeable financing and capital market transactions (described on page 15), which significantly influenced the first quarter result of 2011. The result from the brokerage operations decreased as a consequence of reduced volume of equity turnover on the WSE. Other elements of the income remained stable or experienced a slight increase;
- growth of net income from trade financial instruments and revaluation mainly due to improved result on the Bank's proprietary management;
- significant increase in net gain on debt investment securities – realized gains on sales of securities in favorable macroeconomic conditions (falling yields in the domestic bond market);
- decrease of general administrative expenses resulting from higher staff expenses (due to increase in salaries and settling a PLN 4.3 million provision for the severance pays for employees covered by the employment restructuring);
- decline of net impairment losses due to improved quality of credit portfolio and lower write-downs both on loans with identified impairment loss and those without impairment loss.

## 1.2. Corporate and Investment Bank and the Capital Markets

### Corporate and Commercial Bank

Corporate banking activities of the Bank include comprehensive financial services provided to the largest Polish companies and strategic enterprises with a strong growth potential, as well as to the largest financial institutions and public sector companies.

At the end of the first quarter of 2012, the number of corporate clients (including customers of the Corporate Bank, global clients and corporate clients) was almost 8,000, which means that it remained at the same level compared to the previous quarter. Under the Corporate Bank (small and medium companies, large enterprises and public sector) the Bank served over 6,000 clients at the end of the first quarter of 2012 (which is an insignificant growth compared to 6,000 clients served at the end of the fourth quarter of 2011).

What Corporate Bank clients have in common is their demand for advanced financial products and consultancy on financial services. In that area, the Bank provides coordination of investment banking, 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 expertise and experience of the Bank and its cooperation within the global Citigroup structure.

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

#### Assets

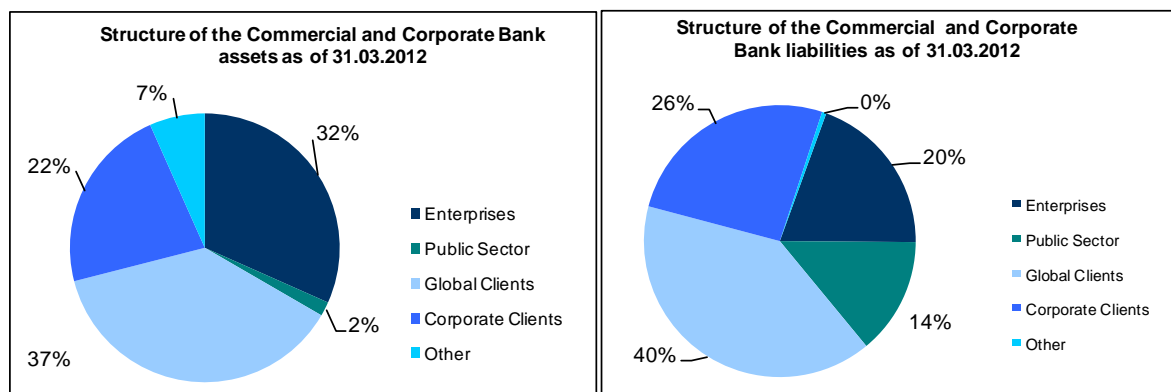
PLN million	31.03.2012	31.12.2011	31.03.2011	Change		Change	
	(1)	(2)	(3)	'000	%	'000	%
Enterprises, including:	2,813	2,824	2,189	(11)	(0%)	624	28%
SMEs*	1,442	1,494	1,173	(52)	(4%)	269	23%
MMEs*	1,371	1,329	1,016	42	3%	355	35%
Public Sector	152	109	133	43	40%	19	15%
Global Clients	3,342	3,317	3,218	25	1%	124	4%
Corporate Clients	1,986	2,207	1,286	(221)	(10%)	700	54%
Other**	591	612	744	(22)	(4%)	(152)	(20%)
<b>Total Corporate and Commercial Bank</b>	<b>8,884</b>	<b>9,069</b>	<b>7,570</b>	<b>(185)</b>	<b>(2%)</b>	<b>1,314</b>	<b>17%</b>

#### Liabilities

PLN million	31.03.2012	31.12.2011	31.03.2011	Change		Change	
	(1)	(2)	(3)	'000	%	'000	%
Enterprises, including:	3,029	3,289	2,564	(260)	(8%)	465	18%
SMEs*	2,222	2,344	1,964	(122)	(5%)	258	13%
MMEs*	807	945	600	(138)	(15%)	207	35%
Public Sector	2,153	3,642	1,765	(1,489)	(41%)	388	22%
Global Clients	6,211	7,258	6,070	(1,047)	(14%)	141	2%
Corporate Clients	4,014	2,981	1,798	1,033	35%	2,216	123%
Other**	79	52	75	27	52%	4	5%
<b>Total Corporate and Commercial Bank</b>	<b>15,486</b>	<b>17,222</b>	<b>12,272</b>	<b>(1,736)</b>	<b>(10%)</b>	<b>3,214</b>	<b>26%</b>

\* Enterprises include clients with annual turnover from PLN 3.2 million to PLN 150 million (SME) and over PLN 150 million (large enterprises).

\*\* 'Other' include, among others, clients subject to restructuring and clients of Handlowy Leasing Sp. z o.o., who are not clients of the Bank.



#### Key transactions and achievements in Corporate and Commercial Bank in the first quarter of 2012:

- The Bank was involved in the completion of the biggest foreign acquisition ever by a Polish company, a leader of the Polish copper mining market, KGHM Polska Miedź S.A. The acquired company was Canada's mining company Quadra FNX and the transaction value amounted to nearly PLN 9 bn. Citi Handlowy was one of the banks which provided financial services throughout the process (USD/CAD currency exchange transactions and final transaction settlement). This spectacular project was undertaken as part of the Emerging Market Champions program launched by the Bank in October 2011;
- In January 2012 the Bank signed an investment loan agreement for the purchase of shares in a company under privatization. The loan was granted in the amount of PLN 770 million for five years. The Bank is one of three Mandated Lead Arrangers and Facility Agents;
- In the first quarter of 2012, the Bank made the following financing agreements with customers in the energy, FMCG, pharmaceutical and retail sectors:
  - A short-term loan agreement for an amount of PLN 600 million;
  - A long-term loan agreement for an amount of PLN 256 million;
  - An overdraft facility agreement for an amount of PLN 200 million;
  - A medium-term loan agreement for an amount of PLN 100 million.
- The Bank made a bridge financing agreement with a customer in the railway sector (reverse factoring) in the amount of EUR 18 million;
- The Bank won a contest for providing 2 higher education institutions with transaction services and financing. Additionally, the Bank continues to develop its cooperation with courts by expanding the functionalities of the Micropayments [*Mikrowpłaty*] product;
- In the first quarter of 2012 an annex to the intercompany bond program was signed (expansion was made to include additional group companies) to improve the efficiency of short-term liquidity management in a company in the oil, gas & energy sector.

#### Investment Banking

In the first quarter of 2012, the Investment Banking Team maintained its commitment to transactions under way in the capital market. In February 2012, the Bank and DMBH participated in an accelerated sale of a stock holding in Polska Grupa Energetyczna S.A.

#### **Treasury Products**

Business achievements of the Treasury Division in the first quarter of 2012:

- In the first quarter of 2012, the Bank recorded a 61% increase in the volume of currency exchange transactions with corporate customers as compared to the corresponding period of 2011. The volume of electronic transactions executed via the CitiFX Pulse platform grew by 96% in comparison with the first quarter of 2011;
- The volume of Treasury bond trades with financial institutions in the first quarter of 2012 rose

three times in comparison with the corresponding quarter of the previous year and by 55% against the preceding quarter;

- The Bank maintained its leading position as an arranger of issues of bonds and certificates of deposit for banks. According to the "Rating&Rynek" report developed by Fitch Ratings, the Bank had a 38% share in the market as at the end of March 2012;
- The Bank occupied the first place in the current edition of the primary dealers ranking composed by the National Bank of Poland;
- The Treasury Division was actively involved in the financial handling of the historical acquisition of Quadra FNX by KGHM Polska Miedź S.A. (further information about the transaction is available on page 22 of this report).

### Global Transaction Services (GTS)

The Bank is Poland's leading institution offering transaction banking services. Together with a range of traditional services, the Bank offers up-to-date liquidity management services, mass payment solutions and accounts receivable management products.

Transaction banking includes the following products and services:

- Funds management products: deposits and current accounts, liquidity management products, Micropayments, electronic banking;
- Card products;
- Payments and accounts receivable: FotoKasa, Direct Debit, Speedcollect;
- Cash products;
- EU consultancy;
- Trade financing products.

In the first quarter of 2012, the following changes were made in transaction banking for the Bank's corporate customers:

- Implementation of a new version of CitiDirect, CitiDirect Banking Evolution ("CitiDirect BE"). Functionalities offered by the new platform are intended particularly for customers in the small and medium-sized enterprises sector. CitiDirect BE will be one of the means used by the Bank to attract new clients and activate existing customers. The key features of the new system include: fast access to the most frequently used functions, possibility to customize content displayed to users' individual needs and a simplified entry of payments;
- The Bank completed a large project, SpeedCollect Plus implementation, which due to its additional functionality of incoming payment identification, assigns payments to individual invoices for batch, partial payments or payments without a correct identification of the reason for payment. The Bank developed a unique solution tailored to customer needs which consists on applying the service without the need to change bank account numbers of customers' business partners (payers). The Bank was the first in Poland to develop (as early as in 2005) and launch SpeedCollect Plus and still offers the most advanced solutions related to this service.

Other business achievements of the Transaction Services:

- Electronic banking
  - The overall number of electronic transactions processed by CitiDirect in the first quarter of 2012 amounted to 6.2 million, a 2.4% increase as compared to the first quarter of 2011;
  - The number of corporate customers using the system actively remained high and at the end of the first quarter of 2012 reached nearly 4,000;
  - At the end of the first quarter of 2012, the number of corporate customers activated in the internet banking system, CitiDirect, rose by 4% as compared to the end of the first quarter of 2011 and totaled nearly 11,500;



- The share of paperless bank statements remained high and amounted to ca. 90%.
- Card products
  - The Bank occupies the leading position in the Polish market of pre-paid payment cards. According to the data available at the end of 2011, the Bank's share of turnover generated in that market amounted to more than 70%. The Bank continues its researches to provide new solutions, functionalities and continuously modifies banking services offered for pre-paid segment to strengthen its position among current customers and to reach new customer groups;
  - The Business card segment noticed a 30% increase in the cash transaction value and a 13% growth in cashless transactions in the first quarter of 2012 as compared to the corresponding period of 2011. In comparison with the first quarter of 2011, the number of transactions rose by 26% and 16%, respectively;
  - The debit card segment also experienced a significant growth in the first quarter of 2012: 18% and 13% in cash transaction value and the number of cashless transactions, respectively.

- Unikasa

In the first quarter of 2012, the Bank discontinued the Unikasa service. It was Poland's first system of household bill payments (available since 2002) offered in shops and supermarkets for customers who preferred to pay their bills in cash. Unikasa was replaced by the innovative FotoKasa which offers fast bill payments using a mobile phone by scanning information necessary to make a transfer from 2D codes printed on paper invoices or included in e-invoices displayed on computer or TV screens. The service is available in the Citi Mobile application for the Bank's retail customers. FotoKasa is the Bank's response to current market trends which show an increasing customer interest in mobile payment methods and less demand for traditional payment systems.

- Direct Debit

In the first quarter of 2012, the Bank maintained its leading position in the Direct Debit market by clearing the highest number of transactions as the creditor's bank. The number of cleared transactions rose by 8.5% as compared to the corresponding period of the previous year. Consequently, the Bank's market share climbed by 7.3 percentage points.

- Speed Collect

The SpeedCollect service provides a way to automatically post receivables for creditors receiving mass payments. In the first quarter of 2012, the Bank maintained its position at the forefront of the Polish market in terms of the number of transaction volumes processed.

- Foreign transfers

In the first quarter of 2012, the volume of foreign transfers grew by 10% as compared to the corresponding period of 2011.

- Cash products

The first quarter of 2012 brought a further increase in the volume of cash accepted from corporate customers. The key area of cash transactions, i.e. closed deposits, recorded a 10% increase in comparison with the first quarter of 2011.

- Trade financing products

- According to the data available at the end of 2011, the Bank's share in the trade financing market in terms of turnover in discounting receivables stood at 6.7%, a significant increase against the 4.6% share in 2010;
- The Bank's assets in trade financing products at the end of the first quarter of 2012 were 22% higher in comparison with the corresponding period of the previous year;
- Significant transactions in structured trade financing services in the first quarter of 2012:
  - Non-recourse receivables financing agreement with a Polish alcohol manufacturer, provider of an international shopping chain;



- Structured receivables financing agreement with a global manufacturer from the alcohol industry.

### Custody services

The Bank occupies the leading position in the Polish market of depositary banks. It offers custody services for foreign institutional investors and depositary services for domestic financial entities, in particular pension funds, investment funds and unit-linked insurance funds.

As at 31 March 2012, the Bank maintained 14,600 securities accounts.

At the same time, the Bank was a depositary bank for five Open Pension Funds: AMPLICO OFE, AVIVA OFE AVIVA BZ WBK, ING OFE, Pekao OFE, Nordea OFE and two employee pension funds: Pracowniczy Fundusz Emerytalny PZU "Słoneczna Jesień" (PZU "Sunny Autumn" Employee Pension Fund) and Pracowniczy Fundusz Emerytalny Telekomunikacji Polskiej S.A. (Telekomunikacja Polska S.A. Employee Pension Fund).

The Bank was a depositary bank for investment funds managed by the following Investment Fund Corporations (TFI): BZ WBK TFI S.A., PKO TFI S.A., PIONEER PEKAO TFI S.A., LEGG MASON TFI S.A. and AVIVA INVESTORS POLAND TFI S.A.

### Brokerage services

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

In the first quarter of 2012, DMBH acted as a broker in 11.7% of stock trades in the secondary market, thus achieving the first position in the market. The value of session and package transactions executed via DMBH in the WSE amounted to PLN 13.8 bn, a drop of 7.0% as compared to the corresponding period of the previous year, while the value of trading in the WSE went down by 12.6%.

The number of investment accounts with the DMBH at the end of the first quarter of 2012 was 9,500, a 7.7% increase as compared to the end of the first quarter of 2011 and a 2.5% increase as compared to the end of the fourth quarter of 2011.

At the end of the first quarter of 2012, DMBH acted as the Market Maker for 39 companies, which constituted almost 11.6 % of all stocks listed on the prime market of the WSE. The number of companies for which the DMBH acts as the market maker again ranks DMBH among the top brokerage houses performing the market maker role on the WSE. In the first quarter of 2012, both the number of companies for which DMBH was the market maker and the activity of the market maker remained high. Additionally, the Proprietary Investments Unit acts as the market maker for WIG20 futures contracts.

In the first quarter of 2012, DMBH carried out the following transactions in the capital market:

- Giełda Papierów Wartościowych w Warszawie S.A.: DMBH was the Joint Lead Manager in a public offering of Series B bonds with a value of PLN 75 million (February 2012);
- Polska Grupa Energetyczna S.A.: DMBH was the Joint Bookrunner in an accelerated sale of a stock holding of the Polish Treasury with a value of PLN 2.5 bn (February 2012).

DMBH's activity is mostly affected by the activity of institutional investors, which, in turn, depends directly on the flow on new funds and market conditions in the Polish stock market. Reduced fund transfers to Open Pension Funds should not have a major impact on the stock demand of these institutions due to higher permitted limits of exposure to equity instruments. It should be expected that the adoption of the ban on tax-free term deposits (designed to avoid the capital gains tax) will result in a portion of funds invested in such products flowing to Polish investment funds. Further transactions planned by the Treasury may discourage investors from stock purchases in the short term, however, in the long term a higher free float should cause them to increase their activity.

### Summary Income Statement and Balance Sheet\*

Company's Name	Headquarter	Participation interest of the Bank in equity %	Balance sheet as at 31.03.2012	Equity as at 31.03.2012	Net financial result for 01.01-31.03.2012
			PLN '000	PLN '000	PLN '000
Dom Maklerski Banku Handlowego S.A.	Warszawa	100.00	854,553	113,938	4,064

\*Unaudited data

### Leasing services

The Group offers leasing services through Handlowy Leasing Sp. z o.o. ("Handlowy-Leasing", "HL"), a wholly-owned subsidiary of the Bank.

The value of assets leased in the first quarter of 2012 amounted to PLN 68.9 million compared to PLN 66.0 million worth of assets leased in the first quarter of 2011, a 4% increase.

The leased asset structure was as follows: 64% were transport vehicles and 36% were machines and equipment.

### Net asset value of leases

PLN million	Q1 2012	Q1 2011	Change	
			PLN million	%
Value of leases contracted in the period:	68.9	66.0	2.9	4.4%
for vehicles	44.1	41.5	2.6	6.3%
for machinery and equipment	24.8	24.5	0.3	1.2%

In the first quarter of 2012, HL pursued its strategy, the main assumption of which is selling leasing products to the clients of the Bank and strengthening the Handlowy-Leasing brand recognition among those clients.

The Company's priority in the first quarter of 2012 was to streamline the organization of lease sales through the Bank's sales channels. Activity focused on implementation of corporate strategy and achieving defined sales targets.

### Summary Income Statement and Balance Sheet\*

Company's Name	Headquarters	Participation interest of the Bank in equity %	Balance sheet as at 31.03.2012	Equity as at 31.03.2012	Net financial result for 01.01-31.03.2012
			PLN '000	PLN '000	PLN '000
Handlowy-Leasing Sp. z o.o.	Warszawa	100.00	689,122	163,349	2,099

\*Unaudited data

## 2. Consumer Banking

### 2.1. Summary of the segmental results

PLN '000	Q1 2012	Q1 2011	Change	
			PLN '000	%
Net interest income	195,405	186,970	8,435	4.5%
Net fee and commission income	86,042	82,628	3,414	4.1%
Net income on trade financial instruments and revaluation	9,034	6,527	2,507	38.4%
Net other operating income	(6,270)	(6,365)	95	(1.5%)
<b>Total income</b>	<b>284,211</b>	<b>269,760</b>	<b>14,451</b>	<b>5.4%</b>

PLN '000	Q1 2012	Q1 2011	Change	
			PLN '000	%
General administrative expenses and depreciation	(245,671)	(193,947)	(51,724)	26.7%
Profit/(loss) on sale of tangible fixed assets	16	2,127	(2,111)	(99.2%)
Net impairment losses	(13,234)	(29,613)	16,379	(55.3%)
<b>Profit before tax</b>	<b>25,322</b>	<b>48,327</b>	<b>(23,005)</b>	<b>(47.6%)</b>
<b>Cost/Income</b>	<b>86%</b>	<b>72%</b>		

The key highlights that impacted the gross profit of Consumer Bank in the first quarter of 2012 versus the corresponding period of 2011 were as follows:

- net interest income increased, driven by higher mortgage loans exposure and increased interest income from credit cards. Interest expenses slightly grew in this period – deposit balances increased but they simultaneously changed their structure, the share of current accounts grew at the expense of reducing the balance of term deposits;
- net fee and commission income grew, primarily driven by higher commissions from distribution of insurance products, mainly in cash loans insurance;
- operating expenses increased – the costs in the first quarter of 2012 comprise PLN 37.9 million of restructuring provision related to optimization of the branch network and related-support units at the headquarters, including PLN 28.1 million for severance pays and PLN 9.8 million for renting branches (more information on the optimization – see page 27 below). Additionally, there was a growth in technological infrastructure costs versus the same period of 2011;
- net impairment losses declined, reflecting the changes in the credit policy made in the past years and their positive impact on the quality of consumer loans' and credit cards' portfolio.

## 2.2. Selected business data

	Q1 2012	Q4 2011	Q1 2011	Change QoQ	Change YoY
Number of individual customers*	961,445	971,064	1,003,286	(9,619)	(41,841)
Number of current accounts, including:	663,170	655,250	605,216	7,920	57,954
number of operating accounts	168,271	167,549	139,381	722	28,890
Number of operating accounts newly acquired during the reported period	22,478	26,191	28,507	(3,713)	(6,029)
Number of saving accounts	221,871	221,977	214,172	(106)	7,699
Number of credit cards, including:	834,326	849,212	883,985	(14,886)	(49,659)
co-branded cards	476,568	482,962	485,370	(6,394)	(8,802)
Number of active credit cards	749,465	761,962	789,609	(12,497)	(40,144)
Number of debit cards, including:	479,488	472,411	457,940	7,077	21,548
PayPass cards	350,548	328,046	224,408	22,502	126,140

\* The comparative data for Q1 2012 differ from the data presented in the Q1 2011 Consolidated Report due to a change in the calculation methodology.

### Optimization of branch network and employment restructuring

On March 19, 2012 the Management Board of the Bank announced that the Supervisory Board approved the Bank's Strategic Directions for 2012-2015, according to which the Group will continue to concentrate on strengthening its efficiency. Therefore, the Management Board of the Bank decided to reduce the number of Retail branches by about 60. The decision is a follow-up of previously adopted actions of concentrating the Bank's Retail branch network in Poland's largest agglomerations (G9).

Already in 2008, the Bank made a decision on gradually withdrawing from lending to low-income retail customer segments. Moreover, as a result of regulatory changes, the banks were required to apply

stricter requirements regarding customer's creditworthiness, in result of which people on low incomes have little chance to obtain a loan.

The markets with large concentration of high-income customers are currently the most profitable for the Bank, regarding the expansion of both lending and wealth management offer. For over the past two years, the Bank has been implementing the strategy of concentrating its presence in Poland's largest markets (G9) and it plans to expand its operations on these markets. The Bank resolved to withdraw its operations from low-profit markets with a limited growth potential, which must be followed by employment restructuring actions. Some part of the branch network outside the target markets (roughly 20 branches) will be closed and the customers of these branches will be offered alternative channels of banking service (cash transaction points, remote access). The remaining part of the branches from outside the target markets (about 35) will be consolidated with other branches (which means that some part of the staff, portfolios and customer service will be moved to the branches which will not be affected by the restructuring).

The restructuring will be supported by proper adjustment of the business model regarding the customer service and product offer. The Bank plans to intensify the use of the alternative distribution channels and e-platforms (internet, mobile banking, direct sales, tele-sales) which have largely developed over the past years, while advancing customer service quality, advisory services and sales in the remaining physical branches.

The Bank will continue to focus its operations on the most profitable products and customer segments (CitiForward, Citigold, Micro segment, credit cards and cash loans). This will be supported by restructuring the employment through increasing the staff experts in the above-mentioned products/segments. Increasing the workforce in the remaining branched followed by sales restructuring and concentrating on the most profitable segments/products will level any potential losses which may result from reduction in the branch number at a lower cost. This will translate into more efficient operations of retail business and the whole Bank, allowing concentration on markets with the largest growth potential, which are least vulnerable to economic turmoil and its potential impact on the demand for banking services and/or an internal appetite for risk of a credit products portfolio.

Reduction in the number of branches will result in terminating by the Bank the employment contracts with maximum 590 staff members. For this purpose and for the costs directly related to branch restructuring, the Bank has established the provision in the amount of PLN 42.2 million (from which PLN 37.9 million was disclosed in the Consumer Banking financial results and PLN 4.3 million was disclosed in the Corporate Banking financial results).

### **2.3. Business activities and achievements**

#### **Credit Cards**

At the end of the first quarter of 2012, the credit card volume amounted to 834,000.

According to data available at the end of the fourth quarter of 2011, the Bank remained the leader of the credit card market in terms of transaction value, with a market share of 22.7%, and in terms of credit card loan, with a market share of 17%.

In order to boost credit card payments, the Bank organized a series of promotions and competitions in which customers could win ski trips to Austria, ferry and airline tickets and other merchandise and cash prizes.

#### **Bank Accounts**

The number of personal bank accounts at the end of the first quarter of 2012 exceeded 663,000 (whereas at the end of March 2011 it amounted to 605,000), of which almost 463,600 were denominated in PLN and 199,500 were denominated in foreign currencies. The total current account balance amounted to PLN 2.3 bn, which is a rise of PLN 0.4 bn (i.e. 19%) against the corresponding period of the previous year. The higher balance in personal accounts is a result of Bank's efficient policy of building long-term relationships with individual customers which is based on the modern product lifecycle and customer journey management process. Correctly set-up, automated processes enable the Bank to offer to customers appropriate products and services at consecutive stages of their cooperation with the bank.

The number of savings accounts in the first quarter of 2012 reached almost 222,000. The total balance of funds held in savings accounts amounted to PLN 2.5 bn against 214,000 of savings accounts with a total balance of PLN 2.5 bn in the corresponding period of the previous year.

In the first quarter of 2012, the Bank implemented an up-to-date on-boarding process for new personal account customers, supported by an interactive website ([www.poznajswojekonto.pl](http://www.poznajswojekonto.pl)) and customer competitions promoting the use of specific functionalities of the personal account (salary transfers, non-cash payments using the account card, overdraft facility, NFC sticker, direct debit, etc.).

In the first quarter of 2012, the Bank amended its account acquisition strategy by focusing on the wealthy customer segment (*CitiForward*) and the affluent customer segment (*Citigold*) and bringing account offers in line with the needs of customers in these segments.

## Credit Products

### • Cash Loan

In February and March 2012, the Bank actively promoted its consolidation loans during the marketing campaign „Przytniemy raty Twoich pożyczek średnio o 250 złotych” (‘We’ll cut your instalments by PLN 250 on average’). Consequently, in the first quarter of 2012 the Bank recorded an increased quarterly sales of the cash loan and reversed the downward trend prevailing until then in the area.

### • Mortgage Products

At the end of the first quarter of 2012, the mortgage loans portfolio totaled nearly PLN 664 million against PLN 360 million in the first quarter of the previous year, which is an 84% increase.

In the first three months of 2012, the Bank introduced a new mortgage loan offer for customers with an employment contract and customers whose business qualifies as a liberal profession. In March 2012, the mortgage loan offer was ranked first by Open Finance and the *Gazeta Finansowa* as the most attractively priced product on the market.

In the first quarter of 2012, the Bank implemented changes to its loan policy which ensured more loan accessibility for customers in higher segments, e.g. Gold customers.

At the beginning of 2012 Bank initiated a cooperation with one of the most significant Polish independent financial advisor. At the end of first quarter of 2012 mortgage products were offered in its 270 outlets of country-wide financial brokers.

The Bank continued its *Poleć nowego Partnera* (‘Recommend a new Partner’) program as part of the *Partnerski Program Zysków* (Partner Benefit Program). The Partner Benefit Program promotes recommending new Partners who collect points for mortgage loans granted and redeem them for attractive prizes. At the end of the first quarter of 2012, more than 300 active intermediaries belonged to the Partner Benefit Program and they originated 12% of the mortgage loan volume in 2012.

## Insurance and Investment Products

- At the end of the first quarter of 2012, the total value of assets under management invested in investment-linked products (including certificates of deposit, dual currency investments, investment deposits and insurance products) purchased by retail customers via the Bank was 9.2% lower than the relevant value at the end of the corresponding period of 2011. It was caused largely by a drop in the value of assets from August to December 2011 following stock market declines and increased redemptions.

However, assets under management recorded a 2.3% increase in the first quarter of 2012 as compared to the relevant value at the end of the fourth quarter of 2011. The increase was brought about mainly by the rising sales of structured products (structured bonds and life insurance contracts with embedded derivatives) and investment funds. The value of assets at the end of the first quarter of 2012 was PLN 2.7 bn against PLN 2.6 bn at the end of the fourth quarter of 2011.

- The Bank’s offer of investment products was expanded in the first quarter of 2012 to include three new investment funds (one money market, one bond and one stock fund).
- As regards structured products, the Bank completed eight structured bond subscriptions and three unit-linked life insurance subscriptions in the first quarter of 2012.

## 2.4. Development of distribution channels

### Mobile Banking

In the mobile banking field, in the first quarter of 2012 the Bank focused on developing and promoting existing services and on adjusting services to customer needs.

FotoKasa was one of the services intensively developed in the first quarter of 2012. The service is available in the Citi Mobile application which offers fast Citi Mobile payments by scanning 2D codes with transfer details information which are printed on paper bills or displayed in electronic invoices. The group of companies which offer Fotokasa payments is growing steadily. In the first quarter of 2012, Netia, Telekomunikacja Polska and Fundacja Integracja joined the group.

At the end of the first quarter of 2012, Citi Mobile banking was used by more than 73,000 customers, of which almost 10,000 logged on to Citi Mobile for the first time during the first quarter of 2012. There were more than 34,000 Citi Mobile downloads in this period. In January 2012, the number of Citi Mobile logons reached 1,000,000.

The Bank is going to continue developing its mobile banking services by providing the Citi Mobile application for other operating systems and promoting mobile services which make the Bank stand out in the Polish market.

### Internet Banking

In the first quarter of 2012, the Bank made a consistent effort to increase the percentage of internet credit card acquisition in overall sales. As a result, the percentage of internet credit card acquisition in overall sales went up by 46% in the first quarter of 2012 as compared to the corresponding period of 2011. At the same time, the percentage of total acquisition of all products offered via this channel in overall sales recorded a 98% increase in this period as compared to the first quarter of the previous year.

The stepping-up of operations related to the development of internet banking enabled the Bank to increase the number of customers registered in the internet banking system by 17% at the end of the first quarter of 2012 as compared to the first quarter of 2011.

In the first quarter of 2012, the Bank also continued developing its electronic communication through social media. The number of fans of the Bank's Facebook fanpage, Rabatowcy.pl, increased fivefold in comparison to the corresponding period of 2011. Therefore, the website gained 51,000 fans. Additionally, the Bank recorded the highest level of internaut involvement among all bank profiles: more than 4,000 fans posted comments and opinions and interacted with Rabatowcy.pl.

Moreover, Facebook activity to promote Citi Mobile banking built a community of more than 31,000 fans.

### Direct and Indirect Customer Acquisition

- **Citibank at Work**

Citibank at Work is responsible for sales to employees of corporate customers while at work, by offering a comfortable, time-saving solution and special terms for products and services offered by the Bank.

In the first quarter of 2012, 1,500 new customers were acquired, of which 1,000 decided to make regular salary transfers to their account at the Bank, making it their leading account.

More than 80% of those customers also decided to get our credit card, which is the best result in channel history in this respect ever. In contrast, in the fourth quarter of 2011 the relevant number was 68% and in the first quarter of 2011 it stood at 57%. Insurance sales have also followed a steadily upward trend.

The above results are the product of the new sales strategy in this channel, which focuses on sales quality and building long-term relationships with customers by selling packages of services rather than individual products.



### • Direct Sales

The Direct Sales channel, which belongs to the Direct Sales Department, is the Bank's important acquisition pillar in respect of credit card sales. In the first quarter of 2012, Direct Sales recorded a 166% improvement of credit card sales results as compared to the corresponding period of 2011.

The Bank continues its sales strategy for the Direct Sales channel which assumes that this channel will generate card sales through two subchannels: field teams and stationary teams operating from sales stands located in shopping galleries, Multikino cinemas and airports in major Polish cities. In contrast to Citibank at Work, which focuses on sales activity in the first instance in large enterprises and international corporations, operations of Direct Sales field teams are targeted at micro-businesses and enable customers to purchase Bank's products at work.

There are plans to increase sales activity at airports this year; in March 2012 a sales stand was launched at the new Wrocław airport. As new airports open up, we plan to appear at e.g. Łódź and Modlin airports.

### 3. Branch network

At the end of the first quarter of 2012, the Bank's network included 138 outlets, i.e. L type outlets (former Corporate Bank, CitiGold Wealth Management and Investment Centers), M type outlets (former multi-functional outlets) and S type outlets (former CitiFinancial branches).

According to the Strategic Directions for 2012-2015 and the decision of the Bank's Management Board on branch network optimization (please see page 27 of this report for more details), the Bank carried out following actions in the first quarter of 2012:

- Launch of an M type outlet in Warsaw, at ul. Francuska 49; the outlet continues the activity of the branch at ul. Garibaldiiego 4 which was closed in 2011. The branch is fully functional in the new location, with its own ATM and retail and corporate customer services;
- Due to the decision to sell the property, operations of the L type outlet in Kraków, at ul. Grzegórzecka 21, were closed down. An Investment Center dedicated for Citigold Select customers was opened in a new location in Kraków, at al. Gen. T. Bora-Komorowskiego 25b;
- For reasons preventing the extension of the rental agreement, the L type outlet in Toruń, at ul. Żółkiewskiego 21/29, was relocated to an existing, expanded location at ul. św. Katarzyny 4;
- A extended M type outlet was reopened in Bydgoszcz, at ul. Gdańska 1;
- Eight branches formerly labeled with the CitiFinancial brand have been consolidated (in Poznań, Warsaw, Wrocław, Legionowo, Lublin, Kraków, Gdańsk and Katowice). These activities involved a relocation of a unit's operations to existing M or L type outlets which offered a full range of products and services;
- Operations of an S type outlet in Żory, at ul. Szeptyckiego 4, were discontinued;
- Deposit services for retail customers have been expanded in two M type (now L type) outlets: in Kraków, at ul. Rakowicka 1, and in Włocławek, at pl. Wolności 5.

#### The number of branches and other sales/customer service outlets

	Q1 2012	Q4 2011	Q1 2011	Change QoQ	Change YoY
<b>Number of outlets:</b>	<b>138</b>	<b>147</b>	<b>153</b>	<b>(9)</b>	<b>(15)</b>
L type	44	44	43	-	1
M type	80	85	89	(5)	(9)
S type	14	18	21	(4)	(7)
<b>Other sales / customer service outlets:</b>					
Polkomtel sales points	-	-	156	-	(156)
Plus outlets	-	-	15	-	(15)
Outlets of financial brokers (Open Finance, Expander and other)	270	248	-	22	270

	Q1 2012	Q4 2011	Q1 2011	Change QoQ	Change YoY
Airports	5	5	1	-	4
BP petrol stations	-	-	16	-	(16)
Shopping centres	16	18	17	(2)	(1)
ZTM points	-	-	16	-	(16)
Number of own ATMs	135	135	137	-	(2)
Euronet ATMs with logo of 'Citi Handlowy'	950	1 001	905	(51)	45

## 9 Rating

The Bank has a full rating release issued by international rating agencies, Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"). Additionally, Standard & Poor's issues a free, i.e. unsolicited, rating of the Bank on the basis of information available to the public.

On 21 February, 2012, Moody's placed the long- and short-term local and foreign deposit rating under review for downgrade. Earlier, these ratings had a negative outlook. The Bank's financial strength rating stayed at D+ with a negative outlook. This change is a consequence of placing the ratings of Citigroup, the Bank's strategic shareholder, under review for downgrade as notified by Moody's on 15 February, 2012.

At the end of the first quarter of 2012, the Bank had the following ratings issued by Moody's:

Long-term local currency deposit rating	Baa1
Long-term foreign currency deposit rating	Baa1
Short-term local currency deposit rating	Prime-2
Short-term foreign currency deposit rating	Prime-2
Financial standing	D+
Outlook on financial strength rating	Negative
Outlook on long- and short-term local and foreign currency deposit rating	Placed under review for downgrade

Ratings issued by Fitch remained unchanged in the first quarter of 2012. The last change of rating took place on 21 December, 2011. At the end of the first quarter of 2012, the Bank had the following ratings issued by Fitch:

Long-term IDR	A-
Short-term IDR	F2
Viability rating (VR)*	bbb+
Support rating	1

\* Viability rating is the agency's view as to the intrinsic creditworthiness of an institution which is independent of external factors.

The rating issued by Standard & Poor's (developed on the basis of information available to the public) remained at the unchanged level of "BBBpi" in the first quarter of 2012 (rating confirmed on 13 December 2011).

## 10 Financial instruments disclosure

The increase of fair value of financial instruments classified as held-for-trading at 31 March 2012 in comparison to the end of 2011 was mainly connected with primary market dealer role of the Bank, including expected by the Bank changes in economic environment.

The loss of fair value of financial instruments classified as available-for-sale (AFS) was influenced by the reduction of involvement in money bills due to the Bank compliance with the regulatory system requirements (NBP reserve requirement).

Despite persistently high volatility of market factors such as commodity prices and expectations about future interest rates, their impact on change in fair value of Bank's loans and deposits portfolios can be considered negligible - in relation to the size of the respective portfolios - due to their short term nature and relatively stable quality, especially in relation to customer loans.



In the three-month period of 2012 the Group has not made any changes in principles of financial instruments' classification (presented in the consolidated statement of financial position at fair value) to the separate categories of fair value establishing method used (level I, level II, level III).

In this period of 2012 the Group has not made any transfer between the financial instruments classification levels due to fair value establishing method used.

In the three-month period of 2012 the Group has not made any changes in financial assets classification that may result from asset's purpose or usage change.

## 11 Seasonality or periodicity of business activity

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

## 12 Issue, redemption and repayment of debt and equity securities

Within the Debt Security of the Bank Issue Program, Bank effects the issue of certificates of deposit ('BPW'), total value of which was PLN 24,468 thousand as at 31 March 2012.

PLN '000

Type of debt securities issued	Nominal value	Issuance date	Maturity date
Certificate of deposit	2,275	04.05.2011	30.10.2012
Certificate of deposit	1,193	01.07.2011	02.04.2012
Certificate of deposit	8,462	01.08.2011	01.08.2012
Certificate of deposit	4,495	01.09.2011	03.09.2012
Certificate of deposit	7,000	26.09.2011	26.09.2012
Certificate of deposit	1,027	02.12.2011	31.08.2012
	<b>24,452</b>		

The movement in liabilities due to certificate of deposit issuance (nominal value)

PLN '000	01.01 – 31.03.2012	01.01 – 31.12.2011
<b>As at 1 January</b>	<b>25,325</b>	<b>11,529</b>
Increases		
issuance	-	62,607
Decreases		
buyout	673	48,811
repurchase before maturity	200	-
<b>As at 31 March</b>	<b>24,452</b>	<b>25,325</b>

Provided that BPW are held until maturity, at redemption the issuer is obliged to pay the principal, guaranteed interest and premium interest.

## 13 Paid or declared dividends

### Dividends declared

At the meeting on 16 March 2012, Supervisory Board of the Bank Handlowy w Warszawie S.A. considered and approved the proposal of the Management of the Bank concerning to profit for 2011 distribution, including the proposal of destination to pay out PLN 360,620,496.00 as a dividend. Above mentioned proposal determined the payout for single share at PLN 2.76.

Simultaneously, the Supervisory Board examined and approved the proposal of the Management Board on the date the dividend on 5 July 2012 and the date of pay out on 31 August 2012.

This proposal will be submitted to the General Meeting of Shareholders for approval.

## 14 Changes in Group's structure

In the first quarter of 2012 the structure of the Group has not changed as a result of merger, acquisition or disposal of subsidiaries, long-term investments, division, restructuring and

discontinuation of activity.

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

As at 31 March 2012 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.

## 16 Changes in off-balance-sheet commitments

The detailed specification of off-balance-sheet commitments as at 31 March 2012 and changes in comparison with the end of 2011 are as follows:

PLN '000	State as at		Change	
	31.03.2012	31.12.2011	PLN '000	%
<b>Contingent liabilities granted</b>				
financial	11,379,241	11,358,661	20,580	0.2
Import letters of credit issued	101,290	132,833	(31,543)	(23.7)
Credit lines granted	10,891,901	10,674,678	217,223	2.0
Subscription of securities granted to other issuers	386,050	551,150	(165,100)	(30.0)
guarantees	2,099,580	2,090,982	8,598	0.4
Guarantees granted	2,081,501	2,054,187	27,314	1.3
Export letters of credit confirmed	4,694	5,385	(691)	(12.8)
Other	13,385	31,410	(18,025)	(57.4)
	<b>13,478,821</b>	<b>13,449,643</b>	<b>29,178</b>	<b>0.2</b>
<b>Contingent liabilities received</b>				
financial (deposits to receive)	489	6,000	(5,511)	(91.9)
guarantees (guarantees received)	4,682,042	3,807,088	874,954	23.0
	<b>4,682,531</b>	<b>3,813,088</b>	<b>869,443</b>	<b>22.8</b>
<b>Off-balance transactions (granted/received liabilities)</b>				
Current*	3,807,245	4,279,555	(472,310)	(11.0)
Forward**	224,766,189	249,925,420	(25,159,231)	(10.1)
	<b>228,573,434</b>	<b>254,204,975</b>	<b>(25,631,541)</b>	<b>(10.1)</b>

\*Foreign exchange and securities transactions with current value date

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

## 17 Achievement of 2012 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2012.

## 18 Information about shareholders

As at the day of publishing the Interim Statement for the first quarter 2012 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	75.0	97,994,700	75.0
Other Shareholders	130,659	32,664,900	25.0	32,664,900	25.0
	<b>522,638</b>	<b>130,659,600</b>	<b>100.0</b>	<b>130,659,600</b>	<b>100.0</b>

In the period between publishing the interim consolidated financial statements for the third quarter

2011, so as the consolidated statement of financial position for 2011 and publishing this report for the first quarter 2012 the structure of major shareholdings has not undergone any changes.

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

According to the best knowledge of the Bank – the dominant entity, the number of Bank's shares held by managing and supervising officers is presented below:

Name and surname	Function	Number of shares on day of publishing the Interim Financial Statement for the first quarter 2012	Number of shares on day of publishing the annual Consolidated Financial Statement 2011	Number of shares on day of publishing the Interim Financial Statement for the third quarter 2011
Iwona Dudzińska	Member of the Managing Board	600	600	600
Andrzej Olechowski	Vice-chairman of Supervisory Board	1,200	1,200	1,200
<b>Total</b>		<b>1,800</b>	<b>1,800</b>	<b>1,800</b>

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

## 20 Information on pending proceedings

In the first quarter of 2012 there was no single proceeding regarding receivables and liabilities of the Bank or its subsidiary pending in court, public administration authority or an arbitration authority, the value of which would equal at least 10% of Bank's equity

The total value of all legal proceedings regarding receivables, with the participation of the Bank and its subsidiaries, in the first quarter 2012 did not exceed 10% of the Bank's equity.

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

In the first quarter 2012 the total value of all Bank's and its subsidiaries' commitments due to legal proceedings did not exceed 10% of the Bank's equity capital.

As at 31 March 2012, the Bank was a party to 34 proceedings regarding derivative transactions: in 25 proceedings it acted as a defendant and in 9 - as a plaintiff. The claims and allegations in the individual cases against the Bank are based on various legal bases. The subject of dispute refers mainly to the validity of the derivative transactions and client's liabilities demanded by the Bank with respect to those derivative transactions as well as potential claims regarding invalidation of such demands by court decisions. Clients try to prevent the Bank from seeking claims resulting from derivative transactions; they question the validity of the agreements, dispute their liabilities towards the Bank and, in some cases, demand payments from the Bank.

As at 31 March 2012, one final and positive settlement regarding the derivative transactions proceedings to which the Bank is a party was made in the court.

The Bank is a party to the proceeding initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the Visa Europay payment system operators and banks - issuers of Visa cards and Europay/ Eurocard/ Mastercard.

This procedure applies to practices limiting the competition on payment-cards market in Poland, by consisting in the joint determination of 'interchange fees' for transactions made by cards of Visa and Europay / Eurocard / Mastercard as well as limiting the access to market for operators who do not belong to the unions of card issuers and against whom proceedings have been initiated. On 22 April 2010 the Court of Appeal overturned the verdict of the Court of Competition and Consumer Protection (SOKiK), sending the case back to the court of first instance. As at 31 March 2012 no final settlements were made in the court.

In case of legal proceedings involving the risk of cash outflow as a result of meeting Group's commitments, the appropriate provisions are created.

## **21 Information about significant transactions with related entities dealt on other than market terms**

In the first quarter of 2012, the Bank and its subsidiaries entered into transactions with related entities. All transactions with related entities were dealt on market terms.

## **22 Information about guarantee agreements**

At the end of the first quarter of 2012, the total value of sureties and guarantees given by the Bank or its subsidiaries to a single entity and its subsidiary did not exceed 10% of the Bank's shareholders' equity.

## **23 Other important information**

### **Personal changes in the Bank**

On 26 April 2012 Mrs Sonia Wędrychowicz-Horbatowska resigned from the position of Vice President of Management Board, effective 13 May, 2012.

## **24 Description of factors and events that might affect the Group's future financial performance**

High public debt and recession in certain countries of the eurozone increase the uncertainty as regards the future situation on the European financial markets. A further increase in risk aversion and fears of the crisis spreading to other EU countries may contribute to a lower flow of foreign investment to Poland and more pressure to weaken Polish currency. Tensions in the currency and debt markets could build up in particular in the event of a further deterioration of the situation of large "peripheral" economies of the eurozone, so far not covered by aid programmes of the European Committee, the International Monetary Fund or the ECB.

The possible decline in the economic situation of the eurozone or China could contribute to a lower demand for Polish export goods. In this scenario, the scale of the economic slowdown in Poland and a worsening situation in the labor market could turn out worse than forecasted, translating into corporate financial results and the financial position of households.

Over-liquidity in international financial markets related to central banks' asset purchase programs meant to stimulate economic growth and curb concerns in the financial markets may lead to significant hikes in raw materials prices and a continuously high inflation rate. The possible dynamic price growth could lead to a lower real household income and reduced consumption, thus making the Monetary Policy Council increase interest rates significantly.

These factors may have an impact of the Group's performance in the coming periods.

## Condensed interim financial statements of the Bank for the first quarter 2012

### Condensed income statement

	First quarter accruals period from 01.01.12 to 31.03.12	First quarter accruals period from 01.01.11 to 31.03.11
<i>PLN '000</i>		
Interest and similar income	527,818	451,040
Interest expense and similar charges	(137,690)	(111,712)
<b>Net interest income</b>	<b>390,128</b>	<b>339,328</b>
Fee and commission income	165,312	166,987
Fee and commission expense	(23,690)	(16,617)
<b>Net fee and commission income</b>	<b>141,622</b>	<b>150,370</b>
Net income on trade financial instruments and revaluation	114,544	88,015
Net gain on debt investment securities	72,929	1,244
Other operating income	12,957	11,091
Other operating expenses	(14,406)	(9,605)
<b>Net other operating income</b>	<b>(1,449)</b>	<b>1,486</b>
General administrative expenses	(390,882)	(322,410)
Depreciation expense	(14,498)	(12,850)
Profit/(loss) on sale of tangible fixed assets	49	2,211
Net impairment losses	(13,435)	(41,896)
<b>Profit before tax</b>	<b>299,008</b>	<b>205,498</b>
Income tax expense	(62,807)	(40,363)
<b>Net profit</b>	<b>236,201</b>	<b>165,135</b>
Weighted average number of ordinary shares (in pcs)	130,659,600	130,659,600
Net earnings per share (in PLN)	<b>1.81</b>	<b>1.26</b>
Diluted net earnings per share (in PLN)	<b>1.81</b>	<b>1.26</b>

### Condensed statement of comprehensive income

	First quarter accruals period from 01.01.12 to 31.03.12	First quarter accruals period from 01.01.11 to 31.03.11
<i>PLN '000</i>		
<b>Net income</b>	<b>236,201</b>	<b>165,135</b>
<b>Other comprehensive income:</b>		
Valuation of financial assets available-for-sale (net)	114,566	(23,954)
<b>Total comprehensive income</b>	<b>350,767</b>	<b>141,181</b>

**Condensed statement of financial position**

	State as at	31.03.2012	31.12.2011
<i>PLN '000</i>			
<b>ASSETS</b>			
Cash and balances with the Central Bank		2,146,126	979,616
Amounts due from banks		1,194,684	548,182
Financial assets held-for-trading		8,212,015	5,801,713
Debt securities available-for-sale		12,070,679	17,625,355
Capital investments		304,819	303,626
Amounts due from customers		13,526,466	14,049,241
Tangible fixed assets		394,023	406,632
Intangible assets		1,302,506	1,290,296
Income tax assets		304,620	318,015
deferred		304,620	318,015
Other assets		220,550	193,676
Fixed assets held-for-sale		25,662	25,662
<b>Total assets</b>		<b>39,702,150</b>	<b>41,542,014</b>
<b>LIABILITIES</b>			
Amounts due to banks		5,064,571	5,543,891
Financial liabilities held-for-trading		4,039,831	4,840,447
Amounts due to customers		23,098,184	24,130,225
Amounts due to debt securities issuance		24,468	25,336
Provisions		81,169	34,857
Income tax liabilities		118,416	72,919
current		118,416	72,919
Other liabilities		569,157	538,752
<b>Total liabilities</b>		<b>32,995,796</b>	<b>35,186,427</b>
<b>EQUITY</b>			
Share capital		522,638	522,638
Share premium		2,944,585	2,944,585
Revaluation reserve		32,081	(82,485)
Other reserves		2,249,555	2,249,555
Retained earnings		957,495	721,294
<b>Total equity</b>		<b>6,706,354</b>	<b>6,355,587</b>
<b>Total liabilities and equity</b>		<b>39,702,150</b>	<b>41,542,014</b>

### Condensed statement of changes in equity

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
<b>Balance as at 1 January 2012</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(82,485)</b>	<b>2,249,555</b>	<b>721,294</b>	<b>6,355,587</b>
Total comprehensive income	-	-	114,566	-	236,201	350,767
<b>Balance as at 31 March 2012</b>	<b>522,638</b>	<b>2,944,585</b>	<b>32,081</b>	<b>2,249,555</b>	<b>957,495</b>	<b>6,706,354</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
<b>Balance as at 1 January 2011</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(44,848)</b>	<b>2,251,691</b>	<b>748,026</b>	<b>6,422,092</b>
Total comprehensive income	-	-	(23,954)	-	165,135	141,181
Valuation of capital rewards program, including:	-	-	-	(2,789)	-	(2,789)
valuation change	-	-	-	(5,900)	-	(5,900)
deferred income tax	-	-	-	3,111	-	3,111
<b>Balance as at 31 March 2011</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(68,802)</b>	<b>2,248,902</b>	<b>913,161</b>	<b>6,560,484</b>

<i>PLN '000</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
<b>Balance as at 1 January 2011</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(44,848)</b>	<b>2,251,691</b>	<b>748,026</b>	<b>6,422,092</b>
Total comprehensive income	-	-	(37,637)	-	721,294	683,657
Valuation of capital rewards program, including:	-	-	-	(2,789)	-	(2,789)
valuation change	-	-	-	(5,900)	-	(5,900)
deferred income tax	-	-	-	3,111	-	3,111
Dividends paid	-	-	-	-	(747,373)	(747,373)
Transfer to capital	-	-	-	653	(653)	-
<b>Balance as at 31 December 2011</b>	<b>522,638</b>	<b>2,944,585</b>	<b>(82,485)</b>	<b>2,249,555</b>	<b>721,294</b>	<b>6,355,587</b>

## Condensed summary statement of cash flows

<i>PLN '000</i>	First quarter accruals period from 01.01.12 to 31.03.12	First quarter accruals period from 01.01.11 to 31.03.11
<b>Cash at the beginning of the reporting period</b>	<b>1,044,107</b>	<b>3,301,549</b>
Cash flows from operating activities	1,165,316	7,466,135
Cash flows from investing activities	(15,397)	(7,885)
Cash flows from financing activities	(17,344)	(11,053)
<b>Cash at the end of the reporting period</b>	<b>2,176,682</b>	<b>10,748,746</b>
<b>Increase / Decrease in net cash</b>	<b>1,132,575</b>	<b>7,447,197</b>

## Condensed additional information

### 1. Declaration of conformity

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting, 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 2011.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 regarding current and periodic information provided by issuers of securities and the requirements for recognition of information required by the law of a non-Member State as equivalent (Official Journal from 2009, No. 33, item 259 with further changes) the Bank is obliged to publish its financial results for the three-month period ended 31 March 2012 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 2012 have been prepared in accordance with the Decree by virtue of which the issuer, being a parent entity, is not obliged to provide separate interim financial statements, on condition that it includes in the consolidated interim financial statements consisting of balance sheet, profit and loss account, statement of changes in equity, cash flow statement and condensed supplementary notes, comprising of information and data significant for the assessment of the issuer's financial standing and its profit or loss, but not presented in the interim consolidated financial statement. In addition, it's required to prepare the condensed interim financial statements in accordance with accounting principles adopted in the preparation process of the annual financial statements.

Principles adopted in the preparation process of these condensed interim consolidated financial statement are consistent with the principles, described in the annual unconsolidated financial statements of the Bank as at 31 December 2011.

Other information and explanations concerning these condensed interim consolidated financial statements for the first quarter 2012 contain also all information and explanatory data essential for these condensed interim financial statements.

The summary of Bank's financial results for the first quarter of 2012 is presented below.

### Bank's financial results

During the first quarter of 2012 the Bank has generated profit before tax of PLN 299 million, which is an increase of a PLN 94 million (44.5%) comparing to the corresponding period of 2011. In the following period the net income amounted PLN 236 million, which means it increased by PLN 71



million (43.0%) in comparison with the corresponding quarter of 2011.

The net profit in first quarter of 2012 was significantly influenced by the increase of financial instruments result (trade financial instrument and revaluation, debt securities) by PLN 98 million (110%), increase in interest and commission income by PLN 42 million (8.6%), decreased net write-downs for impairment of financial assets by PLN 28 million (67.9%), decrease of financial result on other operating income and expenses as well as income on sale of fixed assets by PLN 5 million, rise in banking activity costs and general administrative costs by PLN 70 million (20.9%) due to employment restructure reserve in amount of PLN 42 million and higher income tax burden by PLN 22 million (55.6%).

The consolidated quarter report for the first quarter of 2012 will be available on the website of Bank Handlowy w Warszawie S.A. at [www.citihandlowy.pl](http://www.citihandlowy.pl)

Signature of the Vice Director of  
Financial Reporting and Control Department

Signature of the Vice President of  
Management Board

Date and signature

Date and signature

07.05.2012

07.05.2012

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